

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 29, 1996

OR

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

COMMISSION FILE NUMBER: 0-21660

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

DELAWARE 61-12033
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

11492 BLUEGRASS PARKWAY, SUITE 175
LOUISVILLE, KENTUCKY 40299-2370
(Address of principal executive offices)

(502) 266-5200
(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)
None	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$.01 par value The Nasdaq Stock Market

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

Yes	X	No	----
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Indicate by check mark if disclosure of delinquent filers pursuant to
Item 405 of Regulation S-K 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. [X]

As of March 18, 1997, there were 28,759,997 shares of the Registrant's
Common Stock outstanding. The aggregate market value of the shares of
Registrant's Common Stock held by non-affiliates of the Registrant at such
date was \$513,981,333 based on the last sale price of the Common Stock on
March 18, 1997 as reported by The Nasdaq Stock Market. For purposes of the
foregoing calculation only, all directors and executive officers of the
Registrant have been deemed affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Part III are incorporated by reference to the Registrant's
Proxy Statement for the Annual Meeting of Stockholders to be held May 22, 1997.

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PART I

ITEM 1. BUSINESS

GENERAL

Papa John's International, Inc. (the "Company") operates and franchises pizza delivery and carry-out restaurants under the trademark "Papa John's" in 32 states and the District of Columbia, principally in the Midwest, Mid-Atlantic, South and Southeast. The first Company-owned restaurant opened in 1985 and the first franchised restaurant opened in 1986. At December 29, 1996, there were 1,160 Papa John's restaurants in operation, consisting of 303 Company-owned and 857 franchised restaurants.

STRATEGY

The Company's objective is to become the leading chain of pizza delivery restaurants in each of its targeted markets. To accomplish this objective, the Company has developed a strategy designed to achieve high levels of customer satisfaction and repeat business, as well as to establish recognition and acceptance of the Papa John's concept. The key elements of the Company's strategy include:

Focused, High Quality Menu. Papa John's restaurants offer a focused menu of high quality, value-priced pizza, breadsticks and cheesesticks. Papa John's original crust pizza is prepared using fresh dough (not frozen), real mozzarella cheese, pizza sauce made from fresh-packed tomatoes (not concentrate), a proprietary mix of savory spices and a choice of high quality meat and vegetable toppings in generous portions. Papa John's "Better Thin" pizza was introduced in 1996 in response to customer demand. Papa John's "Better Thin" is made with a prepared crust and the same high quality toppings as the original crust pizza. The Company believes its focused menu creates a strong identity in the marketplace and simplifies operations.

Efficient Operating System. The Company believes that its operating

and distribution systems, restaurant layout and designated delivery areas result in lower operating costs, improved food quality and superior customer service. The Company's commissary system takes advantage of volume purchasing of food and supplies, and provides consistency and efficiencies of scale in 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. Because Papa John's restaurants have a focused menu and specialize in delivery and carry-out services, each employee can concentrate on a well-defined function in preparing and delivering the customer's order.

Commitment to Employee Training and Development. The Company is committed to the development and motivation of its employees through on-going training programs, incentive compensation and opportunities for advancement. Employee training programs for the Company and its franchisees are conducted at 16 regional training centers. The Company offers financial and stock incentives to employees at various levels based on the achievement of performance goals. The Company's growth also provides significant opportunities for advancement. The Company believes these factors create an entrepreneurial spirit throughout the organization, resulting in a positive work environment and motivated, customer-oriented employees.

Targeted, Cost-Effective Marketing. The Company's restaurant-level marketing programs target the delivery area of each restaurant, making extensive use of distinctive print materials in direct mail and store-to-door couponing. Local marketing efforts also include a variety of community-oriented activities with schools, sports teams and other organizations. In markets in which the Company or its franchisees have a significant presence, local marketing efforts are supplemented with radio and television advertising.

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Franchise System. The Company is committed to developing a strong franchise system by attracting experienced operators, expanding in a controlled manner and ensuring that each franchisee adheres to the Company's high standards. The Company seeks to attract franchisees with experience in multi-unit restaurant operations and with the financial resources and management capability to open multiple locations. To ensure consistent food quality, each franchisee is required to purchase dough and spice mix from the Company and all other supplies either from the Company or its approved suppliers. The Company devotes significant resources to provide its franchisees with assistance in employee training, marketing, site selection and restaurant design.

UNIT ECONOMICS

The Company believes its unit economics are exceptional. The 215 Company-owned restaurants that were open throughout the entire 1996 fiscal year generated average sales of \$682,000, average cash flow (operating income plus depreciation) of \$125,000 and average restaurant operating income of \$103,000 (or 15% of average sales). A significant number of these restaurants were operating in newer markets. Sales and profitability in the initial months of operations, particularly in new markets, historically have been lower than for mature restaurants, although recent trends indicate that new markets are opening with higher than historical sales volumes.

The average cash investment for the 66 Company-owned restaurants opened during the 1996 fiscal year, exclusive of land and pre-opening costs, was approximately \$208,000. The Company expects the average cash investment for restaurants to be opened in 1997 to approximate \$240,000, with the increase from 1996 resulting primarily from an increase in the percentage of planned free-standing units in 1997.

EXPANSION

A total of 290 restaurants were opened during 1996, consisting of 66 Company-owned and 224 franchised restaurants. The Company plans to open approximately 70 restaurants in 1997 and anticipates that its franchisees will open approximately 230 restaurants in 1997. Expansion is planned for the East Coast, Southwest and Rocky Mountain regions in

addition to building out existing markets in the Midwest, Mid-Atlantic, South and Southeast. As part of its growth strategy, the Company will continue to consider acquiring restaurants from its franchisees. The Company acquired 22 restaurants from its franchisees during the 1996 fiscal year. See "Note 4 of Notes to Consolidated Financial Statements."

The ability of the Company and its franchisees to open new restaurants is affected by a number of factors, many of which are beyond the control of the Company and its franchisees. These factors include, among other things, selection and availability of suitable restaurant locations, negotiation of suitable lease or financing terms, constraints on permitting and construction of restaurants and the hiring, training and retention of management and other personnel. Accordingly, there can be no assurance that the Company or its franchisees will be able to meet planned growth targets or open restaurants in markets now targeted for expansion.

The Company's expansion strategy is to cluster restaurants in targeted markets, thereby increasing consumer awareness and enabling the Company to take advantage of operational, distribution and advertising efficiencies. The Company's experience in developing markets indicates that market penetration through the opening of multiple restaurants within a particular market results in increased average restaurant sales in that market. To accelerate penetration of larger markets, the Company has co-developed markets with franchisees or divided markets among franchisees, and will continue to utilize market co-development in the future where appropriate. In determining which new markets to develop, the Company considers many factors, including the size of the market, demographics and population trends, competition, and availability and costs of real estate. Before entering a new market, the Company analyzes detailed information of these factors and each market is toured and evaluated by senior management.

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MENU

Papa John's restaurants offer a focused menu of high quality, value-priced pizza, breadsticks and cheesesticks, as well as canned soft drinks. Papa John's original crust pizza is prepared using fresh dough (not frozen). The Company's thin crust pizza, "Better Thin," uses a prepared crust which simplifies store-level operations. All Papa John's pizzas are made from high protein wheat flour, real mozzarella cheese, pizza sauce made with fresh packed tomatoes (not concentrate), a proprietary mix of savory spices and a choice of high quality meat and vegetable toppings in generous portions. Fresh onions and green peppers are purchased from local produce suppliers. Each original crust pizza is served with a container of Papa John's special garlic sauce and two pepperoncinis and each thin crust pizza is served with a container of special seasonings and two pepperoncinis. The Company believes its limited menu helps create a strong identity among consumers and simplifies operations, resulting in lower operating costs, improved food quality and superior customer service.

RESTAURANT DESIGN AND SITE SELECTION

The exterior of most Papa John's restaurants is characterized by backlit awnings, neon window designs and other visible signage. A typical Papa John's restaurant ranges from 1,200 to 1,500 square feet and is designed to facilitate a smooth flow of food orders through the restaurant. The layout includes specific areas for order taking, pizza preparation and routing, resulting in simplified operations, lower training and labor costs, increased efficiency and improved consistency and quality of food products. The typical interior of a Papa John's restaurant has a vibrant red and white color scheme with green striping, and includes a bright menu board, custom counters and carry-out customer area. The counters are designed to allow customers to watch the employees slap out the dough and put sauce and toppings on pizzas.

The Company considers the location of a restaurant to be important and therefore devotes significant resources to the investigation and evaluation of potential sites. The site selection process focuses on trade area demographics, target population density, household income

levels and competitive factors. Management inspects each potential Company-owned or franchised restaurant location and the surrounding market before a site is approved. Papa John's restaurants are typically located in strip shopping centers or free-standing buildings that provide visibility, curb appeal and accessibility. The Company's restaurant design may be configured to fit a wide variety of building shapes and sizes, thereby increasing the number of suitable locations for Papa John's restaurants.

Since 1994, the Company has opened a greater number of free-standing restaurants. The Company seeks either existing buildings suitable for conversion, or locations suitable for the construction of its prototype restaurant. Free-standing buildings generally provide more signage and better visibility, accessibility and parking. The Company believes that these locations improve Papa John's image and brand awareness and expects that free-standing and prototype units will approximate 15-20% of total Company-owned restaurants.

COMMISSARY SYSTEM; PURCHASING

The Company's commissary system supplies pizza dough, food products, paper products, smallwares and cleaning supplies twice weekly to each restaurant in the system. This commissary system enables the Company to closely monitor and control product quality and consistency, while lowering food costs. The Company opened a distribution facility in Dallas, Texas in the first quarter of 1996 and a full-service commissary in Denver, Colorado in the second quarter of 1996. In the first quarter of 1997, the Company opened a distribution center in Phoenix, Arizona and a full-service commissary in Rotterdam, New York to support restaurant expansion plans. A full-service commissary in Des Moines, Iowa is planned for mid-1997. The Company's other full-service commissaries are in Orlando, Florida; Louisville, Kentucky; Raleigh, North Carolina; and Jackson, Mississippi.

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The Company sets quality standards for all products used in Papa John's restaurants and designates approved outside suppliers of food and paper products which must meet the Company's quality standards. In order to ensure product quality and consistency, all Papa John's restaurants are required to purchase proprietary spice mix and dough from the Company's commissaries. Franchisees may purchase other goods directly from approved suppliers or the Company's commissaries. The Company has negotiated national purchasing agreements with most of its suppliers. These agreements result in volume discounts to the Company, allowing it to sell the products to franchisees at prices below those which franchisees can normally obtain independently. Products are distributed to restaurants by refrigerated trucks leased and operated by the Company or transported by common carrier.

All of the equipment, counters and smallwares needed to open a Papa John's restaurant are available for purchase through the Company. The Company also provides layout and design services and recommends subcontractors, signage installers and telephone systems to its franchisees. Although not required to do so, substantially all of the Company's franchisees purchase most of their equipment from the Company.

MARKETING PROGRAMS

The Company's restaurant-level marketing programs target the delivery area of each restaurant, making extensive use of distinctive print materials in direct mail and store-to-door couponing. The local marketing efforts also include a variety of community-oriented activities with schools, sports teams and other organizations. Where appropriate, the Company supplements local marketing efforts with radio and television advertising.

In addition to extensive local store marketing, all Company-owned and franchised Papa John's restaurants within a co-developed market are required to join an advertising cooperative ("Co-op"). Each member restaurant contributes a percentage of sales to the Co-op for market-wide programs, such as radio, television and billboards. The rate of contribution and uses of the monies collected is determined by a majority vote of the Co-op's members. The restaurant-level and Co-op marketing efforts are supported by print and electronic advertising materials that are produced by the Papa John's Marketing

Fund, Inc., a non-profit corporation (the "Marketing Fund"), for use by both the Company and its franchisees. The required Marketing Fund contribution can be up to 1.5% of sales, as established from time to time by the governing board of the Marketing Fund (currently .5%). The required contribution can be increased above 1.5% only upon approval of not less than 60% of Marketing Fund members.

The Company also provides both Company-owned and franchised restaurants with catalogs for uniforms and promotional items and pre-approved, print marketing materials. These items can be ordered through toll-free "800" numbers.

COMPANY OPERATIONS

Restaurant Personnel. A typical Papa John's restaurant employs a restaurant manager, two assistant managers and approximately 20 hourly employees, most of whom work part-time. The manager is responsible for the day-to-day operation of the restaurant and for the maintenance of Company-established operating standards. The Company seeks to hire experienced restaurant managers and staff and motivate and retain them by providing opportunities for advancement and performance-based, financial and stock incentives. The Company has a relatively low managerial turnover rate which it believes results in decreased training costs and higher productivity.

The Company employs area supervisors, each of whom has responsibility for overseeing three to five Company-owned restaurants. The Company also employs regional vice presidents and district managers who oversee area supervisors and managers within their respective markets. These employees are also eligible to earn performance-based financial and stock incentives.

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Training. The Company has 54 employees dedicated to training and new restaurant openings, including a full-time coordinator in each of its markets. The Company provides an on-site training team three days before and three days after the opening of each Company-owned restaurant. Each regional vice president, district manager, area supervisor and restaurant manager is required to complete the Company's two-week training program in which instruction is given on all aspects of the Company's systems and operations. The program includes classroom instruction and hands-on training at an operating Papa John's restaurant. The programs are conducted at the Company's 16 regional training centers located within operating Company-owned restaurants. The Company's training also includes an education and safety program for its delivery drivers.

Point of Sale Technology. Point of sale technology was in place in all Company-owned restaurants and 641 franchised restaurants at the end of 1996. The Company believes this technology increases speed and accuracy in order taking and pricing, reduces paper work and allows the restaurant manager to better monitor and control food and labor costs. All Company-owned stores are using a proprietary point of sale system, The Papa John's PROFIT System, which will also be installed in substantially all franchised restaurants by the end of 1998. The Company believes the PROFIT System will further enhance restaurant-level marketing capabilities through the development of a data base containing information on customers and their buying habits with respect to the Company's products. Polling capabilities will allow the Company to obtain current restaurant operating information, thereby improving the speed, accuracy and efficiency of restaurant-level reporting.

Reporting. Managers at Company-owned restaurants prepare daily reports of sales, cash deposits and operating costs. Physical inventories of all food and beverage items are taken weekly. The Company's area supervisors prepare weekly profit and loss statements for each of the restaurants under their supervision. The Company's Chief Operating Officer meets on a monthly basis with regional vice presidents, district managers and area supervisors to discuss restaurant sales and operations, personnel needs and product quality.

Hours of Operations. Papa John's 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.

FRANCHISE PROGRAM

General. The Company continues to attract many franchisees with significant restaurant experience. The Company considers its franchisees to be a vital part of the system's continued growth and believes its relationship with its franchisees is excellent. At December 29, 1996, there were 857 franchised restaurants operating in 32 states and the Company has development agreements for approximately 675 additional franchised restaurants committed to open through 2000. There can be no assurance that all of these restaurants will be opened or that the development schedule set forth in the development agreements will be achieved. During the 1996 fiscal year, 224 franchised restaurants were opened.

Approval. Franchisees are approved on the basis of the applicant's business background, restaurant operating experience and financial resources. The Company generally seeks franchisees who will enter into development agreements for multiple restaurants. The Company seeks franchisees that have restaurant experience or, in the case of franchisees who do not have restaurant experience, the Company requires the franchisee to hire a full-time operator who has either an equity interest or the right to acquire an equity interest in the franchise operation.

Development and Franchise Agreements. The Company enters into development agreements with its franchisees for the opening of a specified number of restaurants over a defined period of time within a specified geographic area. Under the Company's current standard development agreement, the franchisee is required to pay, at the time of signing the agreement, a non-refundable fee of \$5,000 per restaurant covered by the development

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agreement. This amount is credited against the standard \$20,000 franchise fee payable to the Company upon signing the franchise agreement for a specific location. Generally, a franchise agreement is executed when a franchisee secures a location.

The Company's current standard franchise agreement provides for a term of 10 years (with one five-year renewal option) and payment to the Company of a royalty fee of 4% of sales. The current standard franchise agreement, as well as substantially all existing franchise agreements, permit the Company to increase the royalty fee up to 5% of sales after the agreement has been in effect for five years. However, the royalty fee cannot be increased to an amount greater than the percentage royalty fee then in effect for new franchisees.

The Company has the right to terminate any franchise agreement for a variety of reasons, including a franchisee's failure to make payments when due or failure to adhere to the Company's policies and standards. Many state franchise laws limit the ability of a franchisor to terminate or refuse to renew a franchise.

The Company considers, and has entered into, development and franchise agreements for non-traditional restaurant units. These agreements generally cover areas not originally targeted for development and have terms differing from the standard agreement. The Company does not believe these contracts have a significant impact on revenues or profits.

Franchise Restaurant Development. The Company furnishes each franchisee with assistance in selecting sites and developing restaurants and the physical specifications for typical restaurants. Each franchisee is responsible for selecting the location for its restaurants but must obtain Company approval of restaurant design and location based on accessibility and visibility of the site and targeted demographic factors, including population, density, income, age and traffic. The Company provides design plans, counters and equipment for most franchisee locations at competitive prices.

Franchisee Loan Program. At the beginning of the second quarter of 1996, the Company established a program under which selected franchisees developing ten or more Papa John's restaurants may borrow funds for use in the construction and development of their restaurants. Under the program, loans will typically bear interest at fixed or floating rates (ranging from 5.5% to 9.25% at December 29, 1996), and will be secured by the fixtures, equipment and signage (and where applicable, the land) of each restaurant and the ownership interests in the

franchisee. In some instances, the Company may obtain a purchase option with respect to the financed restaurants. A franchisee utilizing the loan program must open at least 20% of the restaurants covered by the franchisee's development agreement with its own equity capital prior to receiving funds from the Company under the program.

Franchise Training and Support. Every franchisee is required to have a principal operator approved by the Company who satisfactorily completes the Company's two-week training program and who devotes his or her full business time and efforts to the operation of the franchisee's restaurants. Each franchised restaurant manager is also required to complete the Company's two-week training program. The Company provides an on-site training crew three days before and three days after the opening of a franchisee's first two restaurants and ongoing supervision thereafter. Multi-unit franchisees are encouraged to hire a full-time training coordinator to train new employees for their restaurants. The Company's franchise consultants, reporting to the Vice President of Franchise Operations, maintain open communication with the franchise community, relaying operating and marketing information and new ideas between the Company and franchisees.

Franchise Operations. All franchisees are required to operate their Papa John's restaurants in compliance with the Company's policies, standards and specifications, including matters such as menu items, ingredients, materials, supplies, services, fixtures, furnishings, decor and signs. Each franchisee has full discretion to determine the prices to be charged to its customers.

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Franchise Advisory Board. The Company has established a Franchise Advisory Board that consists of Company and franchisee representatives. The Advisory Board holds quarterly meetings to discuss new marketing ideas, operations, growth and other relevant issues.

Reporting. The Company collects weekly and monthly sales and other operating information from its franchisees. The Company has agreements with most of its franchisees permitting the Company to electronically debit the franchisees' bank accounts for the payment of royalties, Marketing Fund contributions and purchases of commissary products from the Company. This system significantly reduces the resources needed to process receivables, improves cash flow and virtually eliminates past-due accounts related to these items. Franchisees generally are required to purchase and install the Papa John's PROFIT System in their restaurants. See "Company Operations Point of Sale Technology."

COMPETITION

The restaurant industry is intensely competitive with respect to price, service, location and food quality, and there are many well established competitors with substantially greater financial and other resources than the Company. Competitors include a large number of national and regional restaurant chains, as well as local pizza operators. Some of the Company's competitors have been in existence for a substantially longer period than the Company and may be better established in the markets where the Company's restaurants are, or may be, located. Within the pizza segment of the restaurant industry, the Company believes that its primary competitors are the national pizza chains, including Pizza Hut, Domino's and Little Caesars. A change in the pricing or other marketing strategies of one or more of these competitors could have an adverse impact on the Company's sales and earnings.

The restaurant business is often affected by changes in consumer tastes, national, regional or local economic conditions, demographic trends, traffic patterns and the type, number and location of competing restaurants. In addition, factors such as inflation, increased food, labor and benefits costs and the lack of experienced management and hourly employees may adversely affect the restaurant industry in general and the Company's restaurants in particular.

With respect to the sale of franchises, the Company competes with many franchisors of restaurants and other business concepts. In general, there is also active competition for management personnel, capital and attractive commercial real estate sites suitable for Papa John's restaurants.

GOVERNMENT REGULATION

The Company and its franchisees are subject to various federal, state and local laws affecting the operation of their respective businesses. Each Papa John's restaurant is subject to licensing and regulation by a number of governmental authorities, which include 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 can delay or prevent the opening of a new restaurant in a particular area. The Company's commissary and distribution facilities are licensed and subject to regulation by state and local health and fire codes, and the operation of its trucks is subject to Department of Transportation regulations. The Company is also subject to federal and state environmental regulations.

The Company is subject to Federal Trade Commission ("FTC") regulation and various state laws regulating the offer and sale of franchises. Several state laws also regulate substantive aspects of the franchisor-franchisee relationship. The FTC requires the Company to furnish to prospective franchisees a franchise offering circular containing prescribed information. A number of states in which the Company might consider franchising also regulate the sale of franchises and require registration of the franchise offering circular with state authorities.

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Substantive state laws that regulate the franchisor-franchisee relationship presently exist in a substantial number of states, and bills have been introduced in Congress from time to time (some of which are now pending) which would provide for federal registration of the franchisor-franchisee relationship in certain respects. The 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.

Papa John's restaurant operations are also subject to federal and state laws governing such matters as wages, working conditions, citizenship requirements and overtime. A significant number of the Company's hourly personnel are paid at rates related to the federal minimum wage. In 1996, pursuant to the Fair Labor Standards Act, the federal minimum wage was increased to \$4.75 and will be further increased to \$5.15 in 1997. The Company does not believe that these increases will significantly impact 1997 or future years' operating results. Further government initiatives, if enacted, including a proposed system of mandated health insurance, could adversely affect the Company and its franchisees as well as the restaurant industry in general. The Company is also subject to the Americans With Disabilities Act of 1990, which, among other things, may require certain minor renovations to its restaurants to meet federally-mandated requirements. The cost of these renovations is not expected to be material to the Company.

TRADEMARKS

The Company's rights in its trademarks and service marks are a significant part of its business. The Company is the owner of the federal registration of the trademark "Papa John's." The Company has also registered "Pizza Papa John's" and design as a trademark and a service mark. The Company owns federal registrations for the marks "Pizza Papa John's Delivering the Perfect Pizza!" and design, "Call your Papa", "Perfect Pizza Perfect Price", "Delivering the Perfect Pizza!" and "Pizza Papa John's Print Network."

The Company has applied for the registration of "Better Ingredients. Better Pizza." and "Perfect Original" and design as trademarks and service marks. The Company is aware of the use by other persons in certain geographic areas of names and marks which are the same as or similar to the Company's marks. It is the Company's policy to pursue registration of its marks whenever possible and to vigorously oppose any infringement of its marks.

EMPLOYEES

As of December 29, 1996, the Company employed 9,544 persons, of whom approximately 8,277 were restaurant employees, 398 were restaurant management and supervisory personnel, 354 were corporate personnel and 515 were commissary and support services personnel. Most restaurant employees work part-time and are paid on an hourly basis. None of the Company's employees is covered by a collective bargaining agreement. The Company considers its employee relations to be excellent.

FORWARD LOOKING STATEMENTS

This Form 10-K contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), including information within Management's Discussion and Analysis. The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act. Although the Company believes that its expectations are based on reasonable assumptions, actual results may differ materially from those in the forwarding looking statements as a result of various factors, including but not limited to, the following:

1. The ability of the Company and its franchisees to continue to expand through the opening of new restaurants is affected by a number of factors, many of which are beyond the control of the Company and its

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franchisees. These factors include, among other things, selection and availability of suitable restaurant locations, negotiation of suitable lease or financing terms, constraints on permitting and construction of other restaurants, higher than anticipated construction costs, and the hiring, training and retention of management and other personnel. Accordingly, there can be no assurance that the Company or its franchisees will be able to meet planned growth targets or open restaurants in markets now targeted for expansion.

2. The restaurant industry is intensely competitive with respect to price, service, location and food quality, and there are many well established competitors with substantially greater financial and other resources than the Company and its franchisees. Some of these competitors have been in existence for a substantially longer period than the Company or its franchisees and may be better established in the markets where restaurants operated by the Company or its franchisees are, or may be, located. A change in the pricing or other marketing or promotional strategies of one or more of the Company's major competitors could have an adverse impact on sales and earnings at restaurants operated by the Company and its franchisees.

3. Changes in consumer taste, demographic trends, traffic patterns and the type, number and location of competing restaurants as well as increased food and other costs could adversely affect the Company's restaurant business.

4. The Company's restaurant operations are subject to federal and state laws governing such matters as wages, working conditions, citizenship requirements and overtime. A significant number of hourly personnel employed by the Company and its franchisees are paid at rates related to the federal minimum wage. Accordingly, further increases in the minimum wage will increase labor costs for the Company and its franchisees.

ITEM 2. PROPERTIES

At December 29, 1996, the Company and its franchisees operated 1,160 Papa John's restaurants.

COMPANY-OWNED RESTAURANTS

	NUMBER OF RESTAURANTS

Colorado	8
Washington, D.C.	3

Florida	38
Georgia	53
Illinois	1
Indiana	25
Kentucky	27
Maryland	38
Missouri	12
North Carolina	22
South Carolina	2
Tennessee	26
Texas	36
Virginia	12

Total Company-owned Restaurants . .	303
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FRANCHISED RESTAURANTS

	NUMBER OF RESTAURANTS

Alabama	36
Arkansas	11
Colorado	6
Connecticut	1
Florida	113
Georgia	36
Illinois	41
Indiana	58
Iowa	6
Kansas	5
Kentucky	43
Louisiana	24
Maryland	9
Michigan	14
Minnesota	15
Mississippi	13
Missouri	19
Nebraska	3
New Jersey	5
New York	1
North Carolina	40
Ohio	121
Oklahoma	7
Pennsylvania	24
South Carolina	26
Tennessee	36
Texas	58
Utah	1
Virginia	56
West Virginia	14
Wisconsin	14
Wyoming	1

Total Franchised Restaurants . . .	857
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Most Papa John's restaurants are located in leased space. The initial term of most restaurant leases is five years or less with most leases providing for one or more options to renew for at least one additional term. Virtually all of the Company's leases specify a fixed annual rent. Generally, the leases are triple net leases which require the Company to pay all or a portion of the cost of insurance, taxes and utilities. Certain leases further provide that the lease payments may be increased annually based on changes in the Consumer Price Index.

Information with respect to the Company's leased commissaries and other facilities is set out below.

Facility -----	Square Footage -----
Louisville, KY Corporate Headquarters	31,000
Louisville, KY Commissary	35,000
Jackson, MS Commissary	30,000
Raleigh, NC Commissary	23,000
Dallas, TX Distribution Center	12,000
Denver, CO Commissary	21,000
Phoenix, AZ Distribution Center	26,000
Des Moines, IA Commissary	31,000
Rotterdam, NY Commissary	40,000

In addition, the Company owns approximately five acres in Orlando on which it constructed a 63,000 square foot full-service commissary to replace its former Orlando dough production facility. The Company believes that it will continue to need additional office and commissary space.

The Company owns approximately 37 acres in Louisville, Kentucky, and has built a 40,000 square foot building on the land consolidating its printing and promotional operations. The Company plans to begin construction of an additional facility on the land in 1997 of approximately 250,000 square feet, approximately 50% of which will accommodate relocation and expansion of the Louisville commissary operation and Novel Approach promotional division and the remainder of which will accommodate relocation and consolidation of corporate offices. The facility is scheduled for completion in mid-1998.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to claims and legal actions in the ordinary course of its business. The Company believes that all such claims and actions currently pending against it are either adequately covered by insurance or would not have a material adverse effect on the Company if decided in a manner unfavorable to the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the current executive officers of the Company, together with their ages, their positions with the Company and the year in which they first became an officer of the Company:

Name ----	Age ---	Position -----	First Elected Executive Officer -----
John H. Schnatter	35	Founder, Chairman and Chief Executive Officer	1985
Charles W. Schnatter	34	Senior Vice President, General Counsel and Secretary	1991
Blaine E. Hurst	40	President	1995
E. Drucilla Milby	43	Chief Financial Officer and Treasurer	1991
Wade S. Oney	36	Chief Operating Officer	1995
Robert J. Wadell	41	President - PJ Food Service, Inc.	1990

Richard J. Emmett	41	Senior Vice President - Development	1992
J. David Flanery	40	Vice President and Corporate Controller	1994
Syl J. Sosnowski	55	Vice President Marketing and Support Services	1995

John Schnatter created the Papa John's concept and founded the Company in 1985. He has served as Chairman of the Board and Chief Executive Officer since 1990, and from 1985 to 1990, served as President. John Schnatter has also been a franchisee of the Company since 1986.

Charles Schnatter has served as General Counsel and Secretary since 1991 and has been a Senior Vice President of the Company since 1993. From 1988 to 1991, he was an attorney with Greenebaum Doll & McDonald PLLC, Louisville, Kentucky, a law firm which provides legal services to the Company. Charles Schnatter has been a franchisee of the Company since 1989.

Blaine Hurst has served as President since October 1996 and from October 1995 to October 1996 served as Chief Information Officer after having joined the Company in January 1995 as Vice President of Information Systems. From 1993 to 1995, Mr. Hurst was Vice President of Information Systems for Boston Chicken, Inc. From 1989 to 1993, Mr. Hurst was a consulting partner with Ernst & Young LLP. Mr. Hurst has been a franchisee of the Company since 1996.

Dru Milby was appointed Chief Financial Officer in October 1995 and has served as Treasurer since 1993. Ms. Milby was the Company's Vice President Finance from 1991 to 1995. From 1990 to 1991, Ms. Milby was Director of Financial Planning for American Air Filter. From 1987 to 1990, Ms. Milby was Manager of Financial Reporting and Systems Support for KFC International, the operator and franchisor of KFC restaurants. From 1983 to 1987, Ms. Milby held various positions with KFC International and KFC USA in the areas of general accounting, financial reporting and financial systems. Ms. Milby is a licensed Certified Public Accountant and Certified Management Accountant.

Wade Oney was appointed Chief Operating Officer in April 1995. From 1992 to 1995, Mr. Oney served as the Company's Regional Vice President of Southeast Operations. From 1989 to 1992, Mr. Oney held various

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positions with Domino's Pizza, Inc. as follows: from 1991 to 1992, Senior Vice President, Northeast; from 1990 to 1991 Senior Vice President, Product Implementation; and from 1989 to 1990, Vice President of Operations. Mr. Oney has been a franchisee of the Company since 1993.

Robert Wadell was appointed President of PJ Food Service, Inc. in October 1995 after having served as Vice President of Commissary Operations from 1990 to 1995. From 1988 to 1990, Mr. Wadell was employed with Mr. Gatti's in the position of Regional Franchise Director, responsible for overseeing the operations of 65 franchised restaurants in an eight-state area. From 1983 to 1988, Mr. Wadell was an Area Supervisor for Mr. Gatti's, and from 1979 to 1983, was a store operator for Mr. Gatti's.

Richard Emmett has been Senior Vice President Development since August 1996. From 1992 to 1996, Mr. Emmett was Vice President and Senior Counsel. From 1983 to 1992, Mr. Emmett was an attorney with the law firm of Greenebaum Doll & McDonald PLLC, having become a partner of such firm in 1989. Mr. Emmett has been a franchisee of the Company since 1992.

David Flanery has served as Vice President since July 1995 after having joined the Company in 1994 as Corporate Controller. From 1979 to 1994, Mr. Flanery was with Ernst & Young LLP in a variety of positions, most recently as Senior Audit Manager. Mr. Flanery is a licensed Certified Public Accountant.

Syl Sosnowski joined the Company in August 1995 and became Vice President of Marketing in October 1995. From 1990 to 1995, Mr. Sosnowski served as Vice President of Marketing and Sales for Carvel Corporation.

John and Charles Schnatter are brothers. There are no other family relationships among the Company's executive officers and other key personnel.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol PZZA. At March 18, 1997, there were approximately 568 record holders of common stock. The following table sets forth for the quarters indicated the high and low sale prices of the Company's common stock, as reported by The Nasdaq Stock Market. All sale prices have been adjusted to reflect a 3-for-2 stock split to stockholders of record on March 12, 1996, and an additional 3-for-2 stock split to stockholders of record on November 8, 1996. Each stock split was effected in the form of a 50% stock dividend.

1996	HIGH	LOW
First Quarter	\$ 29.83	\$ 16.80
Second Quarter	35.33	25.67
Third Quarter	35.00	26.00
Fourth Quarter	37.33	29.50

1995	HIGH	LOW
First Quarter	\$ 14.89	\$ 12.00
Second Quarter	17.00	13.89
Third Quarter	22.22	15.22
Fourth Quarter	21.17	15.78

Since its initial public offering of common stock in June 1993, the Company has not paid dividends on its common stock, and has no plans to do so in the foreseeable future.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial data presented below for each of the years in the five year period ended December 29, 1996 was derived from the audited consolidated financial statements of the Company. The selected financial data 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.

(In thousands, except per share data)

	Year Ended (1)				
	Dec.29, 1996	Dec.31, 1995	Dec.25, 1994	Dec.26, 1993	Dec.27, 1992
System-wide Sales					
Company-owned	\$167,982	\$111,747	\$ 66,267	\$ 32,505	\$ 20,033
Franchised	451,214	347,003	231,343	133,846	62,025
Total	\$619,196	\$458,750	\$297,610	\$166,351	\$ 82,058

Income Statement Data

Revenues:

Restaurant sales	\$167,982	\$111,747	\$ 66,267	\$ 32,505	\$ 20,033
Franchise royalties	17,827	13,561	9,163	5,290	2,481
Franchise and development fees	4,286	3,508	3,274	2,379	1,374
Commissary sales	142,998	105,874	67,515	41,013	20,684
Equipment and other sales	26,959	18,665	15,316	8,046	5,056

Total revenues	360,052	253,355	161,535	89,233	49,628
Operating income (2)	25,629	15,819	10,064	6,221	3,999
Other income (expense)	3,917	1,910	1,318	247	(14)

Income before income taxes(2)	29,546	17,729	11,382	6,468	3,985
Income tax expense(2)	10,932	6,525	4,182	2,393	1,475

Net income(2)	\$ 18,614	\$ 11,204	\$ 7,200	\$ 4,075	\$ 2,510
=====					
Net income per share(2) (3)	\$.66	\$.45	\$.31	\$.20	\$.13
=====					
Weighted average shares outstanding(3)	28,010	25,139	23,525	20,191	18,788
=====					
Balance Sheet Data					
Total assets	\$212,061	\$128,819	\$ 76,173	\$ 27,789	\$ 7,852
Long-term debt	1,680	2,510	1,279	-	1,161
Stockholders' equity	180,643	106,282	62,609	19,269	2,418

(1) The Company operates on a 52-53 week fiscal year ending on the last Sunday of December of each year. The 1995 fiscal year consisted of 53 weeks and the 1996, 1994, 1993 and 1992 fiscal years consisted of 52 weeks.

(2) Information for 1993 and 1992 reflects pro forma adjustments assuming that the Company had been treated as a C Corporation rather than an S Corporation for income tax purposes, with assumed combined federal, state and local effective income tax rates aggregating 37%, and the Company's compensation program for the top three executive officers that was adopted during 1993 had been in effect for both years which would have reduced compensation expense by \$154,000 for 1993 and \$837,000 for 1992.

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(3) Adjusted to reflect 3-for-2 stock splits effected in the form of a 50% stock dividend to stockholders of record on March 12, 1996 and November 8, 1996.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

Papa John's International, Inc. (the "Company") began operations in 1985 with the opening of the first Papa John's restaurant in Jeffersonville, Indiana. At December 29, 1996, there were 1,160 Papa John's restaurants in operation, consisting of 303 Company-owned and 857 franchised restaurants. The Company's revenues are principally derived from sales by Company-owned restaurants, franchise royalties, franchise and development fees, sales of food and paper products to franchisees, sales of restaurant equipment and printing and promotional items principally to franchisees and information systems sales and related services provided to franchisees.

The Company intends to continue to expand the number of Company-owned and franchised restaurants. The Company's expansion strategy is to cluster restaurants in targeted markets, thereby increasing consumer awareness and enabling the Company to take advantage of operational, distribution and advertising efficiencies. The Company believes that its expansion strategy has contributed to increases in comparable annual sales for Company-owned restaurants of 11.9% in 1996, 9.0% in 1995 and 13.8% in 1994. The Company anticipates that future comparable sales increases, if any, will be at a lesser rate than in recent

periods. Average sales for Company-owned restaurants open a full year increased to \$682,000 for 1996 from \$657,000 for 1995. This increase is attributable to continuing strong sales of maturing stores and to the fact that several new markets were entered in 1994, with generally lower sales volumes throughout 1995 as those markets were built out. Average sales volumes in new markets are generally lower than in those markets in which the Company has established a significant market position, although recent trends indicate that new markets are opening with stronger than historical sales volumes.

Approximately 47% of the Company's revenues for 1996 and 49% for 1995 were derived from the sale to franchisees of food and paper products, restaurant equipment, printing and promotional items and information systems equipment and software and related services by the Company, its commissary subsidiary, PJ Food Service, Inc., and the Company's support services subsidiary, Printing & Promotions, Inc. The Company believes that, in addition to supporting both Company and franchised growth, these subsidiaries contribute to product quality and consistency throughout the Papa John's system.

The Company continually strives to obtain high quality sites with greater access and visibility, and to enhance the appearance and quality of its restaurants. The Company believes that these factors improve Papa John's image and brand awareness. During 1995 and 1996, the Company pursued a greater number of free-standing locations and expects to continue this strategy in 1997.

The average cash investment for the 66 Company-owned restaurants opened during 1996, exclusive of land and pre-opening costs, increased to approximately \$208,000 from \$205,000 for the 61 units opened in 1995. This increase was primarily due to higher average costs of free-standing units and increased signage and leasehold improvement costs. The Company expects the average cash investment for restaurants opening in 1997 to approximate \$240,000, although there can be no assurance that actual costs will not exceed this amount. The primary reason for the projected increase in average cash investment for 1997 restaurant openings is an increase in the percentage of planned free-standing units in 1997.

Pre-opening costs are capitalized and amortized on a straight-line basis over a period of one year from the opening date of the restaurant or commissary facility. The Company does not expect the adoption of proposed

new accounting guidance requiring that pre-opening costs be expensed as incurred to significantly impact future operating income due to the relative consistency of new facility openings and length of the current amortization period. The Company defers certain costs incurred in connection with the development of its information systems and amortizes such costs over periods of up to five years from the date of completion.

The Company's fiscal year ends on the last Sunday in December of each year. The 1996 and 1994 fiscal years consisted of 52 weeks and the 1995 fiscal year consisted of 53 weeks.

The Board of Directors approved a 3-for-2 stock split in February 1996 and an additional 3-for-2 stock split in October 1996, each of which was effected in the form of a 50% stock dividend. All share data included in this Annual Report have been restated to reflect these stock splits.

RESULTS OF OPERATIONS

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:

Year Ended		
Dec.29, 1996	Dec.31, 1995	Dec.25, 1994

Income Statement Data:

Revenues:

Restaurant sales	46.7%	44.1%	41.0%
Franchise royalties	4.9	5.3	5.7
Franchise and development fees	1.2	1.4	2.0
Commissary sales	39.7	41.8	41.8
Equipment and other sales	7.5	7.4	9.5
Total revenues	100.0	100.0	100.0
Costs and expenses:			
Restaurant cost of sales(1)	28.0	28.4	28.8
Restaurant operating expenses(1)	54.9	54.8	56.5
Commissary, equipment and other expenses(2)	91.1	93.1	93.7
General and administrative expenses	7.4	7.9	7.6
Depreciation and amortization	3.8	3.4	3.2
Total costs and expenses	92.9	93.8	93.8
Operating income	7.1	6.2	6.2
Other income:			
Investment income	1.0	0.7	0.7
Other	0.1	0.1	0.1
Income before income taxes	8.2	7.0	7.0
Income tax expense	3.0	2.6	2.5
Net income	5.2%	4.4%	4.5%

(1) As a percentage of Restaurant sales.

(2) As a percentage of Commissary sales and Equipment and other sales on a combined basis.

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	Year Ended		
	Dec.29, 1996	Dec.31, 1995	Dec.25, 1994
Restaurant Data:			
Percentage increase in comparable Company-owned restaurant sales(3)	11.9%	9.0%	13.8%
Average sales for Company-owned restaurants open full year	\$ 682,000	\$ 657,000	\$ 663,000
Number of Company-owned restaurants:			
Beginning of period	217	133	76
Opened	66	61	53
Closed	(2)	-	-
Acquired(4)	22	23	4
End of period	303	217	133
Number of franchised restaurants:			
Beginning of period	661	499	324
Opened	224	190	180
Closed	(6)	(5)	(1)
Sold to Company (4)	(22)	(23)	(4)
End of period	857	661	499
Total restaurants - end of period	1,160	878	632

(3) Includes only Company-owned restaurants open throughout the periods being compared.

(4) The number for 1994 is reduced by one restaurant sold by the Company to a franchisee.

1996 COMPARED TO 1995

Revenues. Total revenues increased 42.1% to \$360.1 million in 1996, from \$253.4 million in 1995.

Restaurant sales increased 50.3% to \$168.0 million in 1996, from \$111.7 million in 1995. This increase was primarily due to a 44.3% increase in the number of equivalent Company-owned restaurants open during 1996 as compared to 1995. "Equivalent restaurants" represents the number of restaurants open at the beginning of a given period, adjusted for restaurants opened or acquired during the period on a weighted average basis. Also, comparable sales increased 11.9% in 1996 over 1995, for Company-owned restaurants open throughout both years.

Franchise royalties increased 31.5% to \$17.8 million in 1996, from \$13.6 million in 1995. This increase was primarily due to a 30.1% increase in the number of equivalent franchised restaurants open during 1996 as compared to 1995. Also, comparable sales increased 5.9% in 1996 over 1995, for franchised restaurants open throughout both years.

Franchise and development fees increased 22.2% to \$4.3 million in 1996, from \$3.5 million in 1995. This increase was primarily due to the 224 franchised restaurants opened during 1996, as compared to 190 opened during 1995, an increase of 17.9%, and an increasing number of franchise renewals.

Commissary sales increased 35.1% to \$143.0 million in 1996, from \$105.9 million in 1995. This increase was primarily due to the increases in equivalent franchised restaurants and

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comparable sales for franchised restaurants noted above. Additionally, sales for the Orlando commissary increased in 1996 as compared to 1995 due to its conversion from a dough production facility to a full-service commissary and distribution center beginning in August 1995.

Equipment and other sales increased 44.4% to \$27.0 million in 1996, from \$18.7 million in 1995. This increase was primarily due to the increase in equivalent franchised restaurants open during 1996 as compared to 1995, the increase in franchised restaurants opened during 1996 as compared to 1995 and the increased installations of point of sale technology (the Papa John's PROFIT System) in franchised restaurants during 1996 as compared to 1995.

Costs and Expenses. Restaurant cost of sales, which consists of food, beverage and paper costs, decreased as a percentage of restaurants sales to 28.0% in 1996, from 28.4% in 1995. The primary reason for the decrease is attributable to increased efficiencies at both mature and newly-opened stores, offset somewhat by higher average cheese prices for the year.

Restaurant salaries and benefits (26.7% in 1996 and 26.8% in 1995) and occupancy costs (5.1% in 1996 and 5.3% in 1995) decreased slightly as a percentage of restaurant sales primarily as a result of efficiencies related to strong restaurant sales and a generally maturing restaurant base.

Restaurant advertising and related costs increased as a percentage of restaurant sales to 9.6% in 1996, from 9.4% in 1995. The increase was primarily driven by fourth quarter advertising campaigns related to the rollout of the new Papa John's "Better Thin" product to all markets.

Other restaurant operating expenses increased as a percentage of restaurant sales to 13.6% for 1996, from 13.3% for 1995. Other operating expenses include all other restaurant-level operating costs, the material components of which are automobile mileage reimbursement for delivery drivers, telephone costs, training costs and workers compensation insurance. Other operating expenses also include an allocation of commissary operating expenses equal to 3% of Company-owned restaurant sales in order to assess a portion of the costs of dough production and food and equipment purchasing and storage to Company-owned restaurants. The increase in other restaurant operating expenses was primarily due to an increased emphasis on managerial training programs throughout Company-owned restaurants during 1996.

Commissary, equipment and other expenses include cost of sales and operating expenses associated with sales of food, paper, equipment, information systems and printing and promotional items to franchisees and

other customers. These costs decreased as a percentage of combined commissary sales and equipment and other sales to 91.1% in 1996, from 93.1% in 1995. This improvement was primarily due to volume related operating efficiencies in the commissaries.

General and administrative expenses decreased as a percentage of total revenues to 7.4% in 1996, from 7.9% in 1995. The decrease was primarily due to improved organizational efficiencies over an increasing revenue base. Additionally, savings in certain insurance costs have been realized as a result of coverage changes implemented during the fourth quarter of 1995.

Depreciation and amortization increased as a percentage of total revenues to 3.8% in 1996, from 3.4% in 1995. This increase was primarily due to additional capital expenditures by the

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Company, intangibles related to acquisitions, deferred pre-opening costs for newly-opened restaurants and commissaries and other deferred expenses, primarily systems development costs. These factors resulting in increased depreciation and amortization were partially offset by the impact of a change in the depreciable lives of certain restaurant equipment and signage effective at the beginning of the third quarter of 1995 to more accurately reflect the economic lives of such assets. The estimated useful life for ovens and certain other restaurant equipment was extended from five to seven years, and the estimated useful life for restaurant signage was extended from five to ten years.

Investment Income. Investment income increased to \$3.5 million in 1996, from \$1.7 million in 1995. Average investment balances increased during 1996, compared to 1995, as a result of the investment of the net proceeds of the Company's public offerings of common stock in August 1995 and May 1996.

Income Tax Expense. Income tax expense reflects a combined federal, state and local effective income tax rate of 37.0% in 1996, as compared to 36.8% in 1995. This increase was primarily due to the impact of higher federal and state statutory income tax rates due to higher taxable income levels, substantially offset by the impact of tax-exempt income generated by the investment portfolio during 1996.

1995 COMPARED TO 1994

Revenues. Total revenues increased 56.8% to \$253.4 million in 1995, from \$161.5 million in 1994.

Restaurant sales increased 68.6% to \$111.7 million in 1995, from \$66.3 million in 1994. This increase was primarily due to a 58.3% increase in the number of equivalent Company-owned restaurants open during 1995 as compared to 1994. Also, comparable sales increased 9.0% in 1995 over 1994, for Company-owned restaurants open throughout both years.

Franchise royalties increased 48.0% to \$13.6 million in 1995, from \$9.2 million in 1994. This increase was primarily due to a 44.7% increase in the number of equivalent franchised restaurants open during 1995 as compared to 1994. Also, comparable sales increased 7.8% in 1995 over 1994, for franchised restaurants open throughout both years.

Franchise and development fees increased 7.2% to \$3.5 million in 1995, from \$3.3 million in 1994. This increase was primarily due to the 190 franchised restaurants opened during 1995, as compared to 180 opened during 1994, an increase of 5.6%.

Commissary sales increased 56.8% to \$105.9 million in 1995, from \$67.5 million in 1994. This increase was primarily due to the increases in equivalent franchised restaurants and comparable sales for franchised restaurants noted above. Additionally, sales for the Orlando commissary increased in 1995 as compared to 1994 due to its conversion from a dough production facility to a full-service commissary in August 1995.

Equipment and other sales increased 21.9% to \$18.7 million in 1995, from \$15.3 million in 1994. This increase was primarily due to the increase in

equivalent franchised restaurants open during 1995 as compared to 1994, the increase in franchised restaurants opened during 1995 as compared to 1994 and a full year of operations in 1995 by the Company's Printing and

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Promotions, Inc. subsidiary. This subsidiary was established in March 1994, following the Company's purchase of the assets of QC, Inc., a printing company which provided printed marketing materials for the Company and many of its franchisees.

Costs and Expenses. Restaurant cost of sales decreased as a percentage of restaurant sales to 28.4% in 1995, from 28.8% in 1994. This decrease was primarily due to lower product costs resulting from increased purchasing power and the impact of a severe winter storm which disrupted normal commissary distribution activities for several days during the first quarter of 1994 and required many of the Company's restaurants to utilize alternative, higher-cost suppliers during that period.

Advertising and related costs increased as a percentage of restaurant sales to 9.4% in 1995, from 8.9% in 1994. This increase was primarily due to increased levels of advertising during 1995, including promotions related to the Company's 10th Anniversary Celebration and the introduction of thin crust pizza in test markets, as well as the establishment of local advertising cooperatives as newer markets matured.

Occupancy costs were relatively consistent as a percentage of restaurant sales at 5.3% in 1995, as compared to 5.1% in 1994.

Restaurant salaries and benefits decreased as a percentage of restaurant sales to 26.8% in 1995, from 27.4% in 1994. Other restaurant operating expenses decreased as a percentage of restaurant sales to 13.4% in 1995, from 15.1% in 1994. The decreases in restaurant salaries and benefits and other restaurant operating expenses as a percentage of restaurant sales were primarily due to a smaller relative number of new restaurants opened during 1995 compared to 1994. Restaurant operating expenses historically have been higher as a percentage of restaurant sales in the early months of operations of new restaurants.

Commissary, equipment and other expenses decreased as a percentage of combined commissary sales and equipment and other sales to 93.1% in 1995, from 93.7% in 1994. This decrease was primarily due to increased commissary volumes and efficiencies (particularly at the Jackson commissary which was opened in May 1994, and accordingly had relatively higher costs in 1994 as compared to 1995), partially offset by the relatively higher costs associated with the start-up of the new Orlando commissary opened in August 1995.

General and administrative expenses increased as a percentage of total revenues to 7.9% in 1995, from 7.6% in 1994. This increase was primarily due to the hiring of additional corporate and restaurant management personnel as the Company continues to develop the infrastructure necessary to support its planned growth for 1996 and beyond.

Depreciation and amortization increased as a percentage of total revenues to 3.4% in 1995, from 3.2% in 1994. This increase was primarily due to additional capital expenditures by the Company, intangibles related to acquisitions and deferred pre-opening costs for newly-opened restaurants and commissaries and other deferred expenses. These factors resulting in increased depreciation and amortization were partially offset by the impact of a change in the depreciable lives of certain restaurant equipment and signage effective at the beginning of the third quarter of 1995 to more accurately reflect the economic lives of such assets. The estimated useful life for ovens and certain other restaurant equipment was extended from five to seven years, and the estimated useful life for restaurant signage was extended from five to ten years.

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Investment Income. Investment income increased to \$1.7 million in 1995, from \$1.2 million in 1994. Average investment balances increased during 1995, compared to 1994, as a result of the investment by the Company of the net proceeds of public stock offerings in January and November 1994 and August 1995.

Income Tax Expense. Income tax expense reflects a combined federal, state and local effective income tax rate of 36.8% in 1995, as compared to 36.7% in 1994. This increase was primarily due to the impact of higher federal and state statutory income tax rates in 1995 due to higher taxable income levels, substantially offset by the impact of tax- exempt income generated by the investment portfolio during 1995.

LIQUIDITY AND CAPITAL RESOURCES

The Company requires capital primarily for the development and acquisition of restaurants, the addition of new commissary and support services facilities and equipment, the enhancement of corporate systems and facilities and the funding of loans to franchisees under a program adopted during the second quarter of 1996. Total capital expenditures for 1996 were approximately \$29.3 million. The total amount funded under the franchise loan program during 1996 was approximately \$7.8 million.

During 1996, the Company purchased the assets of four Papa John's restaurants from franchisees for a total price of approximately \$1.5 million, consisting of \$30,000 in cash and the issuance of 51,800 shares of Company common stock. Also during 1996, the Company acquired eighteen franchised restaurants in a transaction accounted for as a pooling of interests. The Company issued 46,593 shares of its common stock valued at approximately \$1.5 million and retired approximately \$3.5 million of acquiree debt in connection with the acquisition.

The Company funded its requirements for capital expenditures, franchise loans and acquisitions principally through cash flow from operations, which was \$29.8 million for 1996. Additionally, the Company received \$50.6 million in net proceeds from the public offering of 1.7 million shares of its common stock in May 1996.

Total 1997 capital expenditures are expected to be approximately \$58 million, primarily for the development of restaurants and the construction of new commissary facilities. Thus far in 1997, two additional commissary facilities have been opened—the Phoenix, Arizona distribution center in January and a full-service commissary in Rotterdam, New York in March. The Company also plans on opening a commissary in Des Moines, Iowa by mid-1997. Additionally, in mid-1998, the Company plans to open a 250,000 square foot facility in Louisville, Kentucky, approximately one-half of which will accommodate relocation and expansion of the Louisville commissary operations and Novel Approach promotional division and the remainder of which will accommodate relocation and consolidation of corporate offices. Capital costs expected to be incurred in 1997 related to this facility are included in the \$58 million of planned 1997 capital expenditures.

Additionally, during 1997 the Company expects to fund approximately \$8 to \$12 million in loans under the franchisee loan program. Approximately \$5.1 million was outstanding under this program as of December 29, 1996. The amounts actually funded during 1997 may vary as the Company continues to gain experience with the loan program.

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Capital resources available at December 29, 1996 include \$24.1 million of cash and cash equivalents, \$65.1 million of investments and a \$10 million line of credit expiring in June 1997. The Company expects to fund planned capital expenditures and disbursements under the franchise loan program for the next twelve months from these resources and operating cash flows.

IMPACT OF INFLATION

The Company does not believe inflation has materially affected earnings during the past three years. Substantial increases in costs, particularly labor, employee benefits or food costs, could have a significant impact on the Company. During 1997, the second phase of increases to the federal minimum wage will be implemented in accordance with the Fair Labor Standards Act of 1996. The Company does not believe that these increases will significantly impact 1997 or future years' operating results.

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ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PAPA JOHN'S INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	Year Ended		
	December 29, 1996	December 31, 1995	December 25, 1994
Revenues:			
Restaurant sales	\$167,982	\$111,747	\$ 66,267
Franchise royalties	17,827	13,561	9,163
Franchise and development fees	4,286	3,508	3,274
Commissary sales	142,998	105,874	67,515
Equipment and other sales	26,959	18,665	15,316
Total revenues	360,052	253,355	161,535
Costs and expenses:			
Restaurant expenses:			
Cost of sales	47,092	31,703	19,095
Salaries and benefits	44,774	29,946	18,168
Advertising and related costs	16,074	10,513	5,887
Occupancy costs	8,527	5,896	3,358
Other operating expenses	22,801	14,913	10,011
	139,268	92,971	56,519
Commissary, equipment and other expenses:			
Cost of sales	134,771	101,342	68,745
Salaries and benefits	9,023	7,072	4,057
Other operating expenses	11,009	7,577	4,780
	154,803	115,991	77,582
General and administrative expenses	26,694	19,954	12,266
Depreciation	9,063	5,776	3,367
Amortization	4,595	2,844	1,737
Total costs and expenses	334,423	237,536	151,471
Operating income	25,629	15,819	10,064
Other income:			
Investment income	3,484	1,659	1,156
Other	433	251	162
Income before income taxes	29,546	17,729	11,382
Income tax expense	10,932	6,525	4,182
Net income	18,614	11,204	7,200
Net income per share	.66	.45	.31
Weighted average shares outstanding	28,010	25,139	23,525
Supplemental Data:			
Revenues from affiliates	\$ 47,012	\$ 34,673	\$ 23,854
Other income	\$ 85	\$ 48	\$ 27

See accompanying notes.

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

	December 29, 1996	December 31, 1995
(Dollars in thousands, except per share amounts)		

Assets		
Current assets:		
Cash and cash equivalents	\$ 24,063	\$ 19,904
Accounts receivable	10,169	8,105
Accounts receivable-affiliates	2,932	2,093
Inventories	6,839	5,188
Deferred pre-opening costs	2,654	1,936
Prepaid expenses and other current assets	1,591	1,092

Total current assets	48,248	38,318
Investments	65,067	24,394
Net property and equipment	80,717	56,699
Notes receivable from franchisees	2,646	109
Notes receivable-affiliates	2,407	728

Other assets	12,976	8,571

Total assets	\$212,061	\$128,819
	=====	

Liabilities and stockholders' equity

Current liabilities:		
Accounts payable	\$ 13,105	\$ 9,388
Accrued expenses	9,062	6,432
Current maturities of long-term debt	175	830
Deferred income taxes	672	250

Total current liabilities	23,014	16,900
Unearned franchise and development fees	3,378	2,678
Long-term debt, less current maturities	1,505	1,680
Deferred income taxes	3,285	1,034
Other long-term liabilities	236	245
Stockholders' equity:		
Preferred stock (\$.01 par value per share; authorized 5,000,000 shares, no shares issued)	-	-
Common stock (\$.01 par value per share; authorized 35,000,000 shares, issued 28,776,348 in 1996 and 26,768,637 in 1995)	288	268
Additional paid-in capital	143,978	88,043
Unrealized gain (loss) on investments	977	(263)
Retained earnings	35,882	18,838
Treasury stock (36,460 shares in 1996 and 45,720 shares in 1995, at cost)	(482)	(604)

Total stockholders' equity	180,643	106,282

Total liabilities and stockholders' equity	\$212,061	\$128,819
	=====	

See accompanying notes.

PAPA JOHN'S INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	Common Stock	Additional Paid-In Capital	Unrealized Gain (Loss) on Investments	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance at December 27, 1993	\$208	\$18,203	\$ 9	\$ 849	\$ -	\$ 19,269
Issuance of common stock	31	34,967	-	-	-	34,998
Exercise of stock options	5	285	-	-	(678)	(388)
Tax benefit related to exercise of non-qualified stock options	-	2,039	-	-	-	2,039
Change in unrealized gain (loss) on investments	-	-	(660)	-	-	(660)
Net income	-	-	-	7,200	-	7,200
Other	-	133	-	(47)	65	151

Balance at December 25,1994	244	55,627	(651)	8,002	(613)	62,609
Issuance of common stock	18	29,982	-	-	-	30,000
Exercise of stock options	2	567	-	-	-	569
Tax benefit related to exercise of non-qualified stock options	-	1,085	-	-	-	1,085
Acquisitions	4	782	-	-	-	786
Change in unrealized gain (loss) on investments	-	-	388	-	-	388
Net income	-	-	-	11,204	-	11,204
Other	-	-	-	(368)	9	(359)

Balance at December 31,1995	268	88,043	(263)	18,838	(604)	106,282
Issuance of common stock	17	50,534	-	-	-	50,551
Exercise of stock options	2	1,429	-	-	-	1,431
Tax benefit related to exercise of nonqualified stock options	-	1,315	-	-	-	1,315
Acquisitions	1	2,602	-	(1,542)	-	1,061
Change in unrealized gain (loss) on investments	-	-	1,240	-	-	1,240
Net income	-	-	-	18,614	-	18,614
Other	-	55	-	(28)	122	149

Balance at December 29,1996	\$288	\$143,978	\$ 977	\$35,882	\$ (482)	\$180,643
=====						

See accompanying notes.

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PAPA JOHN'S INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended		
	December 29, 1996	December 31, 1995	December 25, 1994

OPERATING ACTIVITIES			
Net income	\$ 18,614	\$ 11,204	\$ 7,200
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,063	5,776	3,367
Amortization	5,241	2,960	1,893
Deferred income taxes	1,956	1,249	4
Other	430	239	145
Changes in operating assets and liabilities:			
Accounts receivable	(2,903)	(4,701)	(1,644)
Inventories	(1,651)	(2,671)	(947)
Deferred pre-opening costs	(4,247)	(3,282)	(1,680)
Prepaid expenses and other current assets	(499)	(22)	(422)
Other assets	(3,253)	(2,074)	(234)
Accounts payable	3,717	2,626	1,617
Accrued expenses	2,630	2,376	1,749
Unearned franchise and development fees	700	829	(24)

Net cash provided by operating activities	29,798	14,509	11,024
Investing activities			
Purchase of property and equipment	(28,792)	(32,683)	(18,581)
Purchase of investments	(65,031)	(15,247)	(64,897)
Proceeds from sale or maturity of investments	26,572	12,387	51,227
Loans to franchisees	(7,823)	(420)	(502)
Deferred systems development costs	(2,614)	(2,078)	-
Acquisitions	(30)	(673)	(1,855)
Other	161	(81)	(547)

Net cash used in investing activities	(77,557)	(38,795)	(35,155)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	-	2,000	-
Payments on long-term debt	(1,367)	(2,492)	(447)
Proceeds from issuance of common stock	50,551	30,000	34,998
Acquisition of treasury stock	-	-	(678)
Proceeds from exercise of stock options	1,431	569	290
Tax benefit related to exercise of non-qualified stock options	1,315	1,085	2,039
Other	(12)	255	(80)

Net cash provided by financing activities	51,918	31,417	36,122

Net increase in cash and cash equivalents	4,159	7,131	11,991
Cash and cash equivalents at beginning of year	19,904	12,773	782

Cash and cash equivalents at end of year	\$ 24,063	\$ 19,904	\$ 12,773
=====			

See accompanying notes.

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1. DESCRIPTION OF BUSINESS

Papa John's International, Inc. (the "Company") operates and franchises pizza delivery and carry-out restaurants under the trademark "Papa John's", currently in 32 states and the District of Columbia. Substantially all revenues are derived from retail sales and delivery of pizza to the general public through Company-owned and franchised restaurants, sales of franchise and development rights and sales to franchisees of equipment, food products, supplies, 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 the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Fiscal Year

The Company's fiscal year ends on the last Sunday in December of each year. The 1996 and 1994 fiscal years consisted of 52 weeks and the 1995 fiscal year consisted of 53 weeks.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Revenue Recognition

Franchise fees are recognized when a franchised restaurant begins operations, at which time the Company has performed its obligations related to such fees. Fees received pursuant to development agreements which grant the right to develop franchised restaurants in future periods in specific geographic areas are deferred and recognized on a pro rata basis as the franchised restaurants subject to the development agreements begin operations. Both franchise and development fees are nonrefundable. Franchise royalties, which are based on a percentage of franchised restaurants' sales, are recognized as earned.

Cash Equivalents

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

Accounts Receivable

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Substantially all accounts receivable are due from franchisees for purchases of equipment, food products, supplies, printing and promotional items, and information systems and related services, and for royalties from December sales. Credit is extended based on an evaluation of the franchisee's financial condition and, generally, collateral is not required. The Company considers substantially all amounts to be collectible.

Inventories

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

Deferred Pre-Opening Costs

Pre-opening costs, which represent certain expenses incurred before a new restaurant or commissary facility opens, are capitalized and amortized on a straight-line basis over a period of one year from the facility's opening date. Total costs deferred were approximately \$4.2 million in 1996, \$3.0 million in 1995 and \$1.7 million in 1994.

Investments

The Company determines the appropriate classification of investment securities at the time of purchase and reevaluates such designation as of each balance sheet date. All investment securities held by the Company at December 29, 1996, have been classified as available-for-sale. Available-for-sale securities are stated at fair value as determined primarily through quoted market prices. Unrealized gains and losses, net of tax, are reported as a separate component of stockholders' equity. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion, along with interest and dividends earned and realized gains and losses, are included in investment income. The cost of securities sold is based on the specific identification method.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (generally five to ten years for restaurant, commissary and other equipment, and 20 to 25 years for buildings and improvements). Leasehold improvements are amortized over the terms of the respective leases, including the first renewal period (generally five to ten years).

Systems Development Costs

The Company defers certain systems development and related costs which meet established criteria. Amounts deferred are amortized over periods not exceeding five years beginning in the month subsequent to completion of the related systems project. Total costs deferred were approximately \$2.6 million in 1996 and \$2.1 million in 1995. Such costs incurred prior to 1995 were not material and were expensed as incurred. Unamortized deferred systems development costs were \$3.8 million at December 29, 1996 and \$1.9 million at December 31, 1995, and are reported in other assets in the accompanying balance sheets.

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Advertising and Related Costs

Advertising and related costs include Company-owned restaurant activities such as mail coupons, door hangers and promotional items, and Company-owned restaurant contributions to the Papa John's Marketing Fund, Inc. (the "Marketing Fund") and local market cooperative advertising funds. All such advertising and related costs are expensed as incurred. Contributions by Company-owned and franchised restaurants to the Marketing Fund and the cooperative advertising funds are based on an established percentage of monthly restaurant revenues. The Marketing Fund is responsible for the development of marketing and advertising materials for use throughout the Papa John's system. The local market cooperative advertising funds are responsible for developing and conducting advertising activities in a specific market, including the placement of electronic and print materials developed by the Marketing Fund. Such funds are accounted for separately and are not included in the consolidated financial statements of the Company.

Net Income Per Share

Net income per share is based on the weighted average number of shares of common stock outstanding during the period. The potential dilution attributable to common stock equivalents is not material.

Prior Year Data

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

3. STOCK SPLITS

The Board of Directors approved a 3-for-2 stock split in February 1996 to stockholders of record on March 12, 1996, and an additional 3-for-2 stock split in October 1996 to stockholders of record on November 8, 1996. Each stock split was effected in the form of a 50% stock dividend. All share data included in these consolidated financial statements have been restated to reflect these stock splits.

4. BUSINESS COMBINATIONS

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

In May 1996, the Company purchased the assets and assumed certain liabilities of three Papa John's restaurants in Indianapolis, Indiana from Acumen, Inc., a franchisee. The purchase price was approximately \$1.4 million consisting solely of 50,211 shares of Company common stock.

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

In September 1996, the Company acquired Nortex Pizza, L.P. ("Nortex"), a franchisee of eighteen Papa John's restaurants in the Dallas, Texas market. The Company issued 46,593 shares of its common stock (valued at \$1.5 million) in

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exchange for all of the issued and outstanding capital stock of Nortex. In addition, the Company retired \$3.5 million of Nortex debt at the closing (see Note 7). The transaction was accounted for as a pooling of interests.

The Nortex pooling of interests was not significant for restatement of prior financial statements. Additionally, the pro forma impact of these 1996 combinations is not material.

During 1995, the Company purchased the assets of eight Papa John's restaurants from franchisees for total consideration of approximately \$2 million, consisting of 54,170 shares of common stock of the Company (valued at \$650,000), \$574,000 in credits toward future development and franchise fees and \$770,000 in cash. Additionally during 1995, the Company acquired franchisees operating 15 Papa John's restaurants in transactions accounted for as poolings of interests. The Company issued 346,080 shares of its common stock (valued at \$6 million) and retired \$1.2 million of acquiree debt in connection with these acquisitions.

During 1994, the Company purchased the assets of five Papa John's restaurants from franchisees for approximately \$635,000.

During 1994, the Company purchased the assets of QC, Inc. ("QC"), a printing company which provided printed marketing materials for the Company and many of its franchisees. The purchase price was \$1.5 million, consisting of cash payments of \$1.2 million (including the retirement of certain indebtedness) and the assumption of approximately \$300,000 in liabilities.

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5. INVESTMENTS

A summary of the Company's available-for-sale securities as of December 29, 1996 and December 31, 1995 follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value

December 29, 1996				
U.S. Government securities	\$ 4,003	\$ 11	\$ (17)	\$ 3,997
Corporate debt securities	500	-	(1)	499
Municipal bonds	45,852	142	(1)	45,993
Mortgage-backed securities	1,078	-	(1)	1,077

Fixed income mutual funds	10,822	-	(221)	10,601
Equity securities	-	1,772	-	1,772
Interest receivable	1,128	-	-	1,128

Total	\$63,383	\$1,925	\$(241)	\$ 65,067
	=====			
December 31, 1995				
U.S. Government securities	\$ 1,005	\$ -	\$(12)	\$ 993
Corporate debt securities	500	-	(8)	492
Municipal bonds	10,595	9	-	10,604
Mortgage-backed securities	1,532	4	(9)	1,527
Fixed income mutual funds	10,822	-	(251)	10,571
Interest receivable	207	-	-	207

Total	\$24,661	\$ 13	\$(280)	\$ 24,394
	=====			

The amortized cost and estimated fair value of securities at December 29, 1996, by contractual maturity, are shown below (in thousands). Expected maturities will differ from contractual maturities because the issuers of securities may have the right to prepay obligations without prepayment penalties.

	Amortized Cost	Estimated Fair Value

Due in one year or less	\$27,356	\$27,405
Due after one year through three years	22,999	23,084
Mortgage-backed securities	1,078	1,077
Fixed income mutual funds	10,822	10,601
Equity securities	-	1,772
Interest receivable	1,128	1,128
	=====	
	\$63,383	\$65,067

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6. NET PROPERTY AND EQUIPMENT

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

	1996	1995

Land	\$ 10,273	\$ 6,456
Buildings and improvements	10,734	8,001
Leasehold improvements	20,169	14,254
Equipment and other	49,496	38,114
Construction in progress	10,841	1,727

	101,513	68,552
Less accumulated depreciation and amortization	(20,796)	(11,853)

Net property and equipment	\$ 80,717	\$ 56,699
	=====	

7. FRANCHISEE LOAN PROGRAM

During 1996, the Company established a program under which selected franchisees may borrow funds for use in the construction and development of their restaurants. At December 29, 1996, loans outstanding to franchisees

were approximately \$5.1 million and commitments to loan up to an additional \$3.7 million had been made. Such loans bear interest at fixed or floating rates (ranging from 5.5% to 9.25% at December 29, 1996), and are generally secured by the fixtures, equipment, signage and, where applicable, land of each restaurant and the ownership interests in the franchisee. Interest earned on franchisee loans during 1996 was approximately \$153,000, and is reported in investment income in the accompanying statements of income. Approximately \$3.5 million of franchisee loans issued during 1996 were retired in connection with the Nortex acquisition (see Note 4). Approximately \$2.4 million of the loans outstanding as of December 29, 1996 were to franchisees in which the Company or certain directors or officers of the Company had an ownership interest.

8. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	1996	1995
	-----	-----
Salaries, wages and bonuses	\$1,738	\$1,339
Taxes other than income	2,857	1,615
Accrued insurance	1,242	955
Income taxes	1,228	531
Other	1,997	1,992
	-----	-----
Total	\$9,062	\$6,432
	=====	=====

9. LONG-TERM DEBT AND CREDIT ARRANGEMENTS

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

	1996	1995
	-----	-----
Economic development loan	\$1,680	\$1,845
Other	-	665
	-----	-----
	1,680	2,510
Less current maturities	(175)	(830)
	-----	-----
Total	\$1,505	\$1,680
	=====	=====

The Company entered into non-interest bearing notes payable of \$520,000 in 1996, \$450,000 in 1995 and \$1.7 million in 1994, in connection with the purchases of land. All such notes payable were fully paid as of December 29, 1996.

In March 1994, the Company entered into an agreement for a \$2 million economic development loan (the "Loan") from the State of Mississippi in connection with the opening of a commissary in Jackson, Mississippi. The Loan was funded by a bond issuance under the Mississippi Small Enterprise Development Finance Act. The Company received the loan proceeds in February 1995. Interest accrues on disbursed proceeds at a decreasing variable rate (beginning at 6.5%) equal to the coupon rate of the bonds, with an average effective annual rate of 5.3%. The Company is required to make semi-annual principal and interest payments to retire the Loan by March 1, 2004. The Loan is collateralized by a letter of credit issued by PNC Bank, Kentucky, Inc. Scheduled principal payments on the Loan are as follows: 1997

\$175,000; 1998 - \$185,000; 1999 - \$190,000; 2000 - \$205,000; 2001 - \$215,000; and thereafter - \$710,000.

The Company has a revolving credit agreement with maximum available borrowings at December 29, 1996 of approximately \$9.7 million. Outstanding balances accrue interest at 1% below the prime rate or at rates tied to other interest indices at the election of the Company. The agreement expires on June 29, 1997, at which time any unpaid balance is due and payable. In the event of any default, the lender has a security interest in the Company's cash account balances maintained with the lender.

Interest paid was \$96,000 in 1996 and \$55,000 in 1995. No interest was paid in 1994.

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10. INCOME TAXES

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

	1996	1995	1994

Current			
Federal	\$ 7,658	\$4,469	\$3,691
State and local	1,318	807	517
Deferred (federal and state)	1,956	1,249	4
Other	-	-	(30)

Total	\$10,932	\$6,525	\$4,182
	=====		

Significant deferred tax assets (liabilities) as of December 29, 1996 and December 31, 1995 follow (in thousands):

	1996	1995

Unearned development fees	\$ 1,055	\$ 811
Unrealized loss on investments	91	102
Accrued expenses	263	250
Other	204	178

Total deferred tax assets	1,611	1,341
Valuation allowance related to unrealized loss on investments	(84)	(96)

Net deferred tax asset	1,529	1,245
Deferred expenses	(2,107)	(891)
Accelerated depreciation	(2,594)	(1,638)
Unrealized gain on warrant	(656)	-
Other	(129)	-

Total deferred tax liabilities	(5,486)	(2,529)

Net deferred tax liability	\$ (3,957)	\$(1,284)
	=====	

The reconciliation of income tax computed at the U.S. federal statutory rate to income tax expense for the years ended December 29, 1996, December 31, 1995 and December 25, 1994 is as follows (in thousands):

	1996	1995	1994
Tax at U.S. federal statutory rate	\$ 10,341	\$ 6,063	\$ 3,869
State and local income taxes	1,011	567	341
Tax exempt investment income	(788)	(188)	-
Other	368	83	(28)
Total	\$ 10,932	\$ 6,525	\$ 4,182

Income taxes paid were \$6.5 million in 1996, \$3.2 million in 1995 and \$2.3 million in 1994.

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11. PJ AMERICA, INC. STOCK WARRANT

PJ America, Inc. ("PJ America"), a franchisee of the Company, completed an initial public offering ("IPO") of its common stock effective October 25, 1996. In connection with the IPO, PJ America issued a warrant to purchase 225,000 shares of its common stock to the Company. The warrant is exercisable in whole or in part at any time within 5 years from the closing date of the IPO, and the purchase price of each share of common stock pursuant to the warrant is \$11.25 per share (90% of the IPO price of \$12.50 per share). The Company is restricted from selling any PJ America common stock obtained by exercising the warrant for a period of 180 days from the closing date of the IPO. The warrant was issued by PJ America to the Company in consideration for the guarantee by the Company of rights to enter into development agreements for certain specified territories and the waiver by the Company of certain market transfer fees. The Company's agreement with PJ America anticipates that PJ America will pay standard development and franchise fees in connection with opening restaurants in the specified territories.

The Company did not recognize income in connection with receipt of the warrant. The warrant is classified as an available-for-sale security, and accordingly, is stated at fair value in the balance sheet, with unrealized gains reported as a separate component of stockholders' equity.

The fair value of the warrant on December 29, 1996, based upon a closing price per share of \$19.125 for PJ America common stock on that date, was approximately \$1.8 million and is reported in investments in the accompanying balance sheet. The intrinsic value of the warrant (market value of PJ America common stock less the exercise price of the warrant) is considered a reasonable approximation of the fair value of the warrant.

Certain officers and/or directors of the Company are also officers and/or directors of PJ America.

12. RELATED PARTY TRANSACTIONS

Certain officers and directors of the Company own equity interests in entities that operate and/or have rights to develop franchised restaurants. Prior to the Company's initial public offering of common stock in June 1993, certain of these affiliated entities entered into agreements to acquire area development rights at reduced development fees and also pay reduced initial franchise fees when restaurants are opened. All such entities pay royalties at the same rate as other franchisees. Certain officers and directors of the Company also owned a 19% equity interest in QC, Inc. ("QC"), which provided printing services to the Company and franchisees and was acquired by the Company in 1994 (see Note 4). Following is a summary of transactions and balances with affiliated entities (in thousands):

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	1996	1995	1994
Revenues from affiliates:			
Commissary sales	\$35,972	\$26,180	\$17,267
Equipment and other sales	5,628	4,265	3,441
Franchise royalties	4,512	3,518	2,482
Franchise and development fees	900	710	664
Total	\$47,012	\$34,673	\$23,854
Other income	\$ 85	\$ 48	\$ 27
Accounts receivable-affiliates	\$ 2,932	\$ 2,093	\$ 1,492
Notes receivable-affiliates	\$ 2,407	\$ 728	\$ 500

The Company paid \$515,000 in 1996 and \$149,000 in 1995 for charter aircraft services provided by entities owned by certain directors and officers, including the Chief Executive Officer, of the Company.

The Company advanced \$384,000 and \$394,000 in 1996 and 1995, respectively, in premiums for split-dollar life insurance coverage on the Chief Executive Officer for the purpose of funding estate tax obligations. The Company and the officer share the cost of the premiums. The premiums advanced by the Company will be repaid out of the cash value or proceeds of the policies.

In December 1996, the Company sold its 10% ownership interest in L-N-W Pizza, Inc. ("L-N-W"), a franchisee that operates 12 restaurants in Florida, back to L-N-W. The Chief Operating Officer of the Company was the 90% owner of L-N-W prior to the sale and is now the sole owner. The Company sold its 10% interest for total consideration of \$411,000, which represented a gross value of approximately \$400,000 per restaurant.

13. LEASE COMMITMENTS

The Company leases office, retail and commissary space under operating leases with terms generally ranging from three to five years and providing for at least one renewal. Certain leases further provide that the lease payments may be increased annually based on the Consumer Price Index. The Company also leases certain equipment under operating leases with terms ranging from three to seven years. Future minimum lease payments are as follows: 1997 - \$7.1 million; 1998 - \$5.1 million; 1999 - \$4.2 million; 2000 - \$3.2 million; 2001 - \$1.8 million and thereafter - \$2.1 million. Total rent expense was \$4.6 million in 1996, \$3.2 million in 1995 and \$2.1 million in 1994.

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14. STOCK OPTIONS

In 1996, the Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). In accordance with SFAS 123, the Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS 123 requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

The Company awards stock options under the Papa John's International, Inc. 1993 Stock Ownership Incentive Plan (the "Incentive Plan") and the Papa John's International, Inc. 1993 Non-Employee directors Stock Option Plan (the "Directors Plan"). Shares of common stock authorized for issuance are 3,487,500 under the Incentive Plan and 270,000 under the Directors Plan. Options granted under both plans generally expire ten years from the date of grant and vest over one to five year periods, except for options awarded under a multi-year operations compensation program which vest immediately upon grant.

The Incentive Plan also provides for awards of restricted stock. During 1996, the Company awarded 9,225 shares of restricted stock under the Incentive Plan with a weighted-average grant date fair value of \$19.24 per share. Total compensation expense recognized in 1996 related to restricted stock awards was \$158,000.

Prior to the establishment of the Incentive Plan and Directors Plan, the Company awarded options to acquire 1,086,750 shares of common stock at exercise prices ranging from \$.05 to \$1.67 per share, in connection with certain consulting and employment arrangements.

Pro forma information regarding net income and earnings per share is required by SFAS 123, which also requires that the information be determined as if the Company has accounted for its employee stock options granted subsequent to December 25, 1994 under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1996 and 1995, respectively: risk-free interest rates of 5.9% and 5.1%; a dividend yield of 0%; volatility factors of the expected market price of the Company's common stock of .47 and .48; and a weighted-average expected life of the options of 3.6 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows (in thousands, except per share amounts):

	1996 ----	1995 ----
Pro forma net income	\$14,772	\$10,922
Pro forma earnings per share	\$0.53	\$0.43

Because SFAS 123 is applicable only to options granted subsequent to December 25, 1994, its pro forma effect will not be fully reflected until a complete five years of vesting occurs for 1995 option awards in 2000.

Information pertaining to options for 1996, 1995 and 1994 is as follows (number of options in thousands):

	1996		1995		1994	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding-beginning of year	1,725	\$12.01	1,188	\$ 6.46	1,314	\$ 1.95
Granted	2,108	27.31	903	17.07	497	11.40
Exercised	180	7.13	240	2.61	486	0.59
Cancelled	121	19.04	128	11.48	137	2.52
Outstanding-end of year	3,532	\$20.98	1,725	12.01	1,188	\$ 6.46
Exercisable-end of year	870	\$13.19	421	\$ 3.63		
Weighted-average fair value of options granted during the year	\$ 9.65		\$ 5.03			

The number, weighted-average exercise price and weighted-average remaining contractual life of options outstanding as of December 29, 1996, and the number and weighted average exercise price of options exercisable as of

December 29, 1996 follow (number of options in thousands):

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	Range of Exercise Prices	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life
Outstanding options:	\$0.05 - \$4.99	157	\$ 0.19	0.41
	5.00 - 19.99	1,614	14.57	8.31
	20.00 - 37.88	1,761	28.73	9.63
Total		3,532	\$ 20.98	8.62
Exercisable options:	\$0.05 - \$4.99	157	\$ 0.19	
	5.00 - 19.99	613	13.64	
	20.00 - 37.88	100	30.80	
Total		870	\$ 13.19	

As of December 29, 1996, approximately 99,000 shares were available for future issuance under the Incentive Plan and approximately 83,250 shares were available for future issuance under the Directors Plan.

15. DEFINED CONTRIBUTION BENEFIT PLAN

The Company has established the Papa John's International, Inc. 401(k) Plan (the "Plan"), as a defined contribution benefit plan, in accordance with Section 401(k) of the Internal Revenue Code. The Plan is open to all 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. Administrative costs of the Plan are paid by the Company and are not significant.

16. QUARTERLY DATA (UNAUDITED, IN THOUSANDS, EXCEPT PER SHARE DATA)

Quarter	1st		2nd		3rd		4th	
	1996	1995	1996	1995	1996	1995	1996	1995
Total revenues	\$76,726	\$52,009	\$87,680	\$57,322	\$92,729	\$62,411	\$102,917	\$81,613
Operating income	5,024	3,154	5,801	3,553	6,519	3,847	8,285	5,265
Net income	3,519	2,240	4,232	2,457	4,914	2,766	5,949	3,741
Net income per share	\$.13	\$.09	\$.15	\$.10	\$.17	\$.11	\$.21	\$.14

All quarterly information above is presented in 13 week periods except for the fourth quarter of 1995 which is a 14 week period.

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Report of Independent Auditors

The Board of Directors and Stockholders
Papa John's International, Inc.

We have audited the accompanying consolidated balance sheets of Papa John's International, Inc. and subsidiaries (the "Company") as of December 29, 1996 and December 31, 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 29, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Papa John's International, Inc. and subsidiaries at December 29, 1996 and December 31, 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 29, 1996, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Louisville, Kentucky
February 28, 1997

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEMS 10, 11, 12 AND 13. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT; EXECUTIVE COMPENSATION; SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT; AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by these items, other than the information set forth in this Report under Part I, "Executive Officers of Registrant," is omitted because the Company is filing a definitive proxy statement pursuant to Regulation 14A not later than 120 days after the end of the fiscal year

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covered by this Report which includes the required information. Such information is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Consolidated Financial Statements:

The following consolidated financial statements, notes related thereto and report of independent auditors are included in Item 8 of this Report:

Consolidated Statements of Income for the years ended December 29, 1996,
December 31, 1995 and December 25, 1994
Consolidated Balance Sheets as of December 29, 1996 and December 31,
1995
Consolidated Statements of Stockholders' Equity for the years ended
December 29, 1996, December 31, 1995 and December 25, 1994
Consolidated Statements of Cash Flows for the years ended December 29,
1996, December 31, 1995 and December 25, 1994
Notes to Consolidated Financial Statements
Report of Independent Auditors

(a) (2) Consolidated Financial Statement Schedules:

All 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 not applicable and therefore have been omitted.

(a) (3) Exhibits:

- 3.1 The Company's Amended and Restated Certificate of Incorporation. Exhibit 3.1 to the Company's Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.
- 3.2 The Company's Restated By-Laws. Exhibit 3.2 to the Company's Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.
- 4.1 Specimen Common Stock Certificate. Exhibit 4.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is incorporated herein by reference.
- 4.2 Amended and Restated Certificate of Incorporation and Restated By-Laws (See 3.1 and 3.2 above).
- *10.1 Consulting Agreement dated March 29, 1991, between the Company and Richard F. Sherman. Exhibit 10.4 to the Company's Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.

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- 10.2 Lease dated November 7, 1990, including amendments I, II and III thereto, between the Company and CWK #7, a Texas limited partnership, relating to the Company's corporate offices. Exhibit 10.5 to the Company's Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.
- 10.3 Lease dated November 9, 1990, including amendments thereto, between the Company and Crow-Kessler, a Texas limited partnership, relating to the Company's commissary and distribution facility in Louisville, Kentucky. Exhibit 10.6 to the Company's Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.
- 10.4 Lease dated January 15, 1993, between the Company and CWK #7, a Texas limited partnership, relating to the Company's corporate offices. Exhibit 10.7 to the Company's Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.
- *10.5 Papa John's International, Inc. 1993 Stock Ownership Incentive Plan. Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended September 29, 1996, is incorporated herein by reference.
- *10.6 Papa John's International, Inc. 1993 Stock Option Plan for Non-Employee Directors. Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarter ended September 29, 1996, is incorporated herein by reference.
- *10.7 Employment and Non-Competition Agreement dated January 1, 1993, between the Company and Richard J. Emmett. Exhibit 10.14 to the Company's Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.
- 10.8 The Company's standard Franchise Agreement.
- 10.9 Lease dated May 14, 1993, between PJ Food Service, Inc. and Sample Properties relating to the Company's commissary facility in Raleigh, North Carolina. Exhibit 10.16 to the Company's Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.
- 10.10 Amendment IV to Lease dated November 7, 1990 (and related leases), by and between the Company and CWK #7, a Texas limited partnership, relating to the Company's corporate offices. Exhibit 10.17 to the Company's Registration Statement on Form S-1

(Registration No. 33-73530) is incorporated herein by reference.

- 10.11 Lease dated November 1, 1993, between PJ Food Service, Inc. and Jackson Developers, LLC, a Missouri limited liability company, relating to the Company's commissary and distribution facility in Jackson, Mississippi. Exhibit 10.18 to the Company's Registration Statement on Form S-1 (Registration No. 33-73530) is incorporated herein by reference.
- 10.12 Third Amended and Restated Loan Agreement dated June 30, 1996, between the Company and PNC Bank, Kentucky, Inc. Exhibit 10.1 to the Company's quarterly

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report on Form 10-Q for the quarterly period ended September 29, 1996, is incorporated herein by reference.

- 10.13 Amendment V to Lease dated November 7, 1990 (and related leases), by and between the Company and CWK #7, a Texas limited partnership, relating to the Company's corporate offices. Exhibit 10.22 to the Company's Registration Statement on Form S-1 (Registration No. 33-73530) is incorporated herein by reference.
- 10.14 Loan Agreement among Mississippi Business Finance Corporation (acting for and on behalf of the State of Mississippi), Bank of Mississippi (as Servicing Trustee) and PJFS of Mississippi, Inc. Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarter ended March 27, 1994 (Commission File No. 0-21660) is incorporated herein by reference.
- 10.15 Amendment VI to Lease dated November 7, 1990 (and related leases), by and between the Company and CWK #7, a Texas Partnership, relating to the Company's corporate offices. Exhibit 10.28 to the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 1994 (Commission File No. 0-21660) is incorporated herein by reference.
- *10.16 Memorandum of Employment dated March 31, 1995, by and between the Company and Wade S. Oney. Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarterly period ended March 26, 1995 (Commission File No. 0-21660) is incorporated herein by reference.
- 10.17 Second Amended and Restated Loan Agreement, and related promissory note, each dated June 30, 1995, between the Company and PNC Bank, Kentucky, Inc. Exhibit 10.1 to the Company's quarterly report on Form 10-Q for the quarterly period ended June 25, 1995 (Commission File No. 0-21660) is incorporated herein by reference.
- 10.18 Agreement and Plan of Merger dated December 1, 1995, by and among Papa John's International, Inc., Papa John's USA, Inc., Kentuckiana Pizza, Ltd., Kentuckiana Pizza, Ltd., II (Collectively, "Kentuckiana Pizza") and all of the stockholders of Kentuckiana Pizza. Exhibit 2.1 to the Company's Current Report on Form 8-K dated December 1, 1995 (Commission File No. 0-21660) is incorporated herein by reference.
- 10.19 Agreement and Plan of Merger dated October 16, 1995 by and among Papa John's International, Inc., Papa John's USA, Inc., NRG, Inc. ("NRG") and all of the stockholders of NRG. Exhibit 2.2 to the Company's Current Report on Form 8-K dated December 1, 1995 (Commission File No. 0-21660) is incorporated herein by reference.
- *10.20 1996 Papa John's International, Inc. Executive Option Program. Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is incorporated herein by reference.
- *10.21 Amendment to Chief Operating Officer Agreement dated February 12, 1996, by and between the Company and Wade S. Oney. Exhibit 10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is incorporated herein by reference.

- 10.22 Lease dated November 29, 1995 between PJ Food Service, Inc. and Arlington-OP&F, Inc. relating to the Company's distribution facility in Dallas, Texas. Exhibit 10.28 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is incorporated herein by reference.
- 10.23 Lease dated January 3, 1996, between PJ Food Service, Inc. and Fraser, L.L.C. relating to the Company's commissary and distribution facility in Denver, Colorado. Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is incorporated herein by reference.
- 10.24 Amendment VII to Lease dated November 7, 1990 (and related leases) between the Company and CWK #7 Limited Partnership, related to the Company's corporate offices. Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is incorporated herein by reference.
- 10.25 Lease dated January 23, 1996, between PJ Food Service, Inc. and CWK #8 relating to commercial and corporate office space in Louisville, Kentucky. Exhibit 10.31 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is incorporated herein by reference.
- 10.26 Agreement for Purchase and Sale of Real Estate dated February 28, 1996, by and between Papa John's USA, Inc., NTS/Crossings Corporation and NTS Bluegrass Commonwealth Park, relating to approximately 6 acres of land in Louisville, Kentucky. Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is incorporated herein by reference.
- 10.27 Lease dated September 30, 1996, between PJ Food Service, Inc. and Opus Southwest corporation relating to the Company's commissary and distribution facility to be opened in Tempe, Arizona.
- 10.28 Sublease dated September 4, 1996, between PJ Food Service, Inc. and Distribution Unlimited, Inc. relating to the Company's commissary and distribution facility to be opened in Rotterdam, New York.
- 10.29 Lease dated August 30, 1996, between PJ Food Service, Inc. and A. Terry Moss and Ira E. White relating to the Company's commissary and distribution facility to be opened in Des Moines, Iowa.
- 21 Subsidiaries of the Company:
- (a) PJ Food Service, Inc., a Kentucky corporation
 - (b) Papa John's USA, Inc., a Kentucky corporation
 - (c) Printing & Promotions, Inc., a Kentucky corporation
 - (d) PJFS of Mississippi, Inc., a Mississippi corporation
 - (e) Risk Services Corp., a Kentucky corporation
 - (f) Capital Delivery, Ltd., a Kentucky corporation

23 Consent of Ernst & Young LLP

- 27 Financial Data Schedule which is submitted electronically to the Securities and Exchange Commission for information only and not deemed to be filed with the Commission.
- 99.1 Cautionary Statements. Exhibit 99.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995 is incorporated herein by reference.

(b) Reports on Form 8-K

There were no Reports on Form 8-K filed during the last fiscal quarter of the period covered by this report.

(c) Exhibits

The response to this portion of Item 14 is submitted as a separate section of this report.

(d) Consolidated Financial Statement Schedules

All 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 not applicable and therefore have been omitted.

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 25, 1997 PAPA JOHN'S INTERNATIONAL, INC.

By: /s/ John H. Schnatter

John H. Schnatter, Chairman 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.

Table with 3 columns: SIGNATURE, TITLE, DATE. Rows include John H. Schnatter (Chairman, CEO), Charles W. Schnatter (Senior Vice President, Secretary, General Counsel), Blaine E. Hurst (President and Director), O. Wayne Gaunce (Director), Jack A. Laughery (Director), and Michael W. Pierce (Director).

SIGNATURE TITLE DATE

Exhibit 10.8

PAPA JOHN'S
FRANCHISE AGREEMENT

Franchisee: _____
Address: _____

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(ii)

PAPA JOHN'S

FRANCHISE AGREEMENT

SINGLE LOCATION FRANCHISE

THIS FRANCHISE AGREEMENT ("Agreement") is made this ____ day of _____, 19__, by and between PAPA JOHN'S INTERNATIONAL, INC., a Delaware corporation ("we", "us" or "Papa John's"), and _____, a _____ ("you"). If you are a corporation, certain provisions of the Agreement also apply to your owners and will be noted.

RECITALS:

A. We and our Affiliates have expended time, money and effort to develop a unique system for operating retail restaurants devoted primarily to carry-out and delivery of pizza and other food items. The chain of current and future Papa John's restaurants are referred to as the "Papa John's Chain" or the "Chain."

B. The Chain is characterized by a unique system which includes special recipes and menu items; distinctive design, decor, color scheme and furnishings; software and programs; standards, specifications and procedures for operations; procedures for quality control; training assistance; and advertising and promotional programs all of which we may improve, amend and further develop from time to time (the "System").

C. We identify our goods and services with certain service marks, trade names and trademarks, including, but not limited to, "Papa John's," "Papa John's Pizza," "Better Ingredients. Better Pizza." and "Pizza Papa John's Delivering the Perfect Pizza!" as well as certain other trademarks, service marks, slogans, logos and emblems that have been or may be designated for use in connection with the System from time to time (the "Marks").

D. You now desire to enter into this Agreement regarding the operation of one Papa John's restaurant under the System and the Marks at the location listed below (the "Restaurant").

E. We have agreed to grant you a franchise for the Restaurant;

NOW, THEREFORE, the parties agree as follows:

1. GRANT. Subject to the terms and conditions of this Agreement and your continuing faithful performance, we hereby grant to you the non-exclusive

right and franchise (the "Franchise") to operate a retail restaurant under the System and the Marks to be located at:

(the "Location")

Pursuant to this grant, you, at your own expense, shall construct or remodel, and equip, staff, open and operate the Restaurant at the Location. Unless otherwise agreed in writing by us, you shall commence operating the Restaurant within 60 days after the signing of this Agreement, and must diligently operate such business in accordance with this Agreement for the Term (defined below). Approval of the Location by us does not constitute an assurance, representation or warranty of any kind, expressed or implied, as to (i) the suitability of the Location for a Papa John's Restaurant, (ii) the successful operation of the Restaurant, or (iii) for any other purpose. Our approval of the Location indicates only that we believe it complies with acceptable minimum criteria we establish solely for our purposes at the time of the evaluation.

2. TERM, RENEWAL AND EXPIRATION.

(a) INITIAL TERM. The Franchise shall be for a term of 10 years from the date of this Agreement, unless terminated earlier as provided in this Agreement (the "Initial Term").

(b) TERM. As used in this Agreement, "Term" shall mean the Initial Term or the Renewal Term, as the case may be.

(c) RENEWAL OF FRANCHISE. This Agreement shall not automatically renew upon the expiration of the Initial Term. You shall, however, have an option to renew the Franchise upon the expiration of the Initial Term. You may renew the Franchise for one additional 10 year term (the "Renewal Term") if, and only if, each and every one of the following conditions has been satisfied:

(i) You have given us written notice of your desire to renew the Franchise not less than 3 months nor more than 6 months prior to the end of the Initial Term; provided that if we have not received notice from you of your desire to renew within such period, we will notify you and you shall have a period of 10 days thereafter within which to submit the renewal notice;

(ii) You are in full compliance with this Agreement and there is no uncured default by you under this Agreement, and there has been no series of defaults by you during the Initial Term (i.e., an abnormal frequency of defaults or a default that has occurred repeatedly, or a combination thereof), whether or not such defaults were cured, all your debts and obligations to us and our Affiliates under this Agreement or otherwise are current and your

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obligations to the Marketing Fund and each Cooperative (defined below) of which you are a member are current;

(iii) You execute and deliver to us, within 10 days after delivery to you, the form of Papa John's Franchise Agreement being offered to new franchisees on the date you give the notice under this Section, including all exhibits and our other then-current ancillary agreements, which agreements shall supersede this Agreement and all ancillary agreements in all respects, and the terms and conditions of which may differ substantially from this Agreement; provided that such Franchise Agreement shall provide for a term of 10 years;

(iv) You secure the right to continue possession of the Premises for a period at least equal to the Renewal Term, or alternatively you secure premises at another location that we approve for the same period;

(v) Your Principal Operator (defined below) and manager attend and successfully complete our training program for new franchisees;

(vi) We are then continuing to offer Papa John's Pizza franchises in the state in which the Restaurant is located and have all required documents filed and all necessary approvals to offer Papa John's franchises in that state;

(vii) You have paid us a renewal fee of \$3,000;

(viii) You execute and deliver to us a general release, in the form we prescribe, releasing, to the fullest extent permitted under the laws of the state where the Restaurant is located, all claims that you may have against us and our Affiliates and subsidiaries, and their respective officers, directors, shareholders and employees in both their corporate and individual capacities; and

(ix) You make, or provide for in a manner reasonably satisfactory to us, such renovation and re-equipping of the Restaurant as may be necessary or appropriate to reflect the then-current standards and image of the System, including, without limitation, renovation or replacement of signs, equipment, furnishings, fixtures and decor; provided, however, that substantial renovation and re-equipping shall not be required if you have substantially renovated the Restaurant within the 3-year period immediately preceding the end of the Initial Term.

(d) EXPIRATION. Renewal of the Franchise after the Initial Term shall not constitute a renewal or extension of this Agreement, but shall be conditioned upon satisfaction of the above provisions. Upon expiration of the Renewal Term, further renewal rights will be governed by the Franchise Agreement executed by you upon expiration of the Initial Term. If you fail to meet any of the conditions under Section 2.(c) above with respect to the renewal of the Franchise, then the Franchise shall automatically expire at the end of the Initial Term.

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3. FRANCHISE FEES AND PAYMENTS.

(a) INITIAL FRANCHISE FEE AND ROYALTIES. In consideration of the grant of the Franchise, you agree to pay us the following fees:

(i) An Initial Franchise Fee of \$20,000 which shall be paid upon the execution of this Agreement and which shall be deemed fully earned and is non-refundable.

(ii) A continuing royalty (the "Royalty") of 4% of the "Net Sales" of the Restaurant for each "Period" (as defined in Section 13.(b)); provided that any time after the 3rd anniversary date of this Agreement we may increase the Royalty to as much as 5% of Net Sales for the remainder of the Initial Term and the Renewal Term, if applicable. However, we may increase the Royalty only if our form of Franchise Agreement being offered to new Papa John's franchisees at the time of the increase provides for a Royalty of more than 4%. Net Sales shall mean the gross sales of the Restaurant (whether such sales are evidenced by cash, check, credit, charge account or otherwise), less sales tax collected on such sales and paid to the State or other local taxing authority. The Royalty is due on the 10th day of the month following each Period.

(b) PAYMENTS. Prior to the opening of the Restaurant (and thereafter as requested by us), you shall execute and deliver to us, our bank(s) and your bank, as necessary, all forms and documents that we may request to permit us to debit your bank account, either by check, via electronic funds transfer or other means utilizing the "Information System" (as defined in Section 10.(d)) or such alternative methods as we may designate ("Payment Methods"). You must comply with all procedures specified by us from time to time, and/or take such reasonable actions as we may request to assist in any of the Payment Methods. We may use the Payment Methods to collect the amount of each Period's Royalty and any other amounts due to us, our Affiliates or the Papa John's Marketing Fund, Inc. under this Agreement or otherwise, including, but not limited to, "Marketing Fund" (as defined in Section 8.(b)) contributions, purchases from "PJFS" (as defined in Section 12.(b)), Printing & Promotions, Inc. and all of our other Affiliates. The Royalty and Marketing Fund contributions shall be debited on the 10th of each month, or if the 10th falls on a weekend or bank holiday, then on the next business day. Commissary payments will be debited one business day after products are delivered to the Restaurant. We will determine your Net Sales for each Period via the Information System, or if we are unable to do so, you shall report your Net Sales in writing on or before the 7th day of the month following each Period. Such reporting shall be in addition to all other reporting requirements under Section 13. If you fail to report Net Sales on a timely basis, we may estimate the Net Sales of the Restaurant for such Period and debit your bank account the amount of the Royalty and Marketing Fund contribution based on such estimate. If

an estimate results in an overpayment, we shall deduct the amount of the overpayment from the next Period's Royalty. Any deficiency resulting from such estimate may be added to the next Royalty and/or Marketing Fund contribution payment(s) due and debited against your bank account. If, at any time, we determine that you have underreported the Restaurant's Net Sales, or underpaid any Period's Royalty, Marketing Fund contributions or payments to any of our Affiliates, we are authorized to immediately debit your account for these amounts by any of the Payment Methods. You shall notify us at least 20

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days prior to closing or making any change to the account against which such debits are to be made. If such account is closed or ceases to be used, you shall immediately provide all documents and information necessary to permit us to debit the amounts due from an alternative account. You acknowledge that these requirements are only a method to facilitate prompt and timely payment of amounts due and shall not affect any obligation or liability for amounts owed. If for any reason your account cannot be electronically debited, you shall submit payments by check (certified or cashier's check if requested by us) on or before the dates when due. You shall indemnify and hold us harmless from and against all damages, losses, costs and expenses resulting from any dishonored debit against your account, regardless whether resulting from the act or omission of you or your bank; provided that you shall not be obligated to indemnify us for any dishonored debit caused by our negligence or mistake.

4. FRANCHISOR SERVICES. During the Term, we agree to provide to you the following services:

- (a) specifications for the design of the Restaurant and related facilities to be used in the operation of the Restaurant;
- (b) specifications for fixtures, furnishings, decor, communications and computer hardware and software, signs and equipment;
- (c) the names and addresses of designated and approved suppliers, and standards and specifications for (i) all food products, beverages, ingredients and cooking materials sold from or used in the operation of the Restaurant, and (ii) all containers, boxes, cups, packaging, menus, uniforms and other products and materials used in connection with the operation of the Restaurant;
- (d) a pre-opening management training program for the "Principal Operator" (as defined in Section 11) and one or more approved managers, and such other persons as we may reasonably designate, and such other training for your employees at the locations and for such periods as we may designate from time to time; provided that you shall be responsible for all expenses incurred by such persons in connection with training, including, without limitation, all costs of travel, lodging, meals and wages;
- (e) Our supervision and periodic inspections and evaluations of your operation as described more fully in Section 11.(j) which supervision, inspections and evaluations shall be conducted at such times and in such manner as we shall reasonably determine; and
- (f) We shall communicate to you information relating to the operation of a Papa John's restaurant to the extent we deem it necessary or pertinent.

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5. TERRITORIAL PROVISIONS.

(a) TERRITORY. Subject to the provisions of this Section 5, we agree that during the Term we will not locate nor license another to locate a Papa John's restaurant within a one and one-half mile radius of the Location (the "Territory"). Notwithstanding the foregoing, enclosed malls, institutions (such as hospitals or schools), airports, parks (including theme parks), and sports arenas (collectively "Special Sites") shall be excluded from protection within the Territory and we may open Papa John's restaurants, or franchise the right to open Papa John's restaurants to other persons at any Special Site locations, regardless of where they are located. If this Agreement is signed pursuant to a Development Agreement with us, in no event shall the Territory extend outside the boundaries of the "Development Area" as defined in the

Development Agreement and neither termination nor expiration of the Development Agreement shall alter this limitation. We do not warrant or represent that no other Papa John's restaurant will solicit or make any sales within the Territory, and you expressly acknowledge and agree that such solicitations or sales may occur within the Territory. We shall have no duty to protect you from any such sales, solicitations, or attempted sales. You recognize and acknowledge that (i) you will compete with other Papa John's restaurants that are now, or that may in the future be, located near or adjacent to your Territory, and (ii) that such restaurants may be owned by us, our Affiliates or third parties. You acknowledge and agree that if you relocate the Restaurant, the Territory will not change (i.e., the radius will not be applicable to the new location, even though we have approved the new location).

(b) OTHER BUSINESSES. You understand and agree that we reserve the right, either directly or through Affiliates, to operate or franchise or license others to operate or franchise, restaurants or other food related establishments or businesses other than Papa John's restaurants and you agree that we and our Affiliates may do so within the Territory; provided, that such restaurants or food establishments or businesses do not sell pizza on a delivery basis, or primarily on a carry-out basis. We also reserve the right to develop, market and conduct any other business under the Marks or any other trademark.

(c) OTHER METHODS OF DISTRIBUTION. We also reserve the right, directly or through third parties, to manufacture or sell, or both, within and outside your Territory, pizza and other products that are the same as or similar to those sold in Papa John's restaurants using brand names which are the same as, or similar to, the Marks through any channel of distribution; provided that such items are not sold through restaurants or on a pre-cooked, ready-to-eat basis.

6. PREMISES.

(a) LEASED PREMISES. If you intend to lease the premises where the Restaurant will be operated (the "Premises"), you shall submit to us copies of the executed signature pages of all such leases immediately after signing and copies of the full leases and any exhibits and addendum at such other times as we may request. The term of all leases plus all options for you to renew shall together equal or exceed the Term. All leases pertaining to the Premises shall also include an Addendum in the form of Exhibit A attached hereto, or shall contain terms and condit-

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ions substantially similar to those contained in EXHIBIT A that we approve. A copy of the executed Addendum must also be submitted to us.

(b) OWNED PREMISES. If you intend to own the Premises, you shall furnish to us proof of ownership prior to the date you begin any construction, build-out or remodeling of the Premises. In the event you decide to sell the Premises at any time prior to the expiration or termination of the Franchise Agreement, you must notify us of your intention. We shall have a right of first refusal to purchase the Premises on the same terms and conditions as set forth in Section 14.(b)(i). If the sale will also involve a relocation of the Restaurant, you shall submit to us for our approval your proposed plans (including copies of any proposed lease or contract of purchase) for an alternate location.

(c) PREMISES IDENTIFICATION. Regardless of whether you own or lease the Premises, you must, within ten days after the expiration or termination of the Franchise Agreement, remove all signs and other items and indicia that serve, directly or indirectly, to identify the Premises as a Papa John's restaurant and make such other modifications as are reasonably necessary to protect the Marks and the Papa John's System, and to distinguish the Premises from Papa John's restaurants. To enforce this provision, we may pursue any or all remedies available to us under applicable law. Your obligation shall be conditioned upon our giving you prior notice of the modifications to be made and the items removed.

(d) SUITABILITY OF PREMISES. Regardless of whether the Premises are owned or leased, it shall be your responsibility to determine that the Premises can be used, under all applicable laws and ordinances, for the purposes provided herein and that the Premises can be constructed or remodeled in accordance with the terms of this Agreement and you shall obtain all permits and licenses that may be required to construct, remodel and operate the Restaurant.

You agree that the Premises will not be used for any purpose other than the operation of the Restaurant in compliance with this Agreement.

(e) RELOCATION; ASSIGNMENTS. You shall not, without first obtaining our written consent: (i) relocate the Restaurant; or (ii) renew or materially alter, amend or modify any lease, or make or allow any transfer, sublease or assignment of your rights under any lease or owned location pertaining to the Premises. Such consent shall not be unreasonably withheld. You agree to give us notice not less than 30 days prior to any of the foregoing. We may require you to relocate the Restaurant to another location upon (A) expiration of the original term or any extension or renewal of your lease, (B) expiration of the Initial Term or Renewal Term of this Agreement, or (C) any significant damage to the Premises or surrounding areas, or other event, that would provide you with an option or right to terminate the lease. You agree to give us notice not less than 60 days prior to the expiration of your lease, and to give us written notice within five days after the occurrence of any event covered by (C) above. Our right to require you to relocate shall not be exercisable during the first two years of the Initial Term, and thereafter shall be conditioned upon (1) the availability of a location approved by us for such relocation, (2) our offering to extend the Term of this Agreement for not less than five years, or at our option, offering to enter into our then-current form of franchise agreement (which shall include an initial

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term of not less than 10 years), and (3) the Territory (as measured from the new location) not extending into the "Territory" of any other Papa John's Pizza franchisee. YOU ACKNOWLEDGE THAT SUCH RELOCATION, IF REQUIRED, WOULD INVOLVE SUBSTANTIAL ADDITIONAL INVESTMENT BY YOU DURING THE TERM OF THIS AGREEMENT, AND MAY INCLUDE, WITHOUT LIMITATION, AN OBLIGATION TO LEASE OR BUY LAND, CONSTRUCT A FREE-STANDING BUILDING, INSTALL LEASEHOLD IMPROVEMENTS AND/OR PURCHASE NEW EQUIPMENT AND SIGNAGE.

7. PROPRIETARY MARKS; COPYRIGHT.

(a) OWNERSHIP OF COPYRIGHTS. You acknowledge and agree that (i) we may authorize you to use certain copyrighted or copyrightable works (the "Copyrighted Works"), including the Manuals and the "Proprietary Programs" (as defined in Section 10.(c)(i)(B)), (ii) the Copyrighted Works are the valuable property of us, and (iii) your rights to use the Copyrighted Works are granted to you solely on the condition that you comply with the terms of this Agreement. You acknowledge and agree that we will further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of the Restaurant, all of which shall be deemed to be Copyrighted Works under this Agreement. Such Copyrighted Works include, but are not limited to, the materials and information provided to you by us for use in the operation of the Proprietary Programs. You shall not undertake to patent, copyright or otherwise assert proprietary rights to the Proprietary Programs and any data generated by the use of the Proprietary Programs or any portion thereof. Copyrighting of any material by us shall not be construed as causing the material to be public information. You will cause all copies of the Proprietary Programs and any data generated by the use of the Proprietary Programs in your possession to contain an appropriate copyright notice or other notice of proprietary rights specified by us.

(b) OWNERSHIP; USE BY OTHERS. You agree that we are the owner of (i) the Marks and all goodwill associated with or generated by the use of the Marks, and (ii) the Copyrighted Works and any data generated by use of the Copyrighted Works. You agree that all works of authorship related to the System that are created in the future will be owned by, or licensed to, us or our Affiliates. Your use of the Copyrighted Works and the Marks does not vest you with any interest therein other than the non-exclusive license to use the Copyrighted Works and Marks granted in this Agreement. You shall execute any documents that we or our counsel deem necessary for the protection of the Copyrighted Works or the Marks or to maintain their validity or enforceability, or to aid us in acquiring rights in or in registering any of the Marks or any trademarks, trade names, service marks, slogans, logos or emblems that we subsequently adopt. You shall give notice to us of any knowledge that you acquire concerning any actual or threatened infringement of the Copyrighted Works or the Marks, or the use by others of names, marks or logos that are the same as or similar to the Marks. You shall cooperate with us in any suit, claim or proceeding involving the Marks or the Copyrighted Works or their use to protect our rights and interests in the Marks or the Copyrighted Works. We, in our sole discretion, shall control all decisions concerning the Marks or the

(c) USE OF MARKS. You shall use the Marks only in connection with the operation of the Restaurant at the Location specified herein, and shall use them only in the manner that we authorize. Your right to use the Marks is limited to use during the Term of this Agreement and in compliance with specifications, procedures and standards prescribed by us from time to time. You shall prominently display the Marks in the manner that we prescribe on all signs, plastic and paper products, and other supplies and packaging materials that we designate. You shall not fail to perform any act required under this Agreement, or commit any act that would impair the value of the Marks or the goodwill associated with the Marks. You shall not at any time engage in any business or market any product or service under any name or mark that is confusingly or deceptively similar to any of our Marks. You shall not use any of the Marks as part of your corporate or trade name and shall not use any trademark, trade name, service mark, logo, slogan or emblem that we have not authorized for use in connection with the Restaurant. You shall obtain such fictitious or assumed name registrations as required by applicable state law and forward to us copies of the same upon request.

(d) DESIGNATION AS YOU. You shall identify yourself as the owner of the Franchise in conjunction with the use of the Marks, including, without limitation, on checks, invoices, receipts, letterhead and contracts, as well as at conspicuous locations on the Premises in a form which specifies your name, followed by the phrase "An independently owned and operated franchise" or such other phrase as we direct.

(e) DISCONTINUANCE OF USE; ADDITIONAL MARKS AND/OR COPYRIGHTS. You shall modify or discontinue use of any Mark or Copyrighted Work if a court of competent jurisdiction orders it, or if we in our sole discretion deem it necessary or advisable. You shall comply with our directions regarding any such Mark or Copyrighted Work within 30 days after receipt of notice from us. You shall also use such additional or substitute Marks or Copyrighted Works as we shall direct. We shall not be obligated to compensate you for any costs or expenses incurred by you to modify or discontinue using any Mark or Copyrighted Work or to adopt additional or substitute Copyrighted Works or Marks.

8. ADVERTISING.

(a) CONTRIBUTIONS AND EXPENDITURES. Recognizing the value of advertising and the importance of the standardization of advertising to the furtherance of the goodwill and public image of the System, we and you agree as follows:

(i) MONTHLY CONTRIBUTIONS AND EXPENDITURES. Each month during the Term, you shall make the following contributions and expenditures for advertising:

(A) You shall contribute to the "Marketing Fund," as defined below, such amount as the Board of Directors of the Marketing Fund (the "Board") may designate from time to time, which amount shall not exceed 1-1/2% of the monthly Net Sales of the Restaurant, except as set forth in (iii), below.

(B) You shall contribute to the "Cooperative" (as defined below) that percentage of Net Sales that the governing body of the Cooperative may designate from time to time, which amount shall not be less than 2% nor more than 5% of the monthly Net Sales of the Restaurant, except as set forth in (iii), below.

(C) You shall expend such amounts as we may designate from time to time for local advertising as provided below; provided, that the aggregate amount that you may be required to spend on local advertising together with your Marketing Fund contributions will not exceed 4% of the Net Sales of the Restaurant.

(ii) INCREASES IN CONTRIBUTIONS.

(A) MARKETING FUND CONTRIBUTIONS. The Board may

increase the maximum required contribution to the Marketing Fund to 2-1/2% of Net Sales, provided such increase is approved by the owners of not less than 60% of the restaurants required to contribute to the Marketing Fund (including both Franchisor-owned and franchised restaurants). Any increase in the required contribution to the Marketing Fund in excess of 2-1/2% of Net Sales must be approved by not less than 2/3 of the restaurants required to contribute to the Marketing Fund (including restaurants that we own and franchises).

(B) COOPERATIVE CONTRIBUTIONS. We may approve a monthly contribution rate to the Cooperative of less than 2% of Net Sales. The governing body of the Cooperative may increase the required contribution to the Cooperative to a percentage of Net Sales in excess of 5%, provided that any such increase is approved by not less than two-thirds of the restaurants required to contribute to the Cooperative (including both Franchisor-owned and franchised restaurants). We also have the right to authorize any Cooperative to determine contributions on a different basis (fixed amount, geographic location, etc.). Our decision on any issue concerning Cooperative contributions shall be final.

(b) MARKETING FUND. Papa John's Marketing Fund, Inc., a Kentucky nonstock, nonprofit corporation (the "Marketing Fund"), has been organized for the purposes set forth in the Articles of Incorporation and By-Laws of the Marketing Fund, as they may be amended from time to time. You shall automatically become a non-voting member of the Marketing Fund upon the execution of this Agreement, and prior to the opening of the Restaurant you shall execute and deliver to the Marketing Fund an Advertising Agreement in the form prescribed by the Board.

(i) You agree and acknowledge that the Marketing Fund is intended to increase recognition of the Marks and to further the public image and acceptance of the System and that we, the Marketing Fund and the directors of the Marketing Fund do not undertake any obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Marketing Fund by Papa John's restaurants operating in such geographic area or that you or the Restaurant will benefit directly or in proportion to your contribution to the Marketing Fund. We, our officers, directors, agents and

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employees shall not be deemed a fiduciary or trustee of the contributions to, or the assets of, the Marketing Fund. We, the Marketing Fund and our respective officers, directors, agents and employees shall not be liable to you with respect to the maintenance, direction or administration of the Marketing Fund, including without limitation, with respect to contributions, expenditures, investments and borrowings, except for acts constituting willful misconduct.

(ii) We and our Affiliates shall make contributions to the Marketing Fund for each restaurant that we own on the same basis as required of comparable franchisees within the System.

(iii) As long as you are in compliance with the Advertising Agreement and the Articles and By-Laws of the Marketing Fund, you will be furnished with advertising materials that were produced by or for the Marketing Fund for System-wide distribution on the same terms and conditions as such materials are furnished to other franchisees.

(iv) You shall make your monthly contribution to the Marketing Fund on the date and in the manner provided for in the Advertising Agreement and the By-Laws and shall submit such statements and reports as the Board may designate from time to time. From time to time the Board may designate one or more accounts to which such contributions shall be made, and you shall make such payments by separate checks. Contributions to the Marketing Fund may be used to defray our expenses only to the extent of the administrative costs and overhead that we may reasonably incur in rendering services to the Marketing Fund.

(v) The funds collected by the Marketing Fund, and any earnings thereon, are not and shall not be our asset or the asset of any franchisee.

(vi) Although the Marketing Fund is intended to be of perpetual duration, the Board has the right to terminate the Marketing Fund.

However, the Marketing Fund shall not be terminated until all monies held by it have been expended for the purposes set forth in its Articles of Incorporation and By-Laws or distributed as permitted by law.

(c) REGIONAL COOPERATIVE ADVERTISING. You agree that we shall have the right, in our sole discretion, to designate from time to time a geographical area in which the Restaurant is located for the purpose of establishing an advertising cooperative (the "Cooperative"). If a Cooperative has been established applicable to the Restaurant at the time you commence operations, you shall immediately become a member of such Cooperative. If a Cooperative applicable to the Restaurant is established at any later time during the Term, you shall become a member of such Cooperative no later than 30 days after the date on which the Cooperative commences operation. In no event shall the Restaurant be required to contribute to more than one Cooperative. We may designate, from time to time, a formula for calculating a proration or reduction of the contribution rate for restaurants in a Cooperative based on media coverage, demographics or other factors. The following provisions shall apply to each Cooperative:

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(i) Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, that we designate in advance in writing. On all matters to be voted on by the Cooperative's membership, each member shall have one vote for each restaurant it owns.

(ii) Each Cooperative shall be organized for the purposes of producing and conducting general advertising programs and activities for use in and around the applicable geographic area and developing standardized promotional materials for use by the members.

(iii) We shall make contributions to each Cooperative of which we are a member on the same basis as required of comparable franchisees within the System.

(iv) No advertising programs or materials may be used by the Cooperative or furnished to its members, and no advertising or promotional activities may be conducted by the Cooperative, without our prior written approval. All such programs, materials and planned activities shall be submitted to us for approval in accordance with the procedure set forth below. A Cooperative may employ only advertising agencies that have been approved by us.

(v) Subject to the provisions above, each Cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the governing body of the Cooperative.

(vi) You shall make your contributions to the Cooperative on the date and in the manner designated by the Cooperative. You shall also submit such statements and reports as may be designated from time to time by us or the Cooperative. The Cooperative shall submit to us such statements and reports as we may designate from time to time.

(vii) Notwithstanding the foregoing, we, in our sole discretion, may, upon written request of a franchisee stating reasons supporting such request, grant to any franchisee an exemption from the requirement of membership in a Cooperative. Such an exemption may be for any length of time and may apply to one or more restaurants owned by such franchisee. If an exemption is granted to a franchisee, such franchisee may be required to expend on local advertising the full amount that would otherwise be payable to the Cooperative. We may also exempt one or more restaurants owned or controlled by us from the requirement of membership in a Cooperative for such periods as we reasonably deem appropriate. Our decision concerning an exemption shall be final.

(d) LOCAL ADVERTISING. Subject to the limits set forth above, you agree to spend for local advertising such percentage of your Net Sales as we from time to time direct. You shall submit verification of your local advertising expenditures at such times and in such form as we request from time to time.

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(i) SUPPLEMENTAL ADVERTISING. You shall have the right to

conduct, at your separate expense, supplemental advertising in addition to the expenditures specified herein. All such supplemental advertising shall have been either prepared or previously approved by us within the 90-day period preceding their intended use, or shall be approved by us as provided below.

(ii) YELLOW PAGES ADVERTISING. You shall, at your own expense, obtain (or contribute to the cost of obtaining) a listing for the Restaurant in each "yellow pages" and other telephone directory serving the Territory and each such listing shall be of the style, format and size, and in such form, as we may specify from time to time.

(e) OUR APPROVAL. Prior to their use by the Cooperative or by you, samples of all advertising and promotional materials not prepared or previously approved by us within the 90-day period preceding their intended use shall be submitted to us (via commercial overnight courier or through the mail return receipt requested) for our approval, to ensure consistency with the then-current standards and image of the System and protection of the Marks and the goodwill associated therewith. If disapproval is not received within 20 days from the date of receipt by us of such materials, we shall be deemed to have given the required approval. The Cooperative and you may not use, and must cease using, any advertising or promotional materials that we may at any time disapprove, regardless whether we have previously approved any such items.

(f) OUR ADVERTISING. We may from time to time expend our own funds to produce such promotional materials and conduct such advertising as we deem necessary or desirable. In any advertising conducted solely by or for us, we shall have the sole discretion to determine the products and geographical markets to be included, and the medium employed and we shall not have any duty or obligation to supply you with any advertising or promotional materials produced by or for us at our sole expense.

(g) OWNERSHIP OF ADVERTISING. We shall be the sole and exclusive owner of all materials and rights that result from advertising and marketing programs produced and conducted, whether by you, us, the Cooperative or the Marketing Fund. Any participation by you in any advertising, whether by monetary contribution or otherwise, shall not vest you with any rights in the Marks employed in such advertising or in any tangible or intangible materials or rights, including copyrights, generated by such advertising. If requested by us, you shall assign to us any contractual rights or copyright you acquire in any advertising.

9. TELEPHONE NUMBER. The only telephone number(s) assigned to the Restaurant [is/are] _____. Upon termination or expiration of the Franchise, you shall cease using such telephone number(s). In no event shall you use such number(s) for any other business. You further agree that if you obtain any additional or substitute telephone service or telephone number(s) at the Restaurant, you will promptly notify us and such additional or substitute number(s) shall be subject to this Agreement. You shall immediately take all such actions as may be necessary to transfer any telephone number and any telephone directory listings associated with the Restaurants or the Marks to us. You acknowledge that, as between us and

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you, we have the sole right to and interest in all telephone numbers and directory listings associated with the Restaurants or the Marks. Concurrently with the execution of this Agreement, you shall execute and deliver the form of assignment of telephone numbers and listings (the "TELEPHONE NUMBER ASSIGNMENT"), required by the applicable local telephone company or, if the local telephone company has no form, our current blank assignment form attached to this Agreement as Exhibit B. You acknowledge and agree that the telephone company and all listing agencies may accept this Agreement and/or the Telephone Number Assignment as conclusive evidence of our exclusive right in such telephone numbers and directory listings and its authority to direct their transfer.

Upon termination or expiration of this Agreement (without renewal or extension), we shall have the right and are hereby empowered to effectuate the Telephone Numbers Assignment and, in such event, you shall have no further right, title or interest in the telephone numbers and listings and shall remain liable to the telephone company for all charges and fees owing to the telephone company on or before the effective date of the assignment hereunder.

You agree and acknowledge that as between us and you, upon termination or

expiration of the Franchise Agreement, we shall have the sole right to and interest in the telephone numbers and listings, and you appoint us as your true and lawful attorney-in-fact to direct the telephone company to assign same to us, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, you shall immediately notify the telephone company to assign the telephone numbers and listings to us. If you fail to promptly direct the telephone company to assign the telephone numbers and listings to us, we shall direct the telephone company to effectuate the Telephone Number Assignment. The parties agree that the telephone company may accept our written direction, the Franchise Agreement or the Telephone Number Assignment as conclusive proof of our exclusive rights in and to the telephone numbers and listings upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon telephone company's receipt of such notice from us or you. The parties further agree that if the telephone company requires that the parties execute the telephone company's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, our execution of such forms or documentation on your behalf shall effectuate your consent and agreement to the assignment. The parties agree that at any time after the date hereof, they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein and the Telephone Number Assignment upon termination or expiration of the Franchise Agreement.

10. CONSTRUCTION, DESIGN AND APPEARANCE; EQUIPMENT.

(a) CONSTRUCTION. You agree that you will construct or remodel the Premises at the Location in accordance with our construction or remodeling plans and design, layout and decor specifications. You shall purchase or lease the pizza preparation, beverage storage or dispensing, storage and other equipment, displays, fixtures, and furnishings that we designate. You shall make no changes to any building plan, design, layout or decor, or any equipment or signage

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without our prior written consent, and shall maintain the interior and exterior decor in such manner as may be reasonably prescribed from time to time by us.

(b) SIGNS. You shall prominently display, at your expense, both on the interior and exterior of the Premises, advertising signs in such form, color, number, location and size, and containing such Marks, logos and designs as we shall designate. Such signs shall be obtained from a source designated or approved by us. You shall obtain all permits and licenses required for such signs and shall also be responsible for ensuring that all signs comply with all laws and ordinances. You shall not display in or upon the Premises any sign or advertising of any kind to which we object.

(c) PAPA JOHN'S PROFIT SYSTEM(TM); PURCHASE AND INSTALLATION. You agree to (1) acquire the "Information System" (as defined below) for the Restaurant and the right to use, for the term of this Agreement, the "Designated Software" (as defined below) in the manner specified by us, (2) obtain any and all peripheral equipment and accessories, arrange for any and all support services and take all other actions that may be necessary to enable the "Information System" (as defined below) and the Designated Software to operate as specified by us (including but not limited to installation of electrical wiring and cabling, and temperature and humidity controls) that may be necessary to prepare the Restaurant to enable the "Papa John's Profit System(TM)" (as defined below) to operate as specified by us, and (3) install and commence using the Designated Software on the Information System, and use such items solely in the operation of the Restaurant in the manner specified by us. You shall be responsible for all costs associated with the foregoing, including but not limited to transportation, installation, sales, use, excise and similar taxes, and site preparation. You agree to operate only Designated Software on the Papa John's Profit System(TM). You acknowledge and agree that the Designated Software, and all additions, modifications and enhancements thereto, shall be deemed to be "confidential information" and shall be subject to Section 17 of this Agreement.

(i) DEFINITIONS. For purposes of this Agreement, the terms listed below shall have the meanings that follow them.

"DESIGNATED SOFTWARE" - Such software, programming and services as we may specify or require from time to time for use by you in the Restaurant. The Designated Software does not include any data or data bases owned or compiled by

us for use with the Papa John's Profit System or otherwise or any data generated by the use of the Designated Software. The Designated Software may consist of either or both of the following:

(A) PACKAGED SOFTWARE. The Designated Software may consist of software purchased and licensed from us or a third party and/or may contain third-party subcomponents that we have the authority to license or sell to you ("Packaged Software") pursuant to and in accordance with agreements that we enter into with such third-party vendors (collectively, the "Packaged Software Agreements").

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(B) PROPRIETARY PROGRAMS. The Designated Software may consist of or contain proprietary computer software programs that we may develop or cause to be developed and that are owned by us and that we designate for use on the Papa John's Profit System in the operation of a Restaurant, including any modifications, additions or enhancements to such software programs ("Proprietary Programs").

"INFORMATION SYSTEM" - Those brands, types, makes, and/or models of communications and computer systems or hardware specified and required by us for use in the Restaurant or between or among Papa John's Restaurants and/or us. This Information System will include point of sale systems, information storage, retrieval, transmission systems and security systems.

"PAPA JOHN'S PROFIT SYSTEM(TM)" - The Designated Software and Information System collectively.

(ii) GRANT OF LICENSE. We agree to grant to you, and to cause our Vendors (defined below) to grant to you, a nonexclusive, nontransferable, nonassignable license to use the Designated Software, subject to the same terms and conditions as the Designated Software is licensed to our other franchisees in general. You agree to be bound by the terms of each Packaged Software Agreement and, to the extent you purchase all or portions of the Designated Software from or through us, agree that the vendors and licensors of all or portions of the Designated Software (collectively, the "Vendors") are third-party beneficiaries of this Agreement with full rights to enforce this Agreement as it pertains to the Designated Software. You acknowledge and agree that the Designated Software and any data generated by the use of the Designated Software are the valuable, proprietary property and trade secret of us and/or our Vendors, and you agree to use the utmost care to safeguard the Designated Software and any data generated by the use of the Designated Software and to maintain the copyright protection and the secrecy and confidentiality thereof.

(III) ACCESS; ENHANCEMENTS AND CHANGES.

(A) ACCESS TO SYSTEM. We shall have the right at all times to access the Papa John's Profit System(TM) and to retrieve, analyze, download and use the Designated Software, and all software, data and files stored or used on the Papa John's Profit System(TM). We may access the Papa John's Profit System in the Restaurant or from other locations, including our headquarters and regional offices. You shall store all data and information on the Papa John's Profit System(TM) that we designate from time to time. No unauthorized data or information may be stored on the Papa John's Profit System(TM).

(B) ENHANCEMENTS AND CHANGES. During the term of this Agreement, and provided that you are in compliance with the terms of this Agreement, we shall provide to you, and you shall promptly implement, all upgrades, modifications, enhancements, extensions, error corrections and other changes to the Papa John's Profit System developed or adopted by us for use in the operation of the Restaurant.

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(C) INFORMATION SYSTEMS MAINTENANCE. You agree to maintain the Information System in accordance with our published maintenance program, as amended from time to time (which will also be adhered to by our restaurants). You also agree that if you fail to maintain the Information System in accordance with our published maintenance program, you shall reimburse any costs that we or our agents incur to bring your Information System up to our standards. The published

maintenance program may include, but is not limited to, a hardware spares program and a preventative maintenance program. You acknowledge that such maintenance is necessary to help ensure the proper functioning of the Papa John's Profit System(TM).

(D) IDEAS AND SUGGESTIONS. You shall promptly disclose to us all ideas and suggestions for modifications or enhancements of the Papa John's Profit System(TM) or any component thereof that are conceived or developed by or for you, and we and our Affiliates shall have the right to use and license such ideas and suggestions. All modifications and enhancements made to the Papa John's Profit System(TM) together with the copyright therein shall be the property of us (or the appropriate Vendor if we so designate), without regard to the source of the modification or enhancement, and you hereby assign all of your right, title, and interest in any ideas, modifications, and enhancements to us (or the appropriate Vendor if we so designate). You agree to execute any documents, in the form provided by us, that we determine are necessary to reflect such ownership.

(E) REMOVAL. Upon expiration or termination of this Agreement, you shall allow our employees or agents to remove the Designated Software from the Information System, shall immediately return to us the Designated Software, each component thereof, any data generated by the use thereof, all documentation for the Designated Software and other materials or information that relate to or reveal the Designated Software and its operation. You shall immediately destroy any and all back-up or other copies of the Designated Software or parts thereof, and any data generated by the use of the Designated Software (other than financial information relating solely to you).

(iv) ON-SITE INSTALLATION AND SUPPORT FEE. You agree to pay to us upon installation of the Designated Software on your Information System, an on-site installation and support fee (the "On-Site Installation and Support Fee") in the amount of \$2,500, plus all reasonable travel, lodging and other expenses that we incur in connection with the installation. In exchange for this On-Site Installation and Support Fee, we will install the Designated Software on the Information System and provide one or more of our system installers/trainers at the Restaurant, generally 2 days before the Restaurant opens for installation and training and 2 days after the Restaurant is open, for support. This installer/trainer will assist your employees in the use of the Papa John's Profit System(TM). We may also charge additional On-Site Installation and Support Fees, not to exceed \$750 plus expenses, each time an enhancement or modification to the Papa John's Profit System(TM) is installed at the Location. The On-Site Installation and Support Fees do not include any hardware, supplies, data cabling, electrical wiring, or cash drawer or shelving installation or other site work necessary to prepare the Restaurant for the Papa John's Profit

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System(TM). These are your sole responsibility. However, some or all of these materials and services may be offered by us or our agent for an additional fee. If more than 4 days of on-site training and support is required, it will be provided by us or our agent for \$500 per day plus additional expenses.

(v) SOFTWARE SUPPORT FEE. You agree to pay to us a recurring software support service fee ("Software Support Fee") in the amount of \$100 per Period. Such fee shall be payable in advance on the 15th day of each month commencing in the Period immediately following the installation of the Designated Software on the Papa John's Profit System(TM) and continuing through the Term. In exchange for this fee, we will provide general assistance and support for your Papa John's Profit System(TM). This fee entitles you to 3 telephone calls per Period. Additional calls may be billed at \$35 each.

(vi) SOFTWARE MAINTENANCE FEE. You agree to pay to us a software maintenance fee, which shall not be more than 20% of the license fees of the Designated Software as published by Vendors or by us in any year ("Software Maintenance Fee"). This fee shall be payable in advance on the 15th day of the month. This Software Maintenance Fee includes software maintenance, research and development, upgrades and enhancements and installation media, if any, that we adopt, require or provide. Installation on the Papa John's Profit System(TM), if required, will be charged as defined in Section 10.(c)(iv).

(vii) INCREASES IN FEES. The On-Site Installation and Support

Fee, Software Support Fee, the Software Maintenance Fee and/or per diem charges may be increased by us from time to time.

(viii) WARRANTIES AND LIMITATION OF LIABILITY. We represent and warrant to you that if we sell or license the Proprietary Programs to you: (A) we will have all rights, licenses and authorizations necessary to license the Proprietary Programs to you, subject only to nonexclusive licenses granted to others; and (B) the Proprietary Programs will not, and as a result of any enhancements, improvements or modifications provided by us will not, to the best of our knowledge, infringe upon any United States patent, copyright or other proprietary right of any third party. In the event your use of the Proprietary Programs as provided by us is enjoined as a result of a claim by a third party of patent or copyright infringement or violation of proprietary rights, we shall, in our sole discretion, either (1) procure for you the right to continue use of the Proprietary Programs as contemplated hereunder, or (2) replace the Proprietary Programs or modify it such that there is no infringement of the third party's rights; and such action by us shall be your sole and exclusive remedy against us in such event. We do not represent or warrant to you, and expressly disclaim any warranty that the Proprietary Programs are error-free or that the operation and use of the Proprietary Programs by you will be uninterrupted or error-free. We shall have no obligation or liability for any expense or loss incurred by you arising from use of the Proprietary Programs in conjunction with any other computer program.

EXCEPT FOR THE ABOVE EXPRESS LIMITED WARRANTIES, WE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO

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THE DESIGNATED SOFTWARE OR ANY PORTION THEREOF, INCLUDING ANY PROGRAM DOCUMENTATION OR OTHER MATERIAL FURNISHED HEREUNDER, OR ANY COMPONENT THEREOF, AND THERE ARE EXPRESSLY EXCLUDED ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT THERETO. WE SHALL HAVE NO LIABILITY FOR CONSEQUENTIAL, EXEMPLARY, INCIDENTAL OR PUNITIVE DAMAGES.

(d) MAINTENANCE, REMODELING, RE-EQUIPPING, ENHANCEMENTS AND REPLACEMENTS. You agree at all times to maintain the Restaurant in accordance with our standards, and that you will, within 90 days from the date of written notice from us, remodel or re-equip or perform such maintenance at the Restaurant in accordance with the specifications we provide. Such maintenance, remodeling and re-equiping may include, without limitation, replacing worn out, obsolete, or dated equipment, fixtures, furnishings and signs; structural modifications; painting and redecorating; or purchasing more efficient or improved equipment. We may require you to perform maintenance and remodeling and to purchase equipment at such times as we deem necessary and reasonable; provided, that we may not require any significant remodeling of the Restaurant during the first 2 years of the Initial Term. We may, during the term of this Agreement, require you to modify, enhance and/or replace all or any part of the Information System and/or the Designated Software at your expense, and you agree, within 120 days of receipt of written notice from us, to acquire, or acquire the right to use for the remainder of the term of this Agreement, the modified, enhanced or replacement version of the Information System and/or Designated Software specified by us. You agree to take all other actions as may be necessary to enable the modified, enhanced or replacement Information System and Designated Software to operate as specified by us. Any such modifications, enhancements, and replacements may require you to incur costs to purchase, lease and/or license new or modified computer hardware and/or software or other equipment and to obtain different and/or additional service and support services during the term of this Agreement. You acknowledge that we cannot estimate the costs of future maintenance, enhancements, modifications, and replacements to the Restaurant, equipment, signage, Papa John's Profit System or other items. YOU ACKNOWLEDGE THAT EQUIPMENT, ADDITIONS, ENHANCEMENTS, ALTERATIONS, MAINTENANCE AND RENOVATIONS REQUIRED BY US MAY INVOLVE SUBSTANTIAL ADDITIONAL INVESTMENT BY YOU DURING THE TERM OF THIS AGREEMENT.

11. OPERATIONS; STANDARDS OF QUALITY; INSPECTIONS.

(a) PRINCIPAL OPERATOR. You shall designate an individual to serve as the "Principal Operator" of the Restaurant. The Principal Operator shall meet the following qualifications:

(i) The Principal Operator shall own at least a 5% equity interest in you; provided that you shall not be in default of this requirement if the Principal Operator is entitled to a bonus of not less than 5% of the net

profits of the Restaurant, payable after the end of each Period, and also has the right to acquire not less than a 5% equity interest in you within 12 months of his or her hire date, which rights shall be evidenced by a written agreement between

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the Principal Operator and you. You shall provide us with a copy of any such agreement upon request. Once the Principal Operator has acquired an equity interest in you, he or she must continue to own that interest (or a greater interest) during the entire period he or she serves as the Principal Operator.

(ii) The Principal Operator shall devote full time and best efforts to the supervision and conduct of the development and operation of the Restaurant and, as required in this Agreement, shall agree to be bound by confidentiality and non-competition provisions of the Owner Agreement. At such time as the Principal Operator becomes an owner of an interest in you, he or she must agree to be bound by all the provisions of the Owner Agreement.

(iii) The Principal Operator shall be a person approved by us who shall complete our initial training requirements and who shall participate in and successfully complete all additional training as we may reasonably designate.

If, at any time for any reason, the Principal Operator no longer qualifies to act as such, you shall promptly designate another Principal Operator subject to the same qualifications listed above. Any sale or transfer of any portion of the Principal Operator's interest in you, if any, that would reduce the Principal Operator's equity interest or voting rights in you to less than 5% of the total shall be deemed a transfer of an interest and shall be subject to the terms and conditions of Section 14 hereof; and any failure to comply with such terms and conditions shall be deemed a default by you under this Agreement. However, if the Principal Operator owns 5% or less of you, then a transfer of the Principal Operator's interest to you, another shareholder, member or partner of you or to a successor Principal Operator shall not require our consent, shall not be subject to our right of first refusal and no transfer fee shall be required. You shall promptly notify us in writing of any such transfer and provide all information about the transferee and the terms of the transfer as we may reasonable request.

(b) MANAGEMENT OF THE RESTAURANT. The Principal Operator and one or more competent managers approved by us (which approval shall not be unreasonably withheld) and who have successfully completed our initial training program shall personally devote their full time and best efforts to the management and operation of the Restaurant in order to ensure compliance with this Agreement and to maintain our high standards. Management responsibility shall include, without limitation, presence of the Principal Operator or a manager at the Restaurant during all business hours; maintaining the highest standards of product quality and consistency; maintaining the Restaurant in the highest condition of sanitation, cleanliness and appearance; and supervising employees to ensure that the highest standard of service is maintained and to ensure that your employees deal with customers, suppliers, us, and all other persons in a courteous and polite manner.

(c) COMPLIANCE WITH OUR STANDARDS. You shall have full responsibility for the conduct and terms of employment for your employees and the day-to-day operation of your business. However, you shall operate the Restaurant through strict adherence to the standards, specifications and policies of the System as they now exist, and as they may from time to time be

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modified, in order to ensure compliance with the quality standards of the System. Such standards and policies include, without limitation: (i) specifications and preparation methods for food and beverages; (ii) hours of operation; (iii) menu items and services offered; (iv) employee uniform requirements and specifications; and (v) use of specified emblems and Marks on containers, bags, boxes, napkins, and other products.

(d) TRAINING. Should any employee or prospective employee of you perform work that in our reasonable judgment requires additional training, skills or knowledge, such employee shall take part in such additional training and instruction. You shall be solely responsible for all wages, travel and

living expenses, and all other costs incurred by you and your employees in connection with any training or instruction that we provide. You shall also, at your own expense, conduct at the Restaurant such training and instruction, using such materials, equipment and supplies, as we may reasonably require from time to time.

(e) **MANUALS.** We will lend to you one or more manuals that contain (i) the mandatory and suggested specifications, standards and operating procedures prescribed from time to time by us and (ii) information relative to other obligations hereunder and the operation of the Restaurant (the "Manuals"). The Manuals shall at all times remain our sole property. We may, from time to time, revise the contents of the Manuals. To the extent that we deem it necessary or appropriate, we will provide you with policy and procedure statements or other written notice of specifications, standards and procedures. You agree to promptly adopt and use the formulas, methods, procedures, policies, menus, recipes, food products and other standards and specifications contained in the Manuals, policy and procedure statements and other written notices as issued from time to time by us. You acknowledge and agree that all information in the Manuals, policy and procedure statements and other notices constitute confidential information and trade secrets, and shall not be disclosed at any time by you. You shall not copy any part of the Manuals or any other communication or information provided by us.

(f) **VARIATIONS IN STANDARDS.** You shall not implement any change to the System without our prior written consent. However, because complete and detailed uniformity under varying conditions may not be possible or practical, we specifically reserve the right, in our sole discretion and as we may deem in the best interests of you or the Chain, to vary the System, including specific standards, policies and/or procedures, within the Restaurant or any other restaurant(s) in the Chain based upon peculiarities of a particular location or circumstances, including, but not limited to, density of population and other demographic factors, size of the Territory, business practices or customs, or any other condition that we deem to be of importance to the operation of such restaurant(s) or the Chain. You acknowledge that because of these factors and others, there may be variations from standard specifications and practices in the Chain and that you shall not be entitled to require us to grant like or similar variations or privileges to you.

(g) **YOUR DEVELOPMENTS.** We shall have the right to use and incorporate into the System for the benefit of other franchisees and us any modifications, ideas or improvements, in whole or in part, developed or discovered by you or your employees or agents, without any liability or obligation to you or the developer thereof.

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(h) **COMPLIANCE WITH LAWS.** You shall at all times during the Term comply with all applicable laws, ordinances, rules and regulations of all governmental bodies.

(i) **COURTESY; COOPERATION.** At all times and under all circumstances, you and your employees shall treat all customers and other persons, including our agents, officers, and employees with the utmost respect and courtesy, and shall fully cooperate with us and our agents, officers, and employees in all aspects of the franchise relationship.

(j) **INSPECTIONS.** An agent, officer or employee of ours may make inspections of the Restaurant to ensure compliance with all required standards, specifications and procedures. Our representative shall be allowed to inspect the condition and operation of the Restaurant and all areas of the Restaurant at any time during normal business hours. Such inspections may include, without limitation, (i) reviewing sales and order forms, (ii) observing the Principal Operator and all managers and your other employees, (iii) interviewing any such persons, (iv) interviewing customers of the Restaurant in order to evaluate your performance and to ensure that the Restaurant is being operated in accordance with the requirements of this Agreement and the Manuals, and (v) conducting any type of audit or review necessary to evaluate your compliance with all required standards, specifications or procedures. We may, from time to time, make suggestions and give mandatory instructions with respect to your operation of the Restaurant, as we consider necessary or appropriate to ensure compliance with the then-current quality standards of the System and to protect the goodwill and image of the System.

(a) PRODUCTS. You agree that you will use only those food items, ingredients, beverages, cooking materials, containers, boxes, cups, packaging, menus, uniforms, and other products and materials in the operation of the Restaurant as we shall have specifically designated or approved. You may be required to purchase from us certain products that involve trade secrets or that have been specially prepared by us or at our direction or that we consider to be integral to the System. We may require that certain products be purchased from one or more designated suppliers. Products other than those required to be obtained from us or a designated supplier may be purchased from any source provided that the particular supplier and products have been approved by us. We may, from time to time, amend the list of approved products and suppliers.

(b) COMMISSARIES. PJ Food Service, Inc. ("PJFS") and PJFS of Mississippi, Inc. ("PJFS of Mississippi") presently supply designated and approved products to restaurants owned by us or our Affiliates and those of our franchisees from commissaries that are either owned or operated by PJFS, PJFS of Mississippi or us (the "Commissaries"). PJFS and PJFS of Mississippi are currently the only designated manufacturers of dough, and you must purchase dough from PJFS, PJFS of Mississippi or a designated representative unless and until such time as a successor supplier of dough is designated. Neither PJFS nor PJFS of Mississippi has any obligation to continue supplying you or to continue to operate its Commissary. If either of them ceases operating the Commissaries or terminates service to you (other than as a result of the termination or expiration of the Franchise), we shall provide you with the name, address and

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phone number of an alternative approved supplier(s) and the products to be purchased from such supplier(s). All purchases by you from the Commissaries are on the terms specified from time to time by PJFS or PJFS of Mississippi. PJFS and PJFS of Mississippi, through us, hereby reserve the right to specify different terms for different franchisees. We make no representations or warranties about any of the services performed by or any of the products produced or sold by or through PJFS or PJFS of Mississippi.

(c) MENU ITEMS. You shall offer for retail sale, and shall carry on your menu, only those types, sizes, styles and brands of pizza, pizza dough, pizza sauce, toppings, beverages, and other products as from time to time we may specify, and shall make all menu items available for carry-out and delivery service from the Restaurant. You agree that you will not sell or carry on your menu any food items or other products we have not specified or approved.

(d) PRICING. You shall have the sole responsibility for establishing your prices, but you shall charge the same price for each product whether sold in the Restaurant or delivered unless we otherwise approve.

13. ACCOUNTING AND REPORTS.

(a) ACCOUNTING. We may lend to you and/or the person(s) who will be preparing your reports and financial statements for each Period or year end one or more manuals, which manual(s) may contain mandatory and/or optional (i) accounting procedures, (ii) forms, (iii) chart of accounts, and (iv) other items deemed relevant or necessary by us. You agree to direct your bookkeeper/accountant to follow all mandatory policies, procedures, forms, formats and other items set forth in such manuals. The accounting manual(s) shall be part of the "Manuals" as defined in this Agreement.

(b) RECORDKEEPING. You shall establish and maintain accounting and record keeping systems substantially in accordance with the specifications and procedures provided by us and as amended from time to time, including, without limitation, maintaining accounting records on a basis enabling or facilitating reporting to us according to monthly or multi-week periods (each such accounting period is referred to as "Period"). You shall make all such records available to us upon request. You shall maintain and preserve, for at least five years from the date of preparation, full, complete and accurate books, records and accounts.

(c) PERIODIC REPORTS. On or before the 15th day of the month following each Period, you shall deliver to us: (i) a statement, in the form prescribed by us, of the revenues and expenses of the Restaurant for the immediately preceding Period, and (ii) such other records and reports as are requested by us, including but not limited to, bank statements, sales and expense forms and reports, and a current balance sheet.

(d) REVIEW BY US. At all times during the Term, we, or our authorized agent, shall have the right to review all your sales and expense records and reports that are located in or which relate to the Restaurant, and to make photocopies of all such items.

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(e) YEAR-END REPORTS. Within 120 days following your fiscal year end, you shall provide us with copies of your financial statements, including an income statement for the fiscal year just ended and a balance sheet as of the end of such fiscal year, which financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. You shall furnish us with copies of all of your federal and state income tax returns and all state sales tax returns as we request from time to time. You shall promptly notify us if any such return is not timely filed, or if any extension is filed, and the reasons therefor.

(f) EXAMINATIONS AND AUDITS. We or our designated agents shall have the right, at all times and upon reasonable notice, to examine or audit your books and records, and to make photocopies thereof. If such examination or audit should disclose any underpayment of the Royalty, Marketing Fund payments, or any other sums or fees owed to us, you shall immediately pay the deficient amount plus interest thereon from the date due until paid at a rate equal to 12% per annum. All payments received will first be credited against interest due and then against other payments due. If such an examination or audit discloses an understatement in any statement or report of 5% or more, you shall, in addition to the above provision, reimburse us for the cost of having your books examined or audited. The foregoing shall be in addition to any other rights or remedies we may have, including the termination of the Franchise granted herein.

14. TRANSFERS; OUR RIGHT OF FIRST REFUSAL.

(a) TRANSFERS BY US. We may transfer or assign this Agreement or any or all of the rights, interests, benefits or obligations arising hereunder without restriction. Upon any transfer or assignment of this Agreement by us, we shall be released from all obligations and liabilities arising or accruing in connection with this Agreement after the date of such transfer or assignment.

(b) TRANSFERS BY YOU. Your rights and interests under this Agreement are and shall remain personal to you. You recognize that we have granted the Franchise in reliance on your business and financial capacity and other attributes, and in reliance upon the Owner Agreement. Accordingly, neither you nor any holder of any capital stock or other ownership interest in you (if you are a corporation or other entity) shall transfer (i) any interest in this Agreement, (ii) any material portion of your assets or the assets of the Restaurant, or (iii) any stock or other ownership interest in you, without obtaining our prior written consent; provided that a member, partner or shareholder of you may transfer all or a portion of such interest in you to another member, partner or shareholder or to you (such person or entity being referred to as a "Permitted Transferee") and such a transfer shall not be subject to our consent or right of first refusal and no transfer fee shall be required. You shall promptly notify us of any such transfer. For purposes of this Agreement, the term "transfer" shall mean any issuance, sale, assignment, gift, pledge, mortgage or any other encumbrance (other than a lien against your assets to secure a loan for purchase of the Premises or the construction, remodeling, equipping or operation of the Restaurant), transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or

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involuntary. Our consent to a particular transfer shall not be deemed as consent to any subsequent or different transfer. If you grant a security interest in your assets to secure a loan for purchase of the Premises or construction, leasehold or equipment costs, the secured party shall agree in writing that upon (A) default by you, it shall notify us and we shall have the right, but not the obligation, to be substituted as the debtor and to cure the default, and (B) any acceleration of indebtedness provisions of the loan documents shall not be exercisable if we cure the default and assume the indebtedness. Upon the occurrence of a default and our election to assume the indebtedness, the Franchise and this Agreement shall automatically terminate and we shall have the right under Section 20 to purchase the assets used in the

Restaurant. The purchase price as determined under Section 20 shall be reduced by the amount of the debt that we assumed.

(i) OUR RIGHT OF FIRST REFUSAL. You shall give us at least 45 days prior written notice of any intended transfer of any of your rights or interest under this Agreement or of the proposed transfer of any interest in you or any material portion of your assets. Such notice shall set forth the name of the proposed transferee and a detailed statement of all of the terms and conditions of such intended or proposed transfer. Subject to subsection (c) below, we will not unreasonably withhold our consent to a proposed transfer. Irrespective of the qualifications or acceptability of any prospective transferee, we shall have the first right and option to purchase the interest intended or proposed to be transferred at the same price and on the same terms and conditions contained in the notice. Should the proposed transfer involve the payment of any non-cash consideration, we shall have the option to purchase the interest at a price equal to the fair market value of such non-cash consideration plus the amount, if any, of consideration paid in cash. We shall determine the fair market value of the non-cash consideration using fair and reasonable methods. We shall make such determination as promptly as practicable, but in no event later than 30 days after we have received the notice of the intended transfer. If you disagree with the value as we determine, then you and Papa John's shall each hire an appraiser (or a single appraiser, if you and Papa John's so agree) to value the non-cash consideration. If the appraisals are within 20% of each other, then the difference between the two shall be equally divided to establish the price at which we may exercise our first right and option. If the difference between the appraisals is greater than 20%, then the issue of the fair market value of such consideration shall be determined by a third appraiser selected by the other two appraisers and whose decisions shall be final, except that it may not be lower or higher than the lowest appraisal and highest appraisal, respectively, determined by the first two appraisers. Should a proposed transfer not involve the payment of any consideration, we have the option to purchase the interest at a price equal to 1-1/2 times the Net Profits of the Restaurant over the previous 12-month period (or the average monthly Net Profit of the Restaurant multiplied by 12, if it has been operating less than 12 months) multiplied by the percentage that the interest to be transferred bears to all interests in, or assets of, the Restaurant or you, as the case may be. As used in this Agreement, Net Profits means the amount of profit, if any, determined from statements of profit and loss prepared by an independent public accountant that we find acceptable. Within 30 days after we receive notice of a proposed transfer for no consideration or solely for cash, or if the proposed transfer will not be solely for cash, within 10 days after a determination is made of the fair market value of the non-cash consideration, we will notify you that we are exercising our right of first refusal or approving the transfer or denying approval of the transfer. Our decision to deny approval shall be final.

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(ii) APPROVED TRANSFERS. If we decide not to exercise our right of refusal, and if we approve the transfer in writing, you (or the transferor of an interest in you) may make the proposed transfer on the exact terms and conditions specified in your notice to us within 60 days after the expiration of our option. If the transfer is not consummated within such 60-day period, you may not thereafter transfer such interest without again complying with this Section.

(c) CONDITIONS ON TRANSFER. We agree that we will not unreasonably withhold our consent to a proposed transfer if all of the following conditions are satisfied:

(i) We shall have decided not to exercise our right of first refusal as provided above;

(ii) You are in full compliance with this Agreement and there are no uncured defaults by you hereunder, and all your debts and financial obligations to us and our Affiliates under this Agreement or otherwise are current and your obligations to the Marketing Fund and each Cooperative of which you are a member are current;

(iii) The proposed transferee executes such documents as we may reasonably require to evidence that such transferee has assumed your obligations under this Agreement, and if required by us, the proposed transferee executes, and in appropriate circumstances, causes such other parties as we may require to execute, our then-current form of Owner Agreement, and other

then-current ancillary agreements, which documents may be substantially different than those attached to this Agreement;

(iv) The proposed transferee enters into an Advertising Agreement with the Marketing Fund and also becomes a member of the Cooperative to which the Restaurant is required to contribute;

(v) Prior to the date of the proposed transfer, the proposed transferee's Principal Operator and managers undertake and successfully complete such training and instruction as we deem necessary;

(vi) We are satisfied that the proposed transferee (and if the proposed transferee is an entity, all owners of any interest in such entity) meets all of the requirements for our new franchisees applicable on the date we receive notice of the proposed transfer and including, but not limited to, good reputation and character, business experience, restaurant management experience, and financial strength and liquidity;

(vii) You and any owner transferring an interest in you acknowledge and agree in writing that you and they are bound by the non-competition and confidentiality provisions set forth herein and in the Owner Agreement (and any similar provision in any other document that either you or they have executed) to the maximum extent allowed under applicable law;

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(viii) You and all owners of an interest in you execute a general release, in the form prescribed by us, releasing, to the fullest extent permitted under the laws of the state where either the Restaurant to be transferred or you, as applicable, is/are located, all claims that you or any of them may have against us or our Affiliates or subsidiaries, including our and their respective shareholders, officers, directors and employees, in both their individual and corporate capacities, and if you are the transferor, you shall acknowledge in writing that your interest under this Agreement is terminated;

(ix) You shall pay to us a transfer fee of \$3,000; provided, that if the proposed transfer is of the Restaurant together with one or more other Papa John's restaurants owned by you to a single transferee, then the total transfer fee shall be an amount equal to the greater of \$3,000 or our actual costs and expenses incurred in approving and effecting the transfer, including, without limitation, all "in-house" and outside personnel and professional costs; and

(x) The proposed transferee and all owners of any interest in a transferee that is an entity provide to us, at least 45 days prior to the proposed transfer date, copies of financial statements for the preceding three years, and where applicable, its certificate of incorporation and bylaws, articles of organization and operating agreement (if an LLC) or agreement and certificate of partnership (and any amendments or modifications thereof), minutes and resolutions and all other documents, records and information pertaining to the transferee's existence and ownership.

(d) OWNERSHIP AND STRUCTURAL CHANGES. Except for transfers between Permitted Transferees, any ownership or structural changes in you, including but not limited to, any merger, reorganization, issuance of additional shares or classes of stock or additional membership or partnership interests, shall constitute and be deemed a transfer of the Franchise and shall be subject to our prior written approval.

15. DEATH, INCAPACITY OR DISSOLUTION.

(a) TRANSFER UPON DEATH, ETC. Upon your death or permanent incapacity; or, if you are a corporation, limited liability company, partnership or other entity, upon the death, incapacity or dissolution of any owner of any interest in you; the executor, administrator, conservator, trustee or other representative of such person or entity shall assign such interest in the Franchise, or such interest in you, to us or a third party approved by us; provided, that if the transferee is a Permitted Transferee, our right of first refusal shall not apply and no transfer fee shall be payable. Further, if an approved transfer involves less than 25% of the ownership of you, no transfer fee shall be payable. If you are one or more individuals and any of you dies or becomes permanently incapacitated, and if the law of the jurisdiction where the Restaurant is located so provides, nothing contained in this Section shall deny your spouse, heirs or personal representative the opportunity to participate in

the ownership of the Franchise for a reasonable time after your death or incapacity, provided that: (i) this Agreement is valid and in effect, (ii) the spouse, heirs or representative meets all conditions and qualifications otherwise required of

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transferees, and (iii) such spouse, heirs or representative maintains and complies with all standards and obligations contained in this Agreement. An assignment under this Section 15 shall be completed within a reasonable time, not to exceed 9 months from the date of death, permanent incapacity or dissolution and shall (except as otherwise provided above) be subject to the terms and conditions applicable to lifetime transfers contained in Section 14, including our right of first refusal.

(b) MANAGEMENT BY US. Pending assignment, if the Principal Operator ceases managing the Restaurant and another shareholder, member, partner or employee of you that qualifies as the Principal Operator does not assume such obligations, we may, at our sole option, appoint a manager to operate the Restaurant for your account. All expenses of the Restaurant, including compensation, travel and living expenses, and other costs of the appointed manager, and a reasonable per diem fee for our administrative expenses, shall be charged to you. Operation of the Restaurant during any such period shall be for and on your behalf. The appointed manager shall have a duty only to utilize his or her best efforts in the management of the Restaurant and neither we nor the appointed manager shall be liable to you or your owners for any debts, losses, liabilities or obligations incurred by the Restaurant, or to any of your creditors for any merchandise, materials, supplies or services purchased by the Restaurant during any period in which it is managed by our appointed manager.

16. YOUR ADDITIONAL COVENANTS.

(a) LIMITATIONS ON ACTIVITIES. If you are a corporation, limited liability company, partnership or other entity, you shall not at any time during the Term of this Agreement, own, operate or have any interest in any other business or business activity other than the operation of Papa John's restaurants pursuant to agreements with us. If you are an individual and are also the Principal Operator, you have disclosed to us all businesses in which you have an interest, or are engaged in, and covenant that you will notify us of any intention to participate or engage, directly or indirectly, in any other business activity at least 30 days before undertaking such activity or becoming a party to any agreement or understanding relating to such activity. You shall provide us with such information in regard thereto as we may reasonably request and will not engage or participate in any such activity unless you receive our written consent.

(b) EXECUTION OF ANCILLARY DOCUMENTS. Simultaneously with the execution of this Agreement, you shall cause each person or entity owning any beneficial interest in you to execute an Owner Agreement in the form provided by us.

(c) YOUR NON-COMPETE. You covenant and agree that during the Term of this Agreement (including the Renewal Term, if applicable) and for a period of two years after the termination or expiration of the Franchise (the "Restricted Period"), regardless of the reason for such termination or expiration, you shall not, within a 10-mile radius of (A) the Restaurant, or (B) any business location at which we or an Affiliate or our franchisee then conducts a Papa John's business, engage in any of the following activities:

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(i) directly or indirectly enter into the employ of, render any service to or act in concert with any person, partnership, limited liability company, corporation or other entity that owns, operates, manages, franchises or licenses any business that (A) sells pizza or other non-pizza products (excluding soft drinks) that are the same as those sold by Papa John's restaurants on a delivery basis, or (B) sells pizza or any such other products primarily on a carry-out basis, including, without limitation, business formats such as Domino's, Pizza Hut, Mr. Gatti's, Sbarro and Little Caesars (a "Competitive Business"), or

(ii) directly or indirectly engage in any such Competitive Business on your own account, or

(iii) become interested in any such Competitive Business directly or indirectly as an individual, partner, member, shareholder, director, officer, principal, agent, employee, consultant or in any other relationship or capacity; provided, that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section so long as you do not own, directly or indirectly, more than 1% of the securities of such corporation.

To the extent required by the laws of the state in which the Restaurant is located, the duration or the geographic areas included within the foregoing covenants, or both, shall be deemed amended in accordance with Section 25. (a).

(d) MANAGERIAL AND SUPERVISORY EMPLOYEES. You covenant that you shall cause all persons who are involved in managerial or supervisory positions with you to enter into a Confidentiality Agreement as provided by us. You agree to provide us with copies of such executed agreements upon request. If you have reason to believe that any person has violated any such Confidentiality Agreement, you shall promptly notify us and cooperate with us to protect us against unfair competition, infringement, or other unlawful use of the Marks, our trade secrets, recipes, or System. You further grant us the right, but not the obligation, to prosecute any such lawsuits at our expense in your name.

(e) COPYING; NON-SOLICITATION. You shall not copy or duplicate our System or any aspect thereof, or any of our trade secrets, recipes, methods of operation, processes, formulas, advertising, marketing, designs, trade dress, plans, software, programs, know-how or other proprietary ideas or information nor will you convey, divulge, make available or communicate any such information to any third party or assist others in doing so (except as permitted or required by this Agreement). You covenant that you will not, either during the Term or after it, employ or seek to employ any person who is employed by us, our Affiliates or by any of our franchisees, or otherwise directly or indirectly solicit, entice or induce any such person to leave their employment.

(f) VALIDITY OF MARKS AND COPYRIGHTS; REGISTRATIONS. You agree that you will not, either during the Term or any time thereafter, directly or indirectly challenge or contest the validity of, or take any action to jeopardize our rights in or ownership of, any of the Marks

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or any registration of a Mark or any Copyrighted Work. If you violate this provision, we shall be entitled to equitable, monetary and punitive remedies and any other relief that may be available under applicable law, as well as the recovery of all costs, expenses and attorneys' fees incurred by us as a result of such violation.

(g) REASONABLENESS OF SCOPE AND DURATION. You agree that the covenants and agreements contained herein are, taken as a whole, reasonable with respect to the activities covered and their geographic scope and duration, and you shall not raise any issue of the reasonableness of the areas, activities or duration of any such covenants in any proceeding to enforce any such covenants. You acknowledge and agree that you have other skills and resources and that the restrictions contained in this Section 16 will not hinder your activities or ability to make a living either under this Agreement or in general.

(h) ENFORCEABILITY. You agree that we may not be adequately compensated by damages for a breach by you of any of the covenants and agreements contained in this Section, and that we shall, in addition to all other remedies, be entitled to injunctive relief and specific performance. The covenants and agreements contained in this Section shall be construed as separate covenants and agreements, and if any court finally determines that the restraints provided for in any such covenants and agreements are too broad as to the area, activity or time covered, said area, activity or time covered may be reduced to whatever extent the court deems reasonable, and such covenants and agreements shall be enforced as to such reduced area, activity or time.

17. TRADE SECRETS AND CONFIDENTIAL INFORMATION. You understand and agree that we have disclosed or will disclose to you certain confidential or proprietary information and trade secrets. Except as necessary in connection with the operation of the Restaurant and as approved by us, you shall not, during the Term or at any time after the expiration or termination of the Franchise, regardless of the cause of termination, directly or indirectly, use for your own benefit or communicate or divulge to, or use for the benefit of any

other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the recipes, food products, advertising, marketing, designs, plans, software, programs or methods of operation of the Restaurant or the System. You shall disclose to your employees only such confidential, proprietary or trade secret information as is necessary to operate your business hereunder and then only while this Agreement is in effect. Any and all information, knowledge, or know-how, including without limitation, drawings, materials, equipment, marketing, recipes, and other data, that we designate as secret or confidential shall be deemed secret and confidential for purposes of this Agreement.

18. INSURANCE.

(a) TYPES AND EXTENT OF COVERAGE. You shall obtain and maintain throughout the Term such insurance coverages with such limits as specified below (or such greater amounts of insurance as may be required by the terms of any lease or mortgage relating to the Premises) under policies issued by carriers rated "A" or better by A.M. Best Company:

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(i) fire, extended coverage, vandalism, malicious mischief and special extended peril insurance at no less than the actual replacement value of the building (if owned), the contents, and improvements of the Restaurant;

(ii) workers' compensation and other insurance required by law;

(iii) commercial general liability insurance on an "occurrence" form covering all operations by or on behalf of you, providing insurance for bodily injury liability, property damage liability and personal injury liability for the limits of liability indicated below and including coverage for:

- (A) Premises and Operations Liability,
- (B) Products and Completed Operations Liability,
- (C) Independent Contractors Protective Liability,
- (D) Blanket Contractual Liability insuring the obligations assumed by you under this Agreement, and
- (E) Incidental Medical Malpractice;

(iv) automobile liability insurance including non-owned automobiles, with limits of liability not less than \$1,000,000 combined single limit each accident for bodily injury and property damage combined; and

(v) fire legal liability, with a minimum coverage limit of \$500,000, unless you own the Premises or have a cross-waiver of subrogation with your landlord.

The limits of liability required for the policies specified in (iii) above are: \$1,000,000 each occurrence (combined single limit for bodily injury and property damage), \$1,000,000 personal injury liability, \$1,000,000 aggregate for products - completed operations, \$2,000,000 general aggregate. Except with respect to bodily injury and property damage included within the products and completed operations hazards, the aggregate limit must apply separately to each location if you operate at more than one location pursuant to multiple franchise agreements with us. You are also required to maintain an umbrella policy with a minimum of \$1,000,000, which must expressly provide coverage above the coverages listed above. We must be named as an additional insured on all your policies. These are only the minimum coverages required. We do not represent or warrant that these coverages are adequate. You should consult with your insurance advisors to assure that you obtain all required coverages as well as any additional types of coverages or higher limits that they may recommend.

(b) OTHER INSURANCE REQUIREMENTS. Upon request, you shall deliver to us copies of all such policies of insurance and proof of payment therefor. All policies required

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hereunder shall provide that the insurer shall endeavor to give us written notice not less than 30 days prior to the date the coverage is canceled, altered, or permitted to lapse or expire. We may, from time to time, increase the limits of any required policy of insurance.

19. TERMINATION BY US.

(a) AUTOMATIC TERMINATION. You shall be in default under this Agreement, and the Franchise and all rights granted to you in this Agreement shall automatically terminate without notice to you, (i) if you make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by you or (ii) such a petition is filed against and not opposed by you; or (iii) if you are adjudicated as bankrupt or insolvent; or (iv) if a bill in equity or other proceeding is filed for the appointment of a receiver or other custodian for your business or assets and consented to by you; or (v) if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or (vi) if proceedings for a composition with creditors under any state or federal law are instituted by or against you; or (vii) if a final judgment against you remains unsatisfied or of record for 30 days or longer (unless an appeal or supersedeas bond is filed); or (viii) if you are liquidated or dissolved; or (ix) if any portion of your interest in the Franchise becomes subject to an attachment, garnishment, levy or seizure by any creditor or any other person claiming against or in your rights; or (x) if execution is levied against your business or property; or (xi) if the real or personal property of your Restaurant is sold after levy thereupon by any sheriff, marshal, or constable; or (xii) for the reasons described in Section 14.(b) hereof.

(b) WITHOUT NOTICE. You shall be in default and we may, at our option, terminate the Franchise and all rights granted in this Agreement, without affording you any opportunity to cure the default, effective upon the earlier of receipt of notice of termination by you, or five days after mailing of such notice by us, upon the occurrence of any of the following events:

(i) You at any time cease to operate or otherwise abandon the Restaurant or forfeit the right to do or transact business in the jurisdiction where the Restaurant is located or lose the right to possession of the Premises; provided, however, that if any such loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of yours, the Premises are damaged or destroyed, then you shall have 45 days after either such event in which to apply for our approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld), provided, that you shall either relocate or begin and diligently pursue reconstruction of the Restaurant within 60 days after the event;

(ii) Except as otherwise permitted in Sections 14 and 15, any owner of more than a 5% interest in you transfers all or part of such interest or you transfer any interest in the Franchise or a material portion of your assets or the assets of the Restaurant without our prior written consent;

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(iii) You or any person or entity owning more than 5% of you is proven to have engaged in fraudulent conduct, or is convicted of, or pleads guilty or no contest to a felony or a crime involving moral turpitude, or any other crime or offense that is reasonably likely to have an adverse effect on the Chain, the Marks or the goodwill associated therewith; provided, that if the act or conviction involves your owner, we will not terminate the Franchise if you notify us promptly after you learn of the event constituting the default, and within 15 days of the date of the notice, either (A) the person or entity that committed the wrongful act divests his, her or its entire interest in you, or (B) you obtain our consent for such owner to maintain his, her or its ownership interest.

(iv) An approved transfer is not effected within 9 months of your death or incapacity, or the death, incapacity or dissolution of any owner of an interest in you;

(v) You make any intentional, unauthorized disclosure or divulgence of the contents of any Manual or other confidential information provided to you by us;

(vi) You are given 3 or more notices of being in material

violation of any of the terms or requirements of this Agreement within any 12-month period, whether or not such defaults are timely cured after notice;

(vii) You fail to comply with any of your covenants set forth in Sections 16 or 17, fail to maintain the insurance coverages under Section 18, or make any material misrepresentation to us or breach any warranty or representation made to us, whether in this Agreement or otherwise;

(viii) You knowingly or intentionally maintain false books or records or submit any false record, statement or report to us; or

(ix) You, by act or omission, materially impair the value of, or the goodwill associated with, the Chain, any of the Marks or the System.

(c) WITH NOTICE AND FAILURE TO CURE. Except for those defaults provided for under subsections (a) or (b) above, you shall be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures or requirements imposed by this Agreement or in any Manual, policy or procedure statement or other written document provided by us, or to carry out the terms of this Agreement in good faith. For such defaults, we will provide you with written notice and 15 days to cure or, if a default cannot reasonably be cured within 15 days, to begin within that time substantial and continuing action to cure such default and to provide us with evidence of such actions. If the defaults specified in such notice are not cured within the 15-day period, or if substantial and continuing action to cure has not been initiated, we may, at our option, terminate the Franchise effective on the earlier of the date of receipt by you of notice of termination or 5 days after the mailing of such notice by us. Such defaults shall include, without limitation, the occurrence of any of the following events:

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(i) You fail to construct, remodel, or commence operating the Restaurant in accordance with this Agreement;

(ii) You fail, refuse, or neglect to promptly pay any monies owing to us, our Affiliates or the Marketing Fund or a Cooperative when due, or to submit the financial or other information required under this Agreement;

(iii) Any person or entity owning 5% or less of you transfers such interest in violation of this Agreement; provided, however, that your right to cure such a default shall be conditioned upon you immediately notifying us of the improper transfer and taking all actions necessary to either (A) obtain our approval thereof or, (B) if approval is not desired or the transfer or transferee is not approved by us, to re-acquire the interest so transferred;

(iv) A threat or danger to public health or safety results from the construction, maintenance, or operation of the Restaurant;

(v) You misuse or make any unauthorized use of the Marks; or

(vi) You, by act or omission in connection with the operation of the Restaurant, permit a continuing violation of any applicable law, ordinance, rule, or regulation of a governmental body.

(d) MATERIALITY OF BREACHES. You acknowledge and agree that a breach or violation of any term, covenant, condition, warranty, representation or other obligation by you (other than a breach or violation that may be cured under Section 19.(c) and is in fact cured within 15 days after notice) shall constitute a material breach and default under this Agreement. Any breach or violation that may be cured under Section 19.(c) and that is not in fact cured within the 15-day cure period shall also constitute a material breach and default under this Agreement.

20. OBLIGATIONS UPON TERMINATION OR EXPIRATION.

(a) POST TERMINATION OBLIGATIONS. Upon termination or expiration of the Franchise, all rights granted to you under this Agreement shall terminate, the Franchise shall revert to us, and you shall have the following obligations with respect to the Restaurant franchised under this Agreement:

(i) You shall immediately cease to operate the business franchised under this Agreement, and shall not thereafter, directly or

indirectly, represent to the public or hold yourself out as a Papa John's franchisee with respect to such business;

(ii) You shall immediately and permanently cease to use, in any manner whatsoever, all confidential information, Designated Software, methods, procedures and techniques used by or associated with the System, and the proprietary Marks "Papa John's,"

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"Papa John's Pizza," and all other Marks and distinctive forms, slogans, signs, symbols, logos and devices associated with the Papa John's Chain;

(iii) You shall immediately return to us any property held or used by you that is owned by us and shall cease to use, and either destroy or convey to us, all signs, advertising materials, displays, stationery, forms and any other materials that bear or display the Marks;

(iv) You shall take such actions as may be necessary to cancel any assumed name or similar registration that contains the mark "Papa John's" or "Papa John's Pizza" or any other Mark, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within thirty (30) days after termination or expiration of the Franchise;

(v) You shall, if we elect to purchase the assets of the Restaurant pursuant to Section 20.(b) below, assign to us any interest that you have in any lease for the Premises; provided that we agree to use reasonable efforts to effect a termination of the existing lease for the Premises and enter into a new lease on reasonable terms with the landlord. In the event we are unable to negotiate an acceptable new lease, we will indemnify and hold you harmless from any ongoing liability under the lease from the date on which we assume possession of the Premises. The assignment of the lease shall be made at the same time as we purchase the assets of the Restaurant pursuant to Section 20.(b). If we do not elect to purchase the assets of the Restaurant, you shall, within 10 days after termination or expiration of the Franchise, make such modifications and alterations to the Premises as may be necessary to distinguish the appearance of the Premises from that of other Papa John's restaurants and shall make such specific additional changes thereto as we may reasonably request;

(vi) You shall promptly pay all sums owed to us, and if the Franchise is terminated for any reason other than as a result of a material breach of this Agreement by us that is not cured within 30 days or such longer period as may be necessary after written notice thereof from you, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of the default and the termination, which obligation shall give rise to and remain, until paid in full, a lien in favor of us against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by you and located on the Premises on the date the Franchise terminated;

(vii) You shall pay to us all damages, costs and expenses, including reasonable attorneys' fees, incurred by us subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any term, covenant or provision of this Agreement;

(viii) You shall immediately deliver to us all Manuals, policy and procedure statements, instructions, and other materials related to operating the Restaurant, including, without limitation, brochures, charts and any other materials provided by us and all copies thereof, and you shall neither retain nor convey to another any copy or record of any of

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the foregoing and shall allow us to remove the Designated Software as described in Section 10.(c)(iii)(E);

(ix) If requested by us, you shall take all further action and execute all documents necessary to convey and assign to us all telephone numbers that have been used in the operation of the Restaurant or if we do not so request, you shall cease all use of such telephone numbers; and

(x) You shall comply with the covenants contained in this

Agreement, including, but not limited to, the covenants not to compete and the covenants not to disclose trade secrets or confidential information contained in Sections 16 and 17.

(b) ASSET PURCHASE OPTION. Upon termination of this Agreement by us, upon termination of this Agreement by you without cause or upon expiration of this Agreement, we shall have the option, exercisable by giving written notice thereof within 15 days from the date of such expiration or termination, to purchase from you all the assets used in the Restaurant. Assets shall include, without limitation, leasehold improvements, equipment (including the Information System), furniture, fixtures, signs and inventory for the Restaurant. We shall have the unrestricted right to assign this option to purchase. We or our assignee shall be entitled to all customary warranties and representations given by the seller of a business including, without limitation, representations and warranties as to (i) ownership, condition and title to assets; (ii) liens and encumbrances relating to the assets; and (iii) validity of contracts and liabilities, inuring to us or affecting the assets, contingent or otherwise. The purchase price for the assets of the Restaurant shall be the fair market value thereof, determined as of the date of termination or expiration of this Agreement in a manner consistent with reasonable depreciation of leasehold improvements owned by you and the equipment, furniture, fixtures, signs and inventory of the Restaurant, provided that the purchase price shall not contain any factor or increment for any trademark, service mark or other commercial symbol used in connection with the operation of the Restaurant, or any goodwill or "going concern" value for the Restaurant and further provided that we may exclude from the assets purchased hereunder any equipment, furniture, fixtures, signs and inventory that do not, as determined by us in our sole discretion, meet quality standards for Papa John's restaurants. If you and we are unable to agree on the fair market value of the assets, the fair market value shall be determined by an independent appraiser selected by us and you. If you and we are unable to agree on a single appraiser, each party shall each select one appraiser, who shall select a third appraiser, and the fair market value shall be deemed to be the average of the three (3) independent appraisals. The fees and costs of such appraiser or appraisers shall be borne equally by you and us. Except as provided above, nothing contained herein shall restrict the manner in which the appraisers so selected value the leasehold improvements, equipment, furniture, fixtures, signs and inventory. The purchase price shall be paid in cash, a cash equivalent, or marketable securities of equal value at the closing of the purchase, which shall take place no later than 90 days after receipt by you of notice of exercise of this option to purchase, at which time you shall deliver instruments transferring to us or our assignee: (1) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us or our assignee), with all sales and other transfer taxes

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paid by you; and (2) all licenses and permits of the Restaurant that may be assigned or transferred. If you cannot deliver clear title to all of the purchased assets as aforesaid, or in the event there shall be other unresolved issues, the closing of the sale shall be accomplished through an escrow. Further, you and we shall, prior to closing, comply with all applicable legal requirements, including the bulk sales provisions of the Uniform Commercial Code of the state in which the Restaurant is located. We shall have the right to set off against and reduce the purchase price by any and all amounts owed by you to us, and the amount of any encumbrances or liens against the assets or any obligations assumed by us. You and each owner of an interest in you shall indemnify us against all liabilities not so assumed. If we or our assignee exercise this option to purchase, pending the closing of such purchase as hereinabove provided, we shall have the right to appoint a manager to maintain the operation of the Restaurant as set forth under Section 15.(b). Alternatively, we may require you to close the Restaurant during such time period without removing any assets from the Restaurant. You shall maintain in force all insurance policies required pursuant to this Agreement, until the closing on the sale.

21. INDEPENDENT CONTRACTOR; INDEMNIFICATION.

(a) INDEPENDENT CONTRACTOR. It is understood and agreed by the parties that this Agreement creates only a contractual relationship between the parties subject to normal rules of contract law. This Agreement does not create a fiduciary relationship between us and you and you are and shall remain an independent contractor. Nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer,

partner, employee, or servant of the other for any purpose whatsoever. You agree to hold yourself out to the public as an independent contractor, separate and apart from us. You agree that you shall not make any contract, agreement, warranty, or representation on our behalf without our prior written consent, and you agree that you shall not incur any debt or other obligation in our name. This Agreement shall not be deemed to confer any rights or benefits to any person or entity not expressly named herein.

(b) BUSINESS MANAGEMENT. You agree and acknowledge that: (i) we will have no responsibility for the day-to-day operations of the Restaurant or the management of your business; and (ii) you shall independently control the operation of your business and the results of your operations will depend almost exclusively on your business acumen and promotional and managerial efforts.

(c) INDEMNIFICATION. We shall not be liable by reason of any act or omission by you in your operation of the Restaurant or for any claim, cause of action or judgment arising therefrom against you or us. You agree to hold harmless, defend and indemnify us and our Affiliates, and our and their respective shareholders, officers, directors, agents, and employees, from and against any and all losses, expenses, judgments, claims, costs (including reasonable attorney fees) and damages arising out of or in connection with any claim or cause of action in which we shall be a named defendant and that arises, directly or indirectly, out of the operation of, or in connection with, your Restaurant, other than a claim resulting directly from our negligence.

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22. YOUR REPRESENTATIONS. You hereby acknowledge and represent that:

(a) all information submitted to us by you or those owning an interest in you, including all applications, financial statements and other documents and information, is true and correct in all respects and does not omit any material statement or item of fact necessary to make the statements made therein not false or misleading;

(b) We have not represented (i) that you will earn, can earn, or are likely to earn a gross or net profit, (ii) that we have knowledge of the relevant market, or (iii) that the market demand will enable you to earn a profit from the Franchise;

(c) You have read and understood this Agreement and the disclosure document entitled "Papa John's Franchise Offering Circular" (the "Offering Circular") required by the Federal Trade Commission or the state in which the Restaurant will be located. You understand that we make no representation or warranty regarding your relevant market or the profitability of business operations under the System and that no representations have been made by us, or by any of our Affiliates or our or their officers, directors, shareholders, employees or agents, that are contrary to or inconsistent with the terms of this Agreement or with the statements made in the Offering Circular that accompanied a copy of this Agreement;

(d) You accept the terms, conditions and covenants contained in this Agreement as being reasonable and necessary to maintain our standards of quality, service and uniformity and in order to protect and preserve the goodwill of the Marks. You acknowledge that other franchisees of ours have been or will be granted franchises at different times and in different situations. You further acknowledge that the provisions of the franchise agreements pursuant to which such franchises were granted may vary materially from those contained in this Agreement and that your obligation arising here-under may differ substantially from other franchisees; and

(e) You recognize that the System may evolve and change over time and that the Franchise involves an investment of substantial risk and its success is dependent primarily upon your business acumen and your efforts and other factors beyond our control. You have conducted an independent investigation of the Franchise and have had ample time and opportunity to consult with independent professional advisors (lawyers, accountants, etc.), and have not received or relied upon any express or implied guarantee as to potential volumes, revenues, profits or success of the business venture contemplated by the Franchise.

23. ENFORCEMENT.

(a) ARBITRATION. EXCEPT FOR CONTROVERSIES, DISPUTES OR CLAIMS

RELATED TO OR BASED ON: (1) ANY ACTION BY US TO STOP OR PREVENT ANY THREAT OR DANGER TO PUBLIC HEALTH OR SAFETY RESULTING FROM THE CONSTRUCTION, MAINTENANCE, OR OPERATION OF THE RESTAURANT; (2) ANY ACTION ARISING OUT OF OR RELATING TO ANY FINANCING PROVIDED TO YOU BY US OR OUR AFFILIATES AND THE AGREE-

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MENTS, NOTES, LIENS AND SECURITY INTERESTS RELATED THERETO AND THE ENFORCEMENT, INTERPRETATION OR COLLECTION THEREOF; OR (3) AT OUR OPTION, YOUR VIOLATION OF ANY PROVISION OF SECTION 16 OR 17 HEREOF, OR YOUR USE OF THE MARKS AFTER THE EXPIRATION OR TERMINATION OF THIS AGREEMENT; ALL CONTROVERSIES, DISPUTES OR CLAIMS BETWEEN US (INCLUDING OUR AFFILIATES, SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS OR EMPLOYEES) AND YOU (INCLUDING YOUR OWNERS, GUARANTORS, AFFILIATES AND EMPLOYEES, IF APPLICABLE) ARISING OUT OF OR RELATED TO:

(i) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU AND US OR ANY PROVISION OF ANY SUCH AGREEMENT;

(ii) OUR RELATIONSHIP WITH YOU, INCLUDING ISSUES RELATING TO OUR DECISION TO TERMINATE THAT RELATIONSHIP;

(iii) THE VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU AND US OR ANY PROVISION OF ANY SUCH AGREEMENT; OR

(iv) ANY STANDARD, SPECIFICATION OR OPERATING PROCEDURE RELATING TO THE ESTABLISHMENT OR OPERATION OF THE RESTAURANT

WILL BE SUBMITTED FOR BINDING ARBITRATION TO THE LOUISVILLE, KENTUCKY OFFICE OF THE AMERICAN ARBITRATION ASSOCIATION ON DEMAND OF EITHER PARTY. SUCH ARBITRATION PROCEEDING WILL BE CONDUCTED IN LOUISVILLE, KENTUCKY AND, EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, WILL BE HEARD BY ONE ARBITRATOR IN ACCORDANCE WITH THE THEN CURRENT FRANCHISING ARBITRATION RULES, IF ANY, OR OTHERWISE BY THE THEN CURRENT COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION. ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. SECTIONS 1 ET SEQ.) AND NOT BY ANY STATE ARBITRATION LAW.

THE ARBITRATOR WILL HAVE THE RIGHT TO AWARD OR INCLUDE IN THE AWARD ANY RELIEF THAT THE ARBITRATOR DEEMS PROPER IN THE CIRCUMSTANCES, INCLUDING, WITHOUT LIMITATION, MONEY DAMAGES (WITH INTEREST ON UNPAID AMOUNTS FROM THE DATE DUE), SPECIFIC PERFORMANCE, INJUNCTIVE RELIEF AND ATTORNEYS' FEES AND COSTS, PROVIDED THAT THE ARBITRATOR WILL NOT HAVE THE RIGHT TO DECLARE ANY MARK GENERIC OR OTHERWISE INVALID OR, EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, TO AWARD EXEMPLARY OR PUNITIVE

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DAMAGES. THE AWARD AND DECISION OF THE ARBITRATOR WILL BE CONCLUSIVE AND BINDING UPON ALL PARTIES HERETO, AND JUDGMENT UPON THE AWARD MAY BE ENTERED IN ANY COURT OF COMPETENT JURISDICTION.

WE AND YOU AGREE TO BE BOUND BY THE PROVISIONS OF ANY LIMITATION ON THE PERIOD OF TIME IN WHICH CLAIMS MUST BE BROUGHT UNDER APPLICABLE LAW OR THIS AGREEMENT, WHICHEVER EXPIRES EARLIER. WE AND YOU FURTHER AGREE THAT, IN CONNECTION WITH ANY SUCH ARBITRATION PROCEEDING, EACH PARTY MUST SUBMIT OR FILE ANY CLAIM THAT WOULD CONSTITUTE A COMPULSORY COUNTERCLAIM (AS DEFINED BY RULE 13 OF THE FEDERAL RULES OF CIVIL PROCEDURE) WITHIN THE SAME PROCEEDING AS THE CLAIM TO WHICH IT RELATES. ANY SUCH CLAIM THAT IS NOT SUBMITTED OR FILED AS DESCRIBED ABOVE WILL BE FOREVER BARRED.

WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS, AND THAT AN ARBITRATION PROCEEDING BETWEEN US (INCLUDING OUR AFFILIATES, SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS OR EMPLOYEES) AND YOU (INCLUDING YOUR OWNERS, GUARANTORS, AFFILIATES AND EMPLOYEES, IF APPLICABLE) MAY NOT BE CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING BETWEEN US AND ANY OTHER PERSON, CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS SECTION, WE AND YOU EACH HAVE THE RIGHT IN A PROPER CASE TO OBTAIN TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION; PROVIDED, HOWEVER, THAT WE AND YOU MUST CONTEMPORANEOUSLY SUBMIT OUR DISPUTE FOR ARBITRATION ON THE MERITS AS PROVIDED HEREIN EXCEPT AS OTHERWISE PROVIDED IN THE FIRST PARAGRAPH OF THIS SECTION 23.(a).

THE PROVISIONS OF THIS SECTION ARE INTENDED TO BENEFIT AND BIND CERTAIN THIRD PARTY NON-SIGNATORIES AND WILL CONTINUE IN FULL FORCE AND EFFECT SUBSEQUENT TO AND NOTWITHSTANDING THE EXPIRATION OR TERMINATION OF THIS AGREEMENT.

(b) GOVERNING LAW. ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. SECTIONS 1 ET SEQ). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW, THIS AGREEMENT AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE

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GOVERNED BY THE LAWS OF THE COMMONWEALTH OF KENTUCKY WITHOUT REGARD TO ITS CONFLICT OF LAWS PRINCIPLES.

(c) CONSENT TO JURISDICTION AND VENUE. YOU AND YOUR OWNERS AGREE THAT ALL JUDICIAL ACTIONS BROUGHT BY US AGAINST YOU OR YOUR OWNERS OR BY YOU OR YOUR OWNERS AGAINST US OR OUR SUBSIDIARIES, AFFILIATES, SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS OR EMPLOYEES MUST BE BROUGHT IN A COURT OF COMPETENT JURISDICTION IN JEFFERSON COUNTY, KENTUCKY OR FEDERAL DISTRICT COURT FOR THE WESTERN DISTRICT OF KENTUCKY AND YOU (AND EACH OWNER) IRREVOCABLY SUBMIT TO THE JURISDICTION OF SUCH COURTS AND WAIVE ANY OBJECTION YOU, HE OR SHE MAY HAVE TO EITHER THE JURISDICTION OF OR VENUE IN SUCH COURTS. NOTWITHSTANDING THE FOREGOING, WE MAY BRING AN ACTION TO OBTAIN A RESTRAINING ORDER OR TEMPORARY OR PRELIMINARY INJUNCTION, OR ENFORCE AN ARBITRATION AWARD, IN ANY FEDERAL OR STATE COURT OF GENERAL JURISDICTION IN THE STATE IN WHICH YOU RESIDE OR IN WHICH THE RESTAURANT IS LOCATED.

(d) WAIVER OF PUNITIVE DAMAGES. EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY US PURSUANT TO SECTION 21 AND CLAIMS WE BRING AGAINST YOU UNDER SECTIONS 16.(c), 16.(f) AND 17, WE AND YOU AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

(e) WAIVER OF JURY TRIAL. WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.

(f) LIMITATIONS OF CLAIMS. EXCEPT FOR CLAIMS BROUGHT BY US WITH REGARD TO YOUR OBLIGATIONS UNDER SECTIONS 16 AND 17, AND YOUR OBLIGATION TO INDEMNIFY US PURSUANT TO SECTION 21, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP OF YOU AND US PURSUANT TO THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR ONE (1) YEAR FROM THE DATE ON WHICH YOU OR WE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.

(g) COSTS, EXPENSES AND ATTORNEYS' FEES. Except as provided in Sections 16.(f), 20 and 21, each party shall pay its own costs, expenses and attorneys' fees in any

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arbitration, claim, suit or proceeding arising out of this Agreement or the franchise relationship of the parties.

24. NOTICES. All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be given (i) by personal delivery or (ii) provided such notice, request, demand or communication is actually received by the party to which it is addressed in the ordinary course of delivery, by deposit in the United States mail, postage prepaid, or (iii) by registered or certified mail, return receipt requested, postage prepaid, or by delivery to a nationally-recognized overnight courier service, in each case, addressed as follows, or to such other person or entity as either party shall designate by notice to the other in accordance herewith:

Us: If by Mail:
P.O. Box 99900
Louisville, Kentucky 40269-9990
ATTN: General Counsel

If by Courier or Personal Delivery:
10801 Electron Drive, Suite 100
Louisville, Kentucky 40299-3880
ATTN: General Counsel

You: _____

ATTN: _____

25. MISCELLANEOUS.

(a) TOLLING; SEVERABILITY. During any period in which any covenant in Section 16 or 17 is being breached by you, including any period in which we or you are seeking administrative or judicial enforcement, interpretation or modification of any such covenant, and all appeals thereof, the Restricted Period shall toll and be suspended. You agree to be bound to the maximum extent permitted by law that is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from the striking of any provision hereof by a court, or that a court holds to be unenforceable in a final decision to which we are a party, or that may result from reducing the scope of any provision to the extent required to comply with a court order or with any state or federal law, whether currently in effect or subsequently enacted.

(b) CONSTRUCTION. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, as the case may require. All acknowledgements, warranties, representations, covenants, agreements, and obligations herein made or undertaken by you shall be deemed jointly and severally undertaken by all those executing this Agreement as you.

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(c) ENTIRE AGREEMENT. This Agreement, the documents incorporated herein by reference and the Exhibits attached hereto, comprise the entire agreement between the parties, and all prior understandings or agreements concerning the subject matter hereof are canceled and superseded by this Agreement. The Exhibits to this Agreement are incorporated herein by reference and made a part hereof as if set out in full herein.

(d) AFFILIATE. As used in this Agreement, the term "Affiliate" shall mean any person or entity that is owned or controlled by us or which owns or controls us or is under common control with us, directly, or through one or more intermediaries.

(e) AMENDMENTS. Except for those permitted to be made unilaterally by us, no supplement, amendment or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto.

(f) WAIVERS. No failure by us to exercise any right given to us hereunder, or to insist upon strict compliance by you with any obligation, agreement or undertaking hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of our right to demand full and exact compliance by you with the terms hereof. Waiver by us of any particular default by you shall not affect or impair our rights with respect to any subsequent default of the same or of a different nature, nor shall any delay or omission by us to exercise any right arising from such default affect or impair our rights as to such default or any subsequent default.

(g) COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

(h) HEADINGS. The headings used in this Agreement are for convenience only, and the paragraphs shall be interpreted as if such headings were omitted.

(i) TIME OF ESSENCE. You agree and acknowledge that time is of the essence with regard to your obligations hereunder, and that all of your obligations are material to us and this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the day, month and year first written above.

PAPA JOHN'S INTERNATIONAL, INC.

By: _____
Title: _____

FRANCHISEE

By: _____
Title: _____

08/06/96
08/28/96
09/09/96

12/01/92

LEASE

THIS INDENTURE of lease, dated as of the 30th day of September, 1996, by and between OPUS SOUTHWEST CORPORATION, a Minnesota corporation, owner of the Complex (as hereinafter defined), hereinafter referred to as "Lessor", and P.J. FOOD SERVICE, INC., a Kentucky corporation, hereinafter referred to as "Lessee".

WITNESSETH:

That Lessor, in consideration of the rents and covenants hereinafter set forth, does hereby lease and let unto Lessee, and Lessee does hereby hire and take from Lessor, that certain space shown and designated on the site plan attached hereto and made a part hereof as Exhibit A (the "Site Plan"), which space consists of approximately 25,436 square feet, located in the office and warehouse complex known and described as Kyrene Business Park located north of the northwest corner of Kyrene Road and Elliot Road, Tempe, Arizona, and the Premises is located at 7350 South Kyrene Road, Tempe, Arizona 85283. The aforesaid space leased and let unto Lessee is hereinafter referred to as the "Premises"; the land (including all easement areas appurtenant thereto) upon which the building or buildings of which the Premises are a part is hereinafter referred to as the "Property"; and the Property and all buildings and improvements and personal property of Lessor used in connection with the operation or maintenance thereof located therein and thereon and the appurtenant parking facilities, if any, are hereinafter called the "Complex".

Lessee hereby accepts this Lease and the Premises upon the covenants and conditions set forth herein and subject to any encumbrances, covenants, conditions, restrictions and other matters of record and all applicable zoning, municipal, county, state and federal laws, ordinances and regulations governing and regulating the use of the Premises.

TO HAVE AND TO HOLD THE SAME PREMISES, without any liability or obligation on the part of Lessor to make any alterations, improvements or repairs of any kind on or about the Premises, except as expressly provided herein, for a term of five (5) years, commencing on the first (1st) day of December, 1996, and ending on the thirtieth (30th) day of November, 2001, unless sooner terminated in the manner provided hereinafter, to be occupied and used by Lessee for general warehouse purposes, including receiving, ordering, production, shipping, selling and billing of products, materials and merchandise made or distributed by Lessee, its parent, affiliates or subsidiaries, and for no other purpose, subject to the covenants and agreements hereinafter contained.

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ARTICLE I. BASE RENT: In consideration of the leasing aforesaid, Lessee agrees to pay to Lessor, at c/o Normandale Properties Southwest Corporation, 4742 North 24th Street, Suite 100, Phoenix, Arizona 85016, Attention: Accounting Department or at such other place as Lessor from time to time may designate in writing, an annual rental as hereinafter set forth, sometimes hereinafter referred to as the "Base Rent", payable monthly, in advance, in installments as hereinafter set forth, commencing on the first day of the term and continuing on the first day of each and every month thereafter for the next succeeding months during the balance of the term:

APPLICABLE PORTION OF TERM -----	MONTHLY BASE RENT -----
Months 01-60	\$ 8,139.52

If the term commences on a date other than the first day of a calendar month or ends on a date other than the last day of a calendar month, monthly rent for the first month of the term or the last month of the term, as the case

may be, shall be prorated based upon the ratio that the number of days in the term within such month bears to the total number of days in such month.

ARTICLE II. ADDITIONAL RENT: In addition to the Base Rent payable by Lessee under the provisions of Article I hereof, Lessee shall pay to Lessor "Additional Rent" as hereinafter provided for in this Article II. All sums under this Article II and all other sums and charges required to be paid by Lessee under this Lease (except Base Rent), however denoted, shall be deemed to be "Additional Rent". If any such amounts or charges are not paid at the time provided in this Lease, they shall nevertheless be collectible as Additional Rent with the next installment of Base Rent falling due.

For purposes of this Article II, the parties hereto agree upon the following Definitions:

- A. The term "Lease Year" shall mean each of those calendar years commencing with and including the year during which the term of this Lease commences, and ending with the calendar year during which the term of this Lease (including any extensions or renewals) terminates.
- B. The term "Real Estate Taxes" shall mean and include all personal property taxes of Lessor relating to Lessor's personal property located in the Complex and used or useful in connection with the operation and maintenance thereof, real estate taxes and installments of special assessments, including interest thereon, relating to the Property and the Complex, and all other governmental charges, general and special, ordinary and extraordinary, foreseen as well as unforeseen, of any kind and nature whatsoever, or other tax, however described, which is levied or assessed by the United States of America or the state in which the Complex is located or any political subdivision thereof, against Lessor or all or any part of the Complex as a result of Lessor's ownership of the

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Property or the Complex, and payable during the respective Lease Year. The term "Real Estate Taxes" shall also include any assessments or other charges imposed against Lessor or all or any part of the Complex and payable during the respective Lease Year as a result of the Complex being subject to any covenants, conditions or restrictions now or hereafter recorded, as the same may be amended from time to time. It shall not include any net income tax, estate tax or inheritance tax. Notwithstanding anything to the contrary contained herein, the term "Real Estate Taxes" shall not include personal property taxes of Lessor relating to any of Lessor's personal property to the extent that such personal property is used or useful in connection with the operation and maintenance of future phases of Lessor's proposed development of the real property adjacent to the Complex. In addition, "Real Estate Taxes" shall not include any special assessments or other charges imposed against Lessor as a result of the development of future phases of Lessor's proposed development of the real property adjacent to the Complex, including, without limitation, Phase II or Phase III (as hereinafter defined).

- C. The term "Operating Expenses" shall mean and include all expenses incurred with respect to the maintenance and operation of the Property and the Complex as determined in accordance with generally accepted accounting principles consistently followed, including, but not limited to, insurance premiums (including insurance premiums for rent insurance), maintenance and repair costs, steam, electricity, water, sewer, gas and other utility charges (if any), fuel for maintenance vehicles, lighting, window washing and janitorial services for the common areas, trash and rubbish removal (excluding removal of garbage generated by tenants of the Complex), wages payable to employees of Lessor whose duties are directly connected with the operation and maintenance of the Property and the Complex (but only for the portion of their time allocable to work related to the Complex), amounts paid to contractors or subcontractors for work or services performed in connection with the operation and maintenance of the Property and the Complex, all costs of uniforms, supplies and materials used in connection with the operation and maintenance of the Property and the Complex, all payroll taxes,

unemployment insurance costs, vacation allowances and the cost of providing disability insurance or benefits, pensions, profit sharing benefits, hospitalization, retirement or other so-called fringe benefits, and any other expense imposed on Lessor or its contractors or subcontractors, pursuant to law or pursuant to any collective bargaining agreement covering such employees, all services, supplies, repairs, replacements (except those of a capital nature) or other expenses for maintaining and operating the Complex, reasonable attorneys' fees and costs in connection with appeal or contest of real estate or other taxes or levies, and such other expenses as may be ordinarily

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incurred in the operation and maintenance of a warehouse complex and not specifically set forth herein, including reasonable management fee not to exceed three percent (3%) of annual gross receipts received from the operation of the Complex. The term "Operating Expenses" shall not include any capital improvement to the Complex other than replacements required for normal maintenance and repair, nor shall it include repairs, restoration or other work occasioned by fire, windstorm or other insured casualty, expenses incurred in leasing or procuring tenants for the Complex or for Phase II or Phase III (as defined in Article XXVI), leasing commissions, advertising and marketing expenses, expenses for renovating space for new tenants, legal expenses incident to enforcement by Lessor of the terms of any lease, interest or principal payments on any mortgage or other indebtedness of Lessor, compensation paid to any employee of Lessor above the grade of building superintendent, depreciation allowance or expense. Notwithstanding the foregoing, in the event Lessor installs equipment in or makes improvements or alterations to the Complex which are for the purpose of reducing energy costs, maintenance costs or other Operating Expenses or which are required under any governmental laws, regulations or ordinances which were not required at the date of commencement of the term of this Lease, Lessor may include in Operating Expenses reasonable charges for interest on such investment and reasonable charges for depreciation on the same so as to amortize such investment over the reasonable life of such equipment, improvement or alteration on a straight line basis. Operating Expenses shall also be deemed to include expenses incurred by Lessor in connection with city sidewalks adjacent to the Property or other public facility to which Lessor or the Complex is from time to time subject in connection with operations of the Property and the Complex, only to the extent such other public facility benefits Phase I (as depicted on the Site Plan).

- D. The term "Lessee's Pro Rata Share of Real Estate Taxes" shall mean twenty-five and fifty-nine one hundredths percent (25.59%) of the Real Estate Taxes for the applicable Lease Year, and the term "Lessee's Pro Rata Share of Operating Expenses" shall mean twenty-five and fifty-nine one hundredths percent (25.59%) of the Operating Expenses for the applicable Lease Year. Said percentages have been agreed upon by the parties hereto after due consideration of the rentable area of the Premises compared to the rentable area of the Complex.

As to each Lease Year after the term of this Lease commences, Lessor shall estimate and provide Lessee with a detailed cost projection in writing for each such Lease Year (i) the total amount of Real Estate Taxes; (ii) the total amount of Operating Expenses; (iii) Lessee's Pro Rata Share of Real Estate Taxes; (iv) Lessee's Pro Rata Share of Operating Expenses; (v) the computation of the annual and monthly rental payable during such Lease Year as a result of increases or decreases in Lessee's Pro Rata Share of Real

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Estate Taxes and Lessee's Pro Rata Share of Operating Expenses. Said estimate shall be in writing and shall be delivered or mailed to Lessee at the Premises.

Lessee shall pay, as Additional Rent, the amount of Lessee's Pro Rata Share of Real Estate Taxes for each Lease Year and Lessee's Pro Rata Share of Operating Expenses for each Lease Year, so estimated, in equal monthly

installments, in advance, on the first day of each month during each applicable Lease Year. In the event that said estimate is delivered to Lessee after the first day of January of the applicable Lease Year, said amount, so estimated, shall be payable as Additional Rent, in equal monthly installments, in advance, on the first day of each month over the balance of such Lease Year, with the number of installments being equal to the number of full calendar months remaining in such Lease Year.

Not more than once during any applicable Lease Year, Lessor may re-estimate the amount of Real Estate Taxes and Operating Expenses and Lessee's Pro Rata Share thereof, and in such event Lessor shall notify Lessee, in writing, of such re-estimate and the reasons for such re-estimate in the manner above set forth and fix monthly installments for the then remaining balance of such Lease Year in an amount sufficient to pay the re-estimated amount over the balance of such Lease Year after giving credit for payments made by Lessee on the previous estimate.

Upon completion of each Lease Year, Lessor shall cause its accountants to determine the actual amount of Real Estate Taxes and Operating Expenses for such Lease Year and Lessee's Pro Rata Share thereof and deliver a written certification of the amounts thereof to Lessee after the end of each Lease Year. If Lessee has paid less than its Pro Rata Share of Real Estate Taxes or its Pro Rata Share of Operating Expenses for any Lease Year, Lessee shall pay the balance of its Pro Rata Share of the same within ten (10) days after the receipt of such statement. If Lessee has paid more than its Pro Rata Share of Real Estate Taxes or its Pro Rata Share of Operating Expenses for any Lease Year, Lessor shall, at Lessee's option, either (i) refund such excess, or (ii) credit such excess against the most current monthly installment or installments due Lessor for its estimate of Lessee's Pro Rata Share of Real Estate Taxes and Lessee's Pro Rata Share of Operating Expenses for the next following Lease Year. A pro rata adjustment shall be made for a fractional Lease Year occurring during the term of this Lease or any renewal or extension thereof based upon the number of days of the term of this Lease during said Lease Year as compared to three hundred sixty-five (365) days and all additional sums payable by Lessee or credits due Lessee as a result of the provisions of this Article II shall be adjusted accordingly.

Further, Lessee shall pay, also as Additional Rent, all other sums and charges required to be paid by Lessee under this Lease, and any tax or excise on rents, gross receipts tax, transaction privilege tax or other tax, however described, which is levied or assessed by the United States of America or the state in which the Complex is located or any political subdivision thereof, or any city or municipality, against Lessor in respect to the Base Rent, Additional Rent, or other charges reserved under this Lease or as

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a result of Lessor's receipt of such rents or other charges accruing under this Lease; provided, however, Lessee shall have no obligation to pay net income taxes of Lessor.

ARTICLE III. LATE CHARGE AND OVERDUE AMOUNTS - RENT INDEPENDENT: Lessee shall pay to Lessor, as liquidated damages, a late charge equal to five percent (5%) of any amount not paid on the date when the same is due to compensate Lessor for its costs in connection with such late payment by Lessee. The assessment or collection of a late charge hereunder shall not constitute the waiver by Lessor of a default by Lessee under this Lease and shall not bar the exercise by Lessor of any rights or remedies available under this Lease. In addition, any installment of Base Rent, Additional Rent or other charges to be paid by Lessee accruing under the provisions of this Lease, which shall not be paid when due, shall bear interest at the rate of eighteen percent (18%) per annum from the date when the same is due until the same shall be paid, but if such rate exceeds the maximum interest rate permitted by law, such rate shall be reduced to the highest rate allowed by law under the circumstances. Lessee's covenants to pay the Base Rent and the Additional Rent are independent of any other covenant, condition, provision or agreement herein contained. Nothing herein contained shall be deemed to suspend or delay the payment of any amount of money or charge at the time the same becomes due and payable hereunder, or limit any other remedy of Lessor. Base Rent and Additional Rent are sometimes collectively referred to as "rent". Except as may specifically be set forth to the contrary elsewhere herein, rent shall be payable without deduction, offset, prior notice or demand, in lawful money of the United States.

ARTICLE IV. POSSESSION OF PREMISES: If Lessor shall be unable to give

possession of the Premises on the date of the commencement of the term because the construction of the Complex or the completion of the Premises has not been sufficiently completed to make the Premises ready for occupancy, or for any other reason, Lessor shall not be subject to any claims, damages or liabilities for the failure to give possession on said date. Under said circumstances, the rent reserved and covenant to pay same shall not commence until possession of the Premises is given or the Premises are ready for occupancy, whichever is earlier, and, subject to the preceding sentence, failure to give possession on the date of commencement of the term shall in no way affect the validity of this Lease or the obligations of Lessee hereunder; provided, however, that if the date of commencement of the initial term is delayed beyond the scheduled commencement date, the expiration date of the initial term shall be extended to provide for a full five-year initial term of this Lease. If Lessee is given and accepts possession of the Premises on a date earlier than the date above specified for commencement of the term, the rent reserved herein and all covenants, agreements and obligations herein and the term of this Lease shall commence on the date that possession of the Premises is given to Lessee.

The acceptance of possession by Lessee shall be deemed conclusively to establish that the Premises and all other improvements of the Complex required to be constructed by Lessor for use thereof by Lessee hereunder have been completed at such time to Lessee's

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satisfaction and in conformity with the provisions of this Lease in all respects unless Lessee notifies Lessor in writing within sixty (60) days after commencement of the term as to any items not completed. Lessee waives any claim as to matters not listed in said notice. Lessee acknowledges that neither Lessor nor any agent of Lessor has made any representation or warranty with respect to the Premises or the Complex or with respect to the suitability or fitness of either for the conduct of Lessee's business or for any other purpose.

ARTICLE V. SERVICES:

- A. All electric lighting bulbs and tubes and all ballasts and starters within the Premises shall be replaced by Lessee at the expense of Lessee.
- B. Subject to Article II hereof, Lessor shall provide maintenance in good order, condition and repair of the parking facilities and all driveways leading thereto and keeping the same free from any unreasonable accumulation of snow. Lessor shall keep and maintain the landscaped area and parking facilities in a neat and orderly condition. Lessor reserves the right to designate areas of the appurtenant parking facilities where Lessee and its agents, employees and invitees shall park and may exclude Lessee, its agents, employees and invitees from parking in other areas as designated by Lessor; provided, however, Lessor shall not be liable to Lessee for the failure of any tenant or its invitees, employees, agents or customers to abide by Lessor's designations or restrictions.

No interruption in, or temporary stoppage of, any of the aforesaid services caused by repairs, renewals, improvements, alterations, strikes, lockouts, labor controversies, accidents, inability to obtain fuel or supplies, or other causes shall be deemed an eviction or disturbance of Lessee's use and possession, or render Lessor liable for damages, by abatement of rent or otherwise or relieve Lessee from any obligation herein set forth; provided, however, that if there is a localized interruption in, or localized temporary stoppage of, any of the aforesaid services in the Premises (as opposed to an interruption in the general vicinity of the Complex not under Lessor's control), and if such interruption or temporary stoppage is within the sole control of Lessor and, after notice to Lessor, Lessor does not diligently attempt and continue diligent attempts to cure such interruption or temporary stoppage, then Lessee shall be entitled to a proportional abatement of Base Rent and Additional Rent if seven (7) consecutive days of such interruption or temporary stoppage occurs after Lessor's efforts to cure same have failed. Said abatement shall be determined based upon the proportion of Lessee's business that Lessee is able to conduct in the Premises, using commercially reasonable efforts, during the period of any such interruption. In no event shall Lessor be required to provide any heat, air conditioning, electricity or other service in excess of that permitted by voluntary or involuntary guidelines or laws, ordinances or regulations of governmental authority. Lessor reserves the right, from time to

time, to make reasonable and non-discriminatory modifications to the above standards for utilities and services. Lessee acknowledges and agrees that natural gas is not presently available at the Premises, but that natural gas can be tapped at Kyrene Road. In the event Lessee desires to tap said natural gas in Kyrene Road and bring the same to the Premises, Lessee may do so at Lessee's sole cost and expense provided Lessee first obtains the prior written consent of Lessor to Lessee's plans for such extension of natural gas to the Premises.

ARTICLE VI. USE: The Premises shall be used for general warehouse purposes including receiving, ordering, production, shipping, selling and billing of products, materials and merchandise made or distributed by Lessee, its parent, affiliates or subsidiaries and for carrying on such activities as may be incidental thereto and for no other purpose; provided, however, Lessee may not use or occupy the Premises, or knowingly permit the Premises to be used or occupied, contrary to any statute, rule, order, ordinance, requirement or regulation or any covenant, condition or restriction now or hereafter applicable thereto, or in any manner which would violate any certificate of occupancy or permit affecting the same, or which would cause structural injury to the Premises or cause the value or usefulness of the Premises, or any part thereof, substantially to diminish (reasonable wear and tear excepted) or which would constitute a private or public nuisance or waste, and Lessee agrees that it will promptly, upon discovery of any such use, take all necessary steps to compel the discontinuance of such use. Lessee shall not be obligated to comply with the terms of any covenant, condition or restriction hereafter recorded against the Property by Lessor to the extent said covenant, condition or restriction would materially adversely impair Lessee's ability to engage in the use permitted hereby. Any use of the Premises by Lessee involving discharge of hot water into the sewer system shall comply with all applicable laws, codes, ordinances, rules, regulations, covenants and conditions now or hereafter imposed against or encumbering the Property.

ARTICLE VII. CERTAIN RIGHTS RESERVED BY LESSOR: Lessor reserves the following rights exercisable without notice and without liability to Lessee and without effecting an eviction, constructive or actual, or disturbance of Lessee's use or possession, or giving rise to any claim for setoff or abatement of rent:

- A. To control, install, affix and maintain any and all signs on the Property, or on the exterior of the Complex and in any common corridors, entrances and other common areas thereof, except those signs within the Premises not visible from outside the Premises.
- B. To reasonably designate, limit, restrict and control any service in or to the Complex, including but not limited to the designation of sources from which Lessee may obtain sign painting and lettering; provided, however, nothing contained herein shall be deemed to limit the sources from which Lessee may obtain services used in the ordinary course of Lessee's business, including, but not limited to, courier or delivery services. Any restric-

tion, designation, limitation or control imposed by reason of this subparagraph shall be imposed uniformly on Lessee and other tenants occupying space in the Complex.

- C. To retain at all times and to use in appropriate instances keys to all exterior doors into the Premises. No exterior locks shall be changed without the prior written consent of Lessor. This provision shall not apply to Lessee's safes or other areas maintained by Lessee for the safety and security of monies, securities, negotiable instruments or like items, or to other areas within the Premises which Lessee deems proprietary.
- D. To make repairs, improvements, alterations, additions or installations, whether structural or otherwise, in and about the Complex, or any part thereof, and for such purposes to enter upon the Premises, and during the continuation of any of said work, to temporarily close doors, entryways, public spaces and corridors in the Complex and to interrupt or temporarily suspend services and facilities. Lessor shall give reasonable advance notice to Lessee

prior to commencing such activities, and shall use commercially reasonable efforts to complete such activities at such time and in such manner so as to minimize any material adverse impact on the ability of Lessee to conduct Lessee's business in the Premises.

- E. To approve the weight, size and location of safes and other heavy equipment and articles in and about the Premises and the Complex and to require all such items to be moved into and out of the Complex and the Premises only at such times and in such manner as Lessor shall direct in writing. Upon approval of Lessee's space plan, as evidenced by the initials of an authorized representative of Lessor thereon, Lessor shall be deemed to have approved the weight, size and location of items to be located with the Premises. In the event any of such items shall be moved from the locations depicted on said approved space plan, Lessor shall again have the approval rights granted in this paragraph with respect to such items.

ARTICLE VIII. ALTERATIONS AND IMPROVEMENTS: Lessee shall not make any improvements, alterations, additions or installations in or to the Premises (hereinafter referred to as the "Work") without Lessor's prior written consent, which consent may be withheld in Lessor's sole discretion in the event such improvements, alterations, additions or installations affect the structural, mechanical or electrical systems of the Premises, and which consent shall not be unreasonably withheld for other improvements, alterations, additions or installations. In the event Lessor should grant its consent to any improvements, alterations, additions or installations, such consent shall be contingent upon Lessee providing to Lessor, before commencement of the Work or delivery of any materials to be used in the Work to the Premises or into the Complex, plans and specifications, names and addresses of contractors, copies of contracts, necessary permits and licenses, an indemnification in such

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form and amount as may be reasonably satisfactory to Lessor and a performance bond executed by a commercial surety reasonably satisfactory to Lessor in an amount equal to the cost of the Work and for the payment of all liens for labor and material arising therefrom. Lessee agrees to defend and hold Lessor forever harmless from any and all claims and liabilities of any kind and description which may arise out of or be connected in any way with said improvements, alterations, additions or installations. All Work shall be done only by contractors or mechanics reasonably approved by Lessor and at such reasonable times and in such manner as Lessor may from time to time reasonably designate. All work done by Lessee or its agents, employees or contractors shall be done in such a manner as to avoid labor disputes. Lessee shall pay the cost of all such improvements, alterations, additions or installations (including a reasonable charge for Lessor's services and for Lessor's inspection and engineering time in the event Lessor is required to retain the services of a consultant in connection with such services) and the cost of painting, restoring or repairing the Premises and the Complex occasioned by such improvements, alterations, additions or installations. Upon completion of the Work, Lessee shall furnish Lessor with contractor's affidavits, full and final waivers of liens and receipted bills covering all labor and materials expended and used. The Work shall comply with all insurance requirements and all laws, ordinances, rules and regulations of all governmental authorities and shall be constructed in a good and workmanlike manner. Lessee shall permit Lessor to inspect construction operations in connection with the Work. Lessee shall not be allowed to make any improvements, alterations, additions or installations without taking reasonable steps to assure that such action does not result in a labor dispute or otherwise would not materially interfere with Lessor's operation of the Complex. Lessor, by written notice to Lessee given at or prior to termination of this Lease, may require Lessee, at Lessee's sole cost and expense, to remove any improvements, alterations, additions or installations installed by Lessee in the Premises (except for improvements related to general office use that were installed by Lessee with Lessor's approval) and to repair or restore any damage caused by the installation and removal of such improvements, alterations, additions or installations; provided, however, with the exception of Lessee's trade fixtures and equipment, the only improvements, additions or installations which Lessee shall remove shall be those specified in Lessor's notice. Lessee shall keep the Premises and the Complex free from any liens arising out of any work performed, material furnished or obligations incurred by Lessee, and shall indemnify, protect, defend and hold harmless Lessor from any liens and encumbrances arising out of any work performed or material furnished by or at the direction of Lessee. In the event that Lessee shall not, within twenty (20) days following the imposition of any such lien, cause such lien to be released of record by

payment or posting of a proper bond, Lessor shall have, in addition to all other remedies provided herein and by law, the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of and/or defense against the claim giving rise to such lien. All such sums paid by Lessor and all expenses incurred by it in connection therewith, including attorneys' fees and costs, shall be payable as Additional Rent to Lessor by Lessee on demand with interest at the

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rate provided in Article III accruing from the date paid or incurred by Lessor until reimbursed to Lessor by Lessee.

ARTICLE IX. REPAIRS: Subject to Article X hereof, Lessee shall, during the term of this Lease, at Lessee's expense, keep the Premises in as good order, condition and repair as they were at the time Lessee took possession of the same, reasonable wear and tear and damage from fire and other casualties excepted. Lessee shall keep the Premises in a neat and sanitary condition, and Lessee shall not commit any nuisance or waste on the Premises or in, on or about the Complex, throw foreign substances in the plumbing facilities, or waste any of the utilities furnished by the Lessor. All uninsured damage or injury to the Premises or to the Complex caused by Lessee moving furniture, fixtures, equipment or other devices in or out of the Premises or the Complex or by installation or removal of furniture, fixtures, equipment, devices or other property of Lessee or its agents, contractors, servants or employees, due to carelessness, omission, neglect, improper conduct or other cause of Lessee or its servants, employees, agents, visitors or licensees, shall be repaired, restored and replaced promptly by Lessee at its sole cost and expense to the same condition as existed immediately prior to such damage. All repairs, restorations and replacements shall be in quality and class equal to the original work. For the duration of the term hereof, Lessee shall be obligated to maintain a maintenance contract for the mechanical equipment serving the Premises, and Lessee shall provide evidence of said contract to Lessor (i) concurrently with the commencement of the term of this Lease, and (ii) at such other times as Lessor may reasonably require.

Lessor and its employees and agents shall have the right to enter the Premises during or as a result of any emergency, or at any reasonable time or times after giving Lessee reasonable advance notice for the purpose of inspection, cleaning, repairs, altering or improving the same but nothing contained herein shall be construed as imposing any obligation on Lessor to make any repairs, alterations or improvements which are the obligation of Lessee. In completing such repairs, alterations and improvements, Lessor shall use commercially reasonable efforts to minimize any material adverse impact on the ability of Lessee to engage in Lessee's business in the Premises.

Lessor and Lessee shall meet at least ten (10) days prior to Lessee vacating the Premises for the express purpose of conducting a joint inspection of the Premises to determine the scope of Lessee's responsibility for repairs and restoration to be completed prior to Lessee vacating the Premises.

ARTICLE X. INSURANCE: Lessor shall keep the Complex insured for the benefit of Lessor in an amount equivalent to the full replacement value thereof (excluding foundation, grading and excavation costs) against:

- (a) loss or damage by fire; and
- (b) such other risk or risks of a similar or dissimilar nature as are now or may be customarily covered with respect to

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buildings and improvements similar in construction, general location, use, occupancy and design to the building of which the Premises is a part, including, but without limiting the generality of the foregoing, windstorms, hail, explosion, vandalism, malicious mischief, civil commotion provided such additional coverage is obtainable and provided such additional coverage is such as is customarily carried with respect to buildings and improvements similar in construction, general location, use, occupancy and design to the building of which the Premises is a part.

These insurance provisions shall in no way limit or modify any of the obligations of Lessee under any provision of this Lease. In the event that

additional Phases are added to the Complex pursuant to Article XXVI, and such buildings in any additional Phase are constructed in such a manner and for such use as to require different insurance coverage than is required for the building of which the Premises is a part, Lessor shall only include in Operating Expenses that portion of such premium which Lessor would have paid for a building comparable to the building of which the Premises is a part. Lessor agrees that such policy or policies of insurance shall permit releases of liability as provided herein and/or waiver of subrogation clause as to Lessee, and Lessor waives, releases and discharges Lessee from all claims or demands whatsoever which Lessor may have or acquire arising out of damage to or destruction of the Complex or loss of use thereof occasioned by fire or other casualty, whether such claim or demand may arise because of the negligence or fault of Lessee or its agents, employees, customers or business invitees, or otherwise, and Lessor agrees to look to the insurance coverage only in the event of such loss. Notwithstanding the foregoing, Lessee shall be obligated to pay the rental called for hereunder in the event of damage to or destruction of the Premises or the Complex if such damage or destruction is occasioned by the negligence or fault of Lessee, its agents or employees. Insurance premiums paid thereon shall be a portion of the "Operating Expenses" described in Article II hereof. Notwithstanding the above, in the event a release of Lessee or waiver of subrogation as to Lessee (without invalidation of coverage) becomes generally unavailable in insurance policies as to commercial warehouse projects similar to the Complex, the release and any waiver of subrogation above provided for shall cease upon written notice by Lessor to Lessee of such event. Thereafter, Lessee may, upon written notice to Lessor, require Lessor to secure a waiver of subrogation as to Lessee if (a) a right to waive subrogation as to Lessee thereafter becomes available without increased premium, or (b) a right to waive subrogation as to Lessee becomes available and Lessee pays any increased premium required in connection therewith.

Lessee shall keep all of its machinery, equipment, furniture, fixtures, personal property (including also property under the care, custody or control of Lessee) and business interests which may be located in, upon or about the Premises insured for the benefit of Lessee in an amount equivalent to the full replacement value or insurable value thereof against:

(a) loss or damage by fire; and

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(b) such other risk or risks of a similar or dissimilar nature as are now, or may in the future be, customarily covered with respect to a tenant's machinery, equipment, furniture, fixtures, personal property and business located in a building similar in construction, general location, use, occupancy and design to the building of which the Premises is a part, including, but without limiting the generality of the foregoing, windstorms, hail, explosions, vandalism, theft, malicious mischief, civil commotion.

Lessee agrees that such policy or policies of insurance shall permit releases of liability as provided herein and/or waiver of subrogation clause as to Lessor, and Lessee waives, releases and discharges Lessor and its agents, employees and contractors from all claims or demands whatsoever which Lessee may have or acquire arising out of damage to or destruction of the machinery, equipment, furniture, fixtures, personal property and loss of use thereof occasioned by fire or other casualty, whether such claim or demand may arise because of the negligence or fault of Lessor or its agents, employees, contractors or otherwise, and Lessee agrees to look to the insurance coverage only in the event of such loss.

Lessor shall, as a portion of the Operating Expenses defined in Article II, maintain, for its benefit and the benefit of its managing agent, general public liability insurance against claims for personal injury, death or property damage occurring upon, in or about the Complex, such insurance to afford protection to Lessor and its managing agent.

Lessee shall, at Lessee's sole cost and expense but for the mutual benefit of Lessor, its managing agent and Lessee, maintain general public liability insurance against claims for personal injury, death or property damage occurring upon, in or about the Premises, such insurance to afford protection to Lessor, its managing agent and Lessee to the limit of not less than One Million and No/100 Dollars (\$1,000,000.00) in respect to the injury or death to a single person, and to the limit of not less than Three Million and No/100 Dollars (\$3,000,000.00) in respect to any one accident, and to the limit of not less than Five Hundred Thousand and No/100 Dollars (\$500,000.00) in respect to any

property damage. Such policies of insurance shall be written in companies licensed to write insurance in Arizona having an AM Best's rating of _____ or better, naming Lessor and its managing agent as additional insureds thereunder, and such policies, or a memorandum or certificate of such insurance, shall be delivered to Lessor endorsed "Premium Paid" by the company or agent issuing the same or accompanied by other evidence satisfactory to Lessor that the premium thereon has been paid. At such time as insurance limits required of tenants in warehouse buildings in the metropolitan area in which the Complex is located are generally increased to greater amounts, Lessor shall have the right to require such greater limits as may then be customary. Lessee agrees to include in such policy the contractual liability coverage insuring Lessee's indemnification obligations provided for herein. Any such coverage shall be deemed primary to any liability coverage secured by Lessor. Such insurance shall also afford coverage for all claims based upon acts, omissions, injury or damage, which claims occurred or arose

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(or the onset of which occurred or arose) in whole or in part during the policy period.

Except to the extent caused by the gross negligence of Lessor, Lessee agrees to indemnify, protect, defend and hold harmless Lessor and Lessor's partners, shareholders, employees, lender and managing agent harmless from and against any and all claims, losses, costs, liabilities, actions and damages, including without limitation attorneys' fees and costs, by or on behalf of any person or persons, firm or firms, corporation or corporations, arising from any breach or default on the part of Lessee in the performance of any covenant or agreement on the part of Lessee to be performed, pursuant to the terms of this Lease, or arising from any act or negligence on the part of Lessee or its agents, contractors, servants, employees or licensees, or arising from any accident, injury or damage to the extent caused by Lessee or its agents or employees to any person, firm or corporation occurring during the term of this Lease or any renewal thereof, in or about the Premises and the Complex, and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in or about any such claim or action or proceeding brought thereon; and in case any action or proceeding be brought against Lessor or its managing agent by reason of any such claim, Lessee, upon notice from Lessor, covenants to resist or defend such action or proceeding by counsel selected by Lessee and reasonably satisfactory to Lessor.

Unless caused by the gross negligence of Lessor, Lessee agrees, to the extent not expressly prohibited by law, that Lessor and Lessor's agents, employees and servants shall not be liable, and Lessee waives all claims for damage to property and business sustained during the term of this Lease by Lessee occurring in or about the Complex, resulting directly or indirectly from any existing or future condition, defect, matter or thing in the Premises, the Complex or any part thereof, or from equipment or appurtenances becoming out of repair, or from accident, or from any occurrence or act or omission of Lessor, Lessor's agents, employees or servants, any tenant or occupant of the Complex or any other person. This paragraph shall apply especially, but not exclusively, to damage caused as aforesaid or by the flooding of basements or other subsurface areas, or by refrigerators, sprinkling devices, air conditioning apparatus, water, snow, frost, steam, excessive heat or cold, falling plaster, broken glass, sewage, gas, odors or noise, or the bursting or leaking of pipes or plumbing fixtures, and shall apply equally, whether any such damage results from the act or omission of other tenants or occupants in the Complex or any other persons, and whether such damage be caused by or result from any of the aforesaid, or shall be caused by or result from other circumstances of a similar or dissimilar nature.

Anything herein to the contrary notwithstanding, in the event any damage to the Complex results from any act or omission of Lessee, its agents, employees or invitees, and all or any portion of Lessor's loss is within the "deductible" portion of Lessor's insurance coverage, Lessee shall pay to Lessor the amount of such deductible loss (not to exceed \$1,000 per event). All property in the Complex or on the Premises belonging to Lessee or its agents, employees or invitees or otherwise located at the Premises, shall

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be at the risk of Lessee only, and Lessor shall not be liable for damage thereto or theft, misappropriation or loss thereof, and Lessee agrees to defend and hold

Lessor and Lessor's agents, employees and servants harmless and indemnify them against claims and liability for injuries to such property, unless such damage or injury results from the gross negligence of Lessor. Lessee shall not do or permit anything to be done in or about the Premises nor bring or keep anything therein which will in any way increase the existing rate of or affect in any other way any fire or other insurance upon the building of which the Premises is a part or any of its contents, or cause a cancellation of any insurance policy covering the Complex or any of its contents. In such event, Lessor shall give written notice to Lessee of such matters and Lessee shall have a period of five (5) days therefrom to cease such activity or remove such items from the Premises. In the event Lessee has not ceased such activity or removed such items from the Premises within such five (5) day period, Lessee shall promptly, upon demand, reimburse Lessor for the full amount of any additional premium charged for such policy by reason of Lessee's failure to comply with the provisions of this paragraph, it being understood that such demand for reimbursement shall not be Lessor's exclusive remedy. Lessee shall promptly, upon demand, reimburse Lessor for any additional premium charged for any such policy by reason of Lessee's failure to comply with the provisions of this Article.

In the event Lessee fails to provide Lessor with evidence of insurance required under this Article X, Lessor may, but shall not be obligated to, without further demand upon Lessee, and without waiving or releasing Lessee from any obligation contained in this Lease, obtain such insurance and Lessee agrees to repay, upon demand, all such sums incurred by Lessor in effecting such insurance. All such sums shall become a part of the Additional Rent payable hereunder, but no such payment by Lessor shall relieve Lessee from any default under this Lease.

ARTICLE XI. ASSIGNMENT AND SUBLETTING: Lessee shall not, without the prior written consent of Lessor, (i) transfer, pledge, mortgage or assign this Lease or any interest hereunder; (ii) permit any assignment of this Lease by voluntary act, operation of law or otherwise; (iii) sublet the Premises or any part thereof; or (iv) permit the use of the Premises by any parties other than Lessee and its agents and employees, its subsidiaries, affiliates or parent company for the uses permitted under this Lease. Lessee shall seek such written consent of Lessor by a written request therefor, setting forth such information as Lessor may reasonably deem necessary. Lessee shall, by notice in writing, advise Lessor of Lessee's intention, from, on and after a stated date (which shall not be less than thirty (30) days after the date of Lessee's notice), to assign this Lease or to sublet any part or all of the Premises for the balance or any part of the term. Lessee's notice shall include all of the terms of the proposed assignment or sublease and shall state the consideration therefor. In such event, Lessor shall have the right, to be exercised by giving written notice to Lessee within thirty (30) days after receipt of Lessee's notice, to recapture the space described in Lessee's notice and such recapture notice shall, if given, cancel and terminate this Lease with respect to the space therein described as of the date

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stated in Lessee's notice. Lessee's notice shall state the name and address of the proposed assignee or subtenant and a true and complete copy of the proposed assignment or sublease shall be delivered to Lessor with Lessee's notice. If Lessee's notice shall cover all of the Premises, and Lessor shall have exercised its foregoing recapture right, the term of this Lease shall expire and end on the date stated in Lessee's notice as fully and completely as if that date had been herein definitely fixed for the expiration of the term. If, however, this Lease be canceled with respect to less than the entire Premises, the Base Rent and Additional Rent shall be adjusted pro rata in proportion to the portion of the Premises recaptured and such rent shall be reduced accordingly from and after the termination date for said portion, and this Lease as so amended shall continue thereafter in full force and effect. The rent adjustments provided for herein shall be evidenced by an amendment to this Lease executed by Lessor and Lessee. If this Lease shall be terminated in the manner aforesaid, either as to the entire Premises or only a portion thereof, to such extent the term of this Lease shall end upon the appropriate effective date of the proposed sublease or assignment as if that date had been originally fixed in this Lease for such expiration, and in the event of a termination affecting less than the entire Premises, Lessee shall comply with Article XIV ("Surrender of Premises") of this Lease with respect to such portion of the Premises affected thereby. Notwithstanding anything to the contrary herein, if Lessee desires to sell its business and either (i) assign to the purchaser thereof all of Lessee's interest in this Lease or (ii) sublet all of the Premises to the purchaser thereof, the

provisions of this Article X shall otherwise apply to such situation except Lessor shall have no right to recapture the Premises.

In the event of any termination pursuant to this paragraph, Lessee shall, at its sole cost and expense, discharge in full any commission which may be due and owing as a result of any proposed assignment or subletting, whether or not the subject portion of the Premises is "recaptured" pursuant thereto and rented by Lessor to the proposed tenant or any other tenant.

If Lessor, upon receiving Lessee's notice with respect to any such space, shall not exercise its right to recapture as aforesaid, Lessor will not unreasonably withhold its consent to Lessee's assignment of the Lease or subletting such space to the party identified in Lessee's notice, provided, however, that in the event Lessor consents to any such assignment or subletting, and as a condition thereto, Lessee shall pay to Lessor fifty percent (50%) of all profit derived by Lessee from such assignment or subletting. For purposes of the foregoing, profit shall be deemed to include, but shall not be limited to, the amount of all rent payable by such assignee or sublessee in excess of the Base Rent, and rent adjustments, payable by Lessee under this Lease. If a part of the consideration for such assignment or subletting shall be payable other than in cash, the payment to Lessor shall be in cash for its share of any non-cash consideration based upon the fair market value thereof.

Lessee shall and hereby agrees that it will furnish to Lessor upon request from Lessor a complete statement, certified by an

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independent certified public accountant, setting forth in detail the computation of all profit derived and to be derived from such assignment or subletting, such computation to be made in accordance with generally accepted accounting principles. Lessee agrees that Lessor and its authorized representatives shall be given access at all reasonable times to the books, records and papers of Lessee relating to any such assignment or subletting, and Lessor shall have the right to make copies thereof. The percentage of Lessee's profit due Lessor hereunder shall be paid by Lessee to Lessor within five (5) days of receipt by Lessee of all payments made from time to time by such assignee or sublessee to Lessee.

For purposes of the foregoing, any change in the partners of Lessee, if Lessee is a partnership, or, if Lessee is a corporation, any transfer of any or all of the shares of stock of Lessee by sale, assignment, operation of law or otherwise resulting in a change in the present control of such corporation by the person or persons owning a majority of such shares as of the date of this Lease, shall be deemed to be an assignment within the meaning of this Article XI. Notwithstanding the provisions of this paragraph, the transfer of any or all of the shares of stock of Lessee shall not be deemed an assignment for purposes of this Article X, provided that, at the time of such transfer, said stock is publicly traded on a recognized national stock exchange.

Any subletting or assignment hereunder shall not release or discharge Lessee of or from any liability, whether past, present or future, under this Lease, and Lessee shall continue fully liable thereunder. The subtenant or subtenants or assignee shall agree in a form satisfactory to Lessor to agree to be obligated for, comply with, and be bound by all of the terms, covenants, conditions, provisions and agreements of this Lease to the extent of the space sublet or assigned, and Lessee shall deliver to Lessor promptly after execution an executed copy of each such sublease or assignment. Consent by Lessor to any assignment of this Lease or to any subletting of the Premises shall not be a waiver of Lessor's rights under this Article as to any subsequent assignment or subletting.

Any sale, assignment, mortgage, transfer or subletting of this Lease which is not in compliance with the provisions of this Article XI shall be of no effect and void. Lessor's right to assign its interest in this Lease shall remain unqualified. Lessor may make a reasonable charge (not to exceed \$500.00) to Lessee for any reasonable attorneys' fees or expenses incident to a review of any documentation related to any proposed assignment or subletting by Lessee.

Lessee, without the consent of Lessor, in the ordinary course of Lessee's business shall have the right to allow a portion of the Premises (not to exceed five percent (5%) of the floor area thereof) to be used by a licensee from time to time as reasonably necessary in connection with the operation of Lessee's business, subject to all the terms, covenants and conditions of this Lease,

provided notice of the nature of the use is given promptly to Lessor prior to said use commencing, and further provided that the occupancy is subject to all of the terms, covenants and conditions of this Lease.

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Notwithstanding anything to the contrary in this Lease, Lessee shall not assign its rights under this Lease or sublet all or any part of the Premises to a person, firm or corporation which is (or, immediately prior to such subletting or assignment, was) a tenant or occupant of the Complex or any warehouse or office building on property contiguous to the Complex owned by Lessor.

The consent of Lessor to a transfer may not be unreasonably withheld, provided that should Lessor withhold its consent for any of the following reasons, which list is not exclusive, such withholding shall be deemed to be reasonable:

- (a) Financial strength of the proposed transferee is not at least equal to that of Lessee at the time of execution of this Lease or of tenants occupying comparable premises in the Complex or in other buildings owned or operated by Lessor located in the same metropolitan area as the Complex;
- (b) A proposed transferee whose occupation of the Premises would cause a diminution in the reputation of the Complex or the other businesses located therein due to the nature of the business conducted by such proposed transfer;
- (c) A proposed transferee whose impact on the common areas or the other occupants of the Complex would be disadvantageous due to, without limitation, excessive noise or vibrations, or an impact on the parking facilities substantially in excess of that for a normal warehouse use; or
- (d) A proposed transferee whose occupancy will require any variation in the terms and conditions of this Lease.

Lessee agrees that its personal business skills and philosophy were an important inducement to Lessor for entering into this Lease and that Lessor may reasonably object to the transfer of the Premises to another tenant whose proposed use, while permitted by this Lease, would involve a different quality, manner or type of business skill than that of Lessee.

ARTICLE XII. DAMAGE BY FIRE OR OTHER CASUALTY: If fire or other casualty shall render the whole or any material portion of the Premises untenable, and the Premises can reasonably be expected to be made tenantable within one hundred twenty (120) days from the date of such event, then Lessor shall repair and restore the Premises and the Complex to as near their condition prior to the fire or other casualty as is reasonably possible within such one hundred twenty (120) day period (subject to delays for Force Majeure) and notify Lessee that it will be doing so, such notice to be mailed within thirty (30) days from the date of such damage or destruction, and this Lease shall remain in full force and effect, but the rent for the period during which the Premises are untenable shall be abated pro rata (based upon the portion of the Premises which is untenable). If Lessor is required to repair the Complex and/or the Premises, as aforesaid, said work shall be undertaken and prosecuted with all due diligence and speed. For purposes of this Lease, "Force Majeure" shall be deemed to mean delay

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caused by act or neglect of Lessee or those acting for or under Lessee, or by labor disputes, casualties, acts of God or the public enemy, governmental embargo restrictions, shortages of fuel, labor or building materials, action or nonaction of public utilities, or of local, state or federal governments affecting the Tenant Improvements (such as a delay in the issuance of a building permit or other governmental approval), or other causes beyond Lessor's reasonable control.

If fire or other casualty shall render the whole or any material part of the Premises untenable and the Premises cannot reasonably be expected to be made tenantable within one hundred twenty (120) days from the date of such

event, then either party, by notice in writing to the other mailed within thirty (30) days from the date of such damage or destruction, may terminate this Lease effective upon a date within thirty (30) days from the date of such notice.

In the event that more than sixty percent (60%) of the value of the Complex is damaged or destroyed by fire or other casualty, and in the event a material portion of the building of which the Premises is a part is damaged or destroyed by such fire or other casualty, and irrespective of whether damage or destruction can be made tenantable within one hundred twenty (120) days thereafter, then at Lessor's option, by written notice to Lessee, mailed within forty-five (45) days from the date of such damage or destruction, Lessor may terminate this Lease effective upon a date within ninety (90) days from the date of such notice to Lessee.

If fire or other casualty shall render any portion of the Premises or any material portion of the building of which the Premises is a part untenable and the insurance proceeds are not sufficient to make repairs, then Lessor may, by notice to Lessee, mailed within thirty (30) days from the date of such damages or destruction, terminate this Lease effective upon a date within thirty (30) days from the date of such notice.

If the Premises or the Complex is damaged, and such damage is of the type insured against under the fire and special form property damage insurance maintained by Lessor hereunder, the cost of repairing said damage up to the amount of the deductible under said insurance policy shall be included as a part of the Operating Expenses. If the damage is not covered by such insurance policies and Lessor elects to repair the damage, then Lessee shall pay Lessor a pro rata share of the "deductible amount" (if any) under Lessor's insurance policies based on Lessee's percentage interest of the Premises and, if the damage was due to an act or omission of Lessee, Lessee shall pay Lessor the difference between the actual cost of repair and any insurance proceeds received by Lessor.

If fire or other casualty shall render the whole or any material part of the Premises untenable and the Premises cannot reasonably be expected to be made tenantable within one hundred twenty (120) days from the date of such event and neither party hereto terminates this Lease pursuant to its rights herein or in the event that more than sixty percent (60%) of the value of the Complex is damaged or destroyed by fire or other casualty, and Lessor does not

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terminate this Lease pursuant to its option granted herein, or in the event that sixty percent (60%) or less of the value of the Complex is damaged or destroyed by fire or other casualty and neither the whole nor any material portion of the Premises is rendered untenable, then Lessor shall repair and restore the Premises and the Complex to as near their condition prior to the fire or other casualty as is reasonably possible with all due diligence and speed (subject to delays for causes beyond Lessor's reasonable control) and the rent for the period during which the Premises are untenable shall be abated pro rata (based upon the portion of the Premises which is untenable). In no event shall Lessor be obligated to repair or restore any special equipment or improvements installed by Lessee. Anything herein contained to the contrary notwithstanding, Lessor shall not be obligated to spend more than the net insurance proceeds available to Lessor on account of any fire or other casualty in order to repair or restore the Premises or the Complex following such casualty; provided, however, Lessor shall notify Lessee promptly after the casualty if Lessor is unwilling to expend more than available net insurance proceeds.

In the event of a termination of this Lease pursuant to this Article, rent shall be apportioned on a per diem basis and paid to the date of the fire or other casualty.

ARTICLE XIII. EMINENT DOMAIN: If the whole of or any substantial part of the Premises is taken by any public authority under the power of eminent domain, or taken in any manner for any public or quasi-public use, so as to render the remaining portion of the Premises unsuitable for the purposes intended hereunder, then the term of this Lease shall cease as of the day possession shall be taken by such public authority and Lessor shall make a pro rata refund of any prepaid rent. All damages awarded for such taking under the power of eminent domain or any like proceedings shall belong to and be the property of Lessor, Lessee hereby assigning to Lessor Lessee's interest, if any, in said award. In the event that fifty percent (50%) or more of the building area or

fifty percent (50%) or more of the value of the building of which the Premises is a part is taken by public authority under the power of eminent domain, then, at Lessor's option, by written notice to Lessee mailed within sixty (60) days from the date possession shall be taken by such public authority, Lessor may terminate this Lease effective upon a date within ninety (90) days from the date of such notice to Lessee. Further, if the whole of or any material part of the Premises is taken by public authority under the power of eminent domain, or taken in any manner for any public or quasi-public use, so as to render the remaining portion of the Premises unsuitable for the purposes intended hereunder, upon delivery of possession to the condemning authority pursuant to the proceedings, Lessee may, at its option, terminate this Lease as to the remainder of the Premises by written notice to Lessor, such notice to be given to Lessor within thirty (30) days after Lessee receives notice of the taking. Lessee shall not have the right to terminate this Lease pursuant to the preceding sentence unless (i) the business of Lessee conducted in the portion of the Premises taken cannot be carried on with substantially the same utility and efficiency in the remainder of the Premises (or any substitute space securable by Lessee pursuant to clause (ii) hereof); and (ii)

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Lessee cannot secure substantially similar (in Lessee's reasonable judgment) alternate space upon the same terms and conditions as set forth in this Lease (including rental) from Lessor in the Complex (with Lessor to bear the costs and expenses of moving Lessee to such alternate space). Any notice of termination shall specify the date no more than sixty (60) days after the giving of such notice as the date for such termination.

Anything in this Article XIII to the contrary notwithstanding, Lessee shall have the right to prove in any condemnation proceedings and to receive any separate award which may be made for damages to or condemnation of Lessee's movable trade fixtures and equipment and for moving expenses; provided, however, Lessee shall in no event have any right to receive any award for its interest in this Lease or for loss of leasehold; and, provided further, Lessee shall not be entitled to claim any award to the extent the award to Lessor would be reduced below the amount which would be allowed to Lessor absent such claim by Lessee. In the event of a partial condemnation of the Complex or the Premises and this Lease is not terminated, Lessor shall, at its sole cost and expense, restore the Premises and Complex to a complete architectural unit and the Base Rent provided for herein during the period from and after the date of delivery of possession pursuant to such proceedings to the termination of this Lease shall be reduced pro rata based on the square footage of the Premises so taken. Notwithstanding the foregoing provisions of this Article, Lessor may terminate this Lease with no further liability to Lessee whatsoever in the event that following any taking of any part of the Complex by condemnation or right of eminent domain, or any conveyance in lieu thereof, any party holding a mortgage, trust deed or similar lien on Lessor's interest in the Complex elects to require the application of an award or payment for the taking or conveyance in lieu thereof to reduce the indebtedness secured by such mortgage, trust deed or similar lien. Lessor's obligation to rebuild, repair or restore under this Article shall in all events be limited to the extent of the net condemnation proceeds available to Lessor therefor.

ARTICLE XIV. SURRENDER OF PREMISES: On the last day of the term of this Lease, or on the sooner termination thereof, Lessee shall peaceably surrender the Premises in good condition and repair consistent with Lessee's duty to make repairs as herein provided. On or before the last day of the term of this Lease, or the date of sooner termination thereof, Lessee shall, at its sole cost and expense, remove all of its property and trade fixtures and equipment from the Premises, and all property not removed shall be deemed abandoned. Lessee shall leave the Premises in good order, condition and repair, reasonable wear and tear and damage from fire and other casualty not caused by Lessee excepted. Lessor may, at Lessor's option, deduct the amount of any expenses incurred by Lessor with respect to the removal, transportation or storage of abandoned property from the Security Deposit required pursuant to Article XXV hereof. In the event that the Security Deposit is not sufficient to reimburse Lessor for the full amount of such expenses, or in the event that Lessor elects not to withhold such amounts from the Security Deposit, Lessee shall reimburse Lessor upon demand for any expenses incurred by Lessor with respect to removal, transportation or storage of abandoned property and with

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respect to restoring said Premises to good order, condition and repair. All improvements, alterations, additions, installations and fixtures, other than Lessee's trade fixtures and equipment, which have been made or installed by either Lessor or Lessee upon the Premises shall remain the property of Lessor and shall be surrendered with the Premises as a part thereof, unless Lessee is required to remove same pursuant to the provisions of Article VIII hereof. If the Premises are not surrendered at the end of the term or sooner termination thereof, Lessee shall indemnify Lessor against loss or liability resulting from delay by Lessee in so surrendering the Premises, including, without limitation, claims made by any succeeding tenants founded on such delay and any attorneys' fees resulting therefrom. Lessee shall promptly surrender all keys for the Premises to Lessor at the place then fixed for the payment of rent and shall inform Lessor of the combinations of any vaults, locks and safes left on the Premises.

In the event Lessee remains in possession of the Premises after expiration of this Lease and without the execution of a new lease, but with Lessor's written consent, Lessee shall be deemed to be occupying the Premises as a tenant from month-to-month, subject to all the provisions, conditions and obligations of this Lease insofar as the same can be applicable to a month-to-month tenancy, except that the Base Rent shall be escalated to one hundred fifty percent (150%) of the Base Rent payable hereunder immediately prior to the expiration of this Lease. In the event Lessee remains in possession of the Premises after expiration of this Lease and without the execution of a new lease and without Lessor's written consent, Lessee shall be deemed to be occupying the Premises without claim of right and Lessee shall pay Lessor for all costs arising out of loss or liability resulting from delay by Lessee in so surrendering the Premises as above provided and shall pay as a charge for each day of occupancy an amount equal to two hundred percent (200%) of the Base Rent (on a daily basis) payable hereunder immediately prior to the expiration of this Lease plus the Additional Rent (on a daily basis) then currently being charged by Lessor on new leases in the Complex for space similar to the Premises.

ARTICLE XV. DEFAULT OF LESSEE: The occurrence of any one or more of the following events (in this Article sometimes called "Event of Default") shall constitute a default and breach of this Lease by Lessee:

- A. If Lessee fails to pay any Base Rent or Additional Rent payable under this Lease or fails to pay any obligation required to be paid by Lessee when and as the same shall become due and payable, and such default continues for a period of five (5) days after written notice thereof given by Lessor to Lessee.
- B. If Lessee fails to perform any of Lessee's nonmonetary obligations under this Lease for a period of thirty (30) days after written notice from Lessor; provided that if more time is required to complete such performance, Lessee shall not be in default if Lessee commences such performance within the thirty-day period and thereafter

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diligently pursues its completion. However, Lessor shall not be required to give such notice if Lessee's failure to perform constitutes a non-curable breach of this Lease. The notice required by this subsection is intended to satisfy any and all notice requirements imposed by law on Lessor and is not in addition to any such requirement.

- C. If Lessee, by operation of law or otherwise, violates the provisions of Article XI hereof relating to assignment, sublease, mortgage or other transfer of Lessee's interest in this Lease or in the Premises or in the income arising therefrom.
- D. Lessee, by operation of law or otherwise, violates the provisions of Article XVII.R relating to compliance with environmental laws.
- E. If (i) Lessee makes a general assignment or general arrangement for the benefit of creditors; (ii) a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Lessee and is not dismissed within thirty (30) days; (iii) if a trustee or receiver is appointed to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease and possession is not restored to

Lessee within thirty (30) days; or (iv) if substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease is subjected to attachment, execution or other judicial or non-judicial seizure which is not discharged within thirty (30) days. If a court of competent jurisdiction determines that any of the acts described in this subsection does not constitute an Event of Default and a trustee is appointed to take possession (or if Lessee remains a debtor in possession) and such trustee or Lessee transfers Lessee's interest hereunder, then Lessor shall receive, as Additional Rent, the difference between the rent (or any other consideration) paid in connection with such assignment or sublease and the rent payable by Lessee hereunder. As used in this subsection, the term "Lessee" shall also mean any guarantor of Lessee's obligations under this Lease. If any such Event of Default shall occur, Lessor, at any time during the continuance of any such Event of Default, may give written notice to Lessee stating that this Lease shall expire and terminate on the date specified in such notice, and upon the date specified in such notice this Lease, and all rights of Lessee under this Lease, including all rights of renewal whether exercised or not, shall expire and terminate, or in the alternative or in addition to the foregoing remedy, Lessor may assert and have the benefit of any other remedy allowed herein, at law, or in equity.

Upon the occurrence of an Event of Default by Lessee, and at any time thereafter, with or without notice or demand and without limiting Lessor in the exercise of any right or remedy which Lessor

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may have, Lessor shall be entitled to the rights and remedies set forth below:

- A. Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall not terminate unless Lessor gives written notice to Lessee of its intention to terminate this Lease and Lessee shall immediately surrender possession of the Premises to Lessor. In such event, Lessor shall have the immediate right to reenter and remove all persons and property, and such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of Lessee, all without service of notice or resort to legal process and without being deemed guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby. In the event that Lessor shall elect to so terminate this Lease, then Lessor shall be entitled to recover from Lessee all damages incurred by Lessor by reason of Lessee's default, including:
 1. The equivalent of the amount of the Base Rent and Additional Rent which would be payable under this Lease by Lessee if this Lease were still in effect, less
 2. The net proceeds of any reletting affected pursuant to the provisions of this Article XV hereof after deducting all of Lessor's reasonable expenses in connection with such reletting, including, without limitation, all repossession costs, brokerage commissions, legal expenses, reasonable attorneys' fees, alteration costs, and expenses of preparation of the Premises, or any portion thereof, for such reletting.

Lessee shall pay such current damages in the amount determined in accordance with the terms of this Article XV as set forth in a written statement thereof from Lessor to Lessee (hereinafter called the "Deficiency"), to Lessor in monthly installments on the days on which the rent would have been payable under this Lease if this Lease were still in effect, and Lessor shall be entitled to recover from Lessee each monthly installment of the Deficiency as the same shall arise.

- B. At any time after an Event of Default, whether or not Lessor shall have collected any monthly Deficiency as set forth in this Article XIV, Lessor shall be entitled to recover from Lessee, and Lessee shall pay to Lessor, on demand, as and for final damages for Lessee's default, an amount equal to the then present worth of the amount by which (i) the aggregate of the Base Rent and Additional

Rent and any other charges to be paid by Lessee hereunder for the unexpired portion of the term of this Lease (assuming this Lease had not been so terminated), exceeds (ii) the fair market rents and all other charges for the Premises during the unexpired portion of the term of this

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Lease (assuming this Lease had not been so terminated). In the computation of present worth, a discount at the rate of 6% per annum shall be employed. If the Premises, or any portion thereof, shall be relet by Lessor for the unexpired term of this Lease, or any part thereof, before presentation of proof of such damages to any court, commission or tribunal, the amount of rent received upon such reletting shall be offset against any monies claimed pursuant to this subsection. Nothing herein contained or contained in this Article XV shall limit or prejudice the right of Lessor to prove for and obtain, as damages, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount be greater, equal to or less than the amount of the difference referred to above.

- C. Upon the occurrence of an Event of Default by Lessee, Lessor shall also have the right, with or without terminating this Lease, to reenter the Premises to remove all persons and property from the Premises. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Lessee. If Lessor shall elect to reenter the Premises, Lessor shall not be liable for damages by reason of such reentry.
- D. If Lessor does not elect to terminate this Lease as provided in this Article XV then Lessor may, from time to time, recover all rent as it becomes due under this Lease. At any time thereafter, Lessor may elect to terminate this Lease and to recover damages to which Lessor is entitled.
- E. In the event that Lessor should elect to terminate this Lease and to relet the Premises, it may execute any new lease in its own name. In the event that Lessor should not elect to terminate this Lease, it may re-let the premises to a substitute tenant. Lessee hereunder shall have no right or authority whatsoever to collect any rent from such substitute tenant. The proceeds of any such reletting shall be applied as follows:
 - 1. First, to the payment of any indebtedness other than rent due hereunder from Lessee to Lessor, including but not limited to storage charges or brokerage commissions owing from Lessee to Lessor as the result of such reletting;
 - 2. Second, to the payment of the reasonable costs and expenses of reletting the Premises, including alterations and repairs which Lessor, in its reasonable, good faith discretion, deems reasonably necessary and advisable and reasonable attorneys' fees incurred by Lessor in connection with the retaking of the Premises and such reletting;
 - 3. Third, to the payment of rent and other charges due and unpaid hereunder; and
 - 4. Fourth, to the payment of future rent and other damages payable by Lessee under this Lease.

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Lessor shall not be deemed to have terminated this Lease and the Lessee's right to possession of the leasehold or the liability of Lessee to pay rent thereafter to accrue or its liability for damages under any of the provisions hereof, unless Lessor shall have notified Lessee in writing that it has so elected to terminate this Lease. Lessee covenants that the retaking of possession by Lessor or the service by Lessor of any notice pursuant to the applicable unlawful detainer statutes of the state in which the Complex is located and Lessee's surrender of possession pursuant to such notice shall not

(unless Lessor elects to the contrary at the time of, or at any time subsequent to the service of, such notice, and such election be evidenced by a written notice to Lessee) be deemed to be a termination of this Lease or of Lessee's right to possession thereof.

All rights, options and remedies of Lessor contained in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Lessor shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law whether or not stated in this Lease. No waiver by Lessor of a breach of any of the terms, covenants or conditions of this Lease by Lessee shall be construed or held to be a waiver of any succeeding or preceding breach of the same or any other term, covenant or condition therein contained. No waiver of any default of Lessee hereunder shall be implied from any omission by Lessor to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect default other than as specified in said waiver. The consent or approval by Lessor to or of any act by Lessee requiring Lessor's consent or approval shall not be deemed to waive or render unnecessary Lessor's consent to or approval of any subsequent similar acts by Lessee.

Lessee shall reimburse Lessor, upon demand, for any costs or expenses incurred by Lessor in excess of Five Hundred and No/100ths Dollars (\$500.00) in connection with any breach or default of Lessee under this Lease, whether or not suit is commenced or judgment entered. Such costs shall include, but not be limited to: legal fees and costs incurred for the negotiation of a settlement, enforcement of rights or otherwise. Furthermore, if any action for breach of or to enforce the provisions of this Lease is commenced, the court in such action shall award to the party in whose favor a judgment is entered a reasonable sum as attorneys' fees and costs. Such attorneys' fees and costs shall be paid by the losing party in such action. Lessee shall also indemnify Lessor against and hold Lessor harmless from all costs, expenses, demands and liability incurred by Lessor if Lessor becomes or is made a party to any claim or action (a) instituted by Lessee, or by any third party against Lessee except where such claim or action arises out of an occurrence in the common areas of the Complex and does not allege an act or omission by Lessee or Lessee's agents, employees or

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contractors; (b) for foreclosure of any lien for labor or material furnished to or for Lessee or such other person; (c) otherwise arising out of or resulting from any act or transaction of Lessee or such other person; or (d) necessary to protect Lessor's interest under this Lease in a bankruptcy proceeding or other proceeding under Title 11 of the United States Code, as amended. Lessee shall defend Lessor against any such claim or action at Lessee's expense with counsel reasonably acceptable to Lessor or, at Lessor's election, Lessee shall reimburse Lessor for any legal fees or costs incurred by Lessor in any such claim or action.

In addition, Lessee shall pay Lessor's reasonable attorneys' fees (not to exceed \$500.00) incurred in connection with Lessee's request for Lessor's consent in connection with any act which Lessee proposed to do and which requires Lessor's consent and which reasonably requires the review of an attorney.

Lessee hereby waives all claims by Lessor's reentering and taking possession of the Premises or removing and storing the property of Lessee as permitted under this Lease and will save Lessor harmless from all losses, costs or damages occasioned Lessor thereby. No such reentry shall be considered or construed to be a forcible entry by Lessor.

ARTICLE XVI. SUBORDINATION: This Lease shall be subject and subordinate to any mortgage, deed of trust or ground lease now or hereafter placed upon the Premises, the Complex, the Property or any portion thereof by Lessor or its successors or assigns, and to amendments, replacements, renewals and extensions thereof. Lessee agrees at any time hereafter, upon demand to execute and deliver any instruments, releases or other documents that may be reasonably required for the purpose of subjecting and subordinating this Lease, as above provided, to the lien of any such mortgage, deed of trust or ground lease. It is agreed, nevertheless, that as long as Lessee is not in default in the payment of Base Rent, Additional Rent, and other charges to be paid by Lessee under this Lease and the performance of all covenants, agreements and conditions to be performed by Lessee under this Lease, then neither Lessee's right to quiet enjoyment under this Lease, nor the right of Lessee to continue to occupy the

Premises and to conduct its business thereon, in accordance with the terms of this Lease as against any lessor, lessee, mortgagee, trustee or their successors or assigns shall be interfered with.

The above subordination shall be effective without the necessity of the execution and delivery of any further instruments on the part of Lessee to effectuate such subordination. Notwithstanding anything hereinabove contained in this Article XVI, in the event the holder of any mortgage, deed of trust or ground lease shall at any time elect to have this Lease constitute a prior and superior lien to its mortgage, deed of trust or ground lease, then, and in such event, upon any such holder or landlord notifying Lessee to that effect in writing, this Lease shall be deemed prior and superior in lien to such mortgage, deed of trust or ground lease, whether this Lease is dated prior to or subsequent to the date of such mortgage, deed of trust or ground lease, and Lessee

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shall execute such attornment agreement as may be reasonably requested by said holder.

Lessee agrees, provided the mortgagee, ground lessor or trust deed holder under any mortgage, ground lease, deed of trust or other security instrument shall have notified Lessee in writing (by the way of a notice of assignment of lease or otherwise) of its address, that Lessee shall give such mortgagee, ground lessor, trust deed holder or other secured party ("Mortgagee"), simultaneously with delivery of notice to Lessor, by registered or certified mail, a copy of any such notice of default served upon Lessor. Lessee further agrees that said Mortgagee shall have the right to cure any alleged default during the same period that Lessor has to cure such default.

ARTICLE XVII. MISCELLANEOUS:

A. Lessee represents that Lessee has dealt directly with and only with CB Commercial Real Estate Group, Inc. (Mark Krison/Bob Crum) and Colliers Iliff Thorn (Paul Sieczkowski) (the "Brokers"), as brokers, in connection with this Lease and insofar as Lessee knows, no other broker negotiated or participated in negotiations of this Lease or submitted or showed the Premises or is entitled to any commission in connection therewith. Lessor shall be responsible for paying the commission due the Brokers on account of this Lease pursuant to a separate agreement between Lessor and the Brokers.

B. Lessee agrees from time to time, upon not less than fifteen (15) days prior written request by Lessor, to deliver to Lessor a statement in writing certifying (i) this Lease is unmodified and in full force and effect (or if there have been modifications that the Lease as modified is in full force and effect and stating the modifications); (ii) the dates to which the rent and other charges have been paid; (iii) Lessor is not in default in any provision of this Lease or, if in default, the nature thereof specified in detail; (iv) the amount of monthly rental currently payable by Lessee; (v) the amount of any prepaid rent, and (vi) such other matters as may be reasonably requested by Lessor or any Mortgagee or prospective purchaser of the Complex.

If Lessee does not deliver such statement to Lessor within such fifteen (15) day period, Lessor and any prospective purchaser or encumbrancer of the Premises or the Complex may conclusively presume and rely upon the following facts: (i) that the terms and provisions of this Lease have not been changed except as otherwise represented by Lessor; (ii) that this Lease has not been cancelled or terminated and is in full force and effect, except as otherwise represented by Lessor; (iii) that the current amounts of the Base Rent and security deposit are as represented by Lessor and that any charges made against the security deposit are uncontested and valid; (iv) that there have been no subleases or assignments of the Lease; (v) that not more than one month's Base Rent or other charges have been paid in advance; and (vi) that Lessor is not in default under the Lease. In such event, Lessee shall be estopped from denying the truth of such facts.

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C. All notices, demands and requests shall be in writing, and shall be effectively served by forwarding such notice, demand or request by certified or registered mail, postage prepaid, or by commercial overnight courier service addressed as follows:

- (i) If addressed to Lessee:
By forwarding such notice, demand or request by certified or registered mail, postage prepaid, addressed to Lessee at:

P. J. Food Service, Inc.
11460 Bluegrass Parkway
Louisville, Kentucky 40299
Attention: President

or at such other address as Lessee may hereafter designate by written notice to Lessor, in which case said notice shall be effective at the time of mailing such notice.

- (ii) If addressed to Lessor:
By forwarding such notice, demand or request by certified or registered mail, postage prepaid, addressed to Lessor at:

Opus Southwest Corporation
c/o Normandale Properties Southwest Corporation
4742 North 24th Street, Suite 100
Phoenix, Arizona 85016

With copy to:

Opus Southwest Corporation
4742 North 24th Street
Suite 100
Phoenix, Arizona 85016
Attn: Thomas W. Roberts, President

With copy to:

Opus U.S. Corporation
P. O. Box 59110
Minneapolis, Minnesota 55440
Attention: Law Department

or at such other address as Lessor and Lessee may hereafter designate by written notice. The effective date of all notices shall be the time of mailing such notice or the date of delivery to a commercial overnight courier service.

D. All rights and remedies of Lessor under this Lease or that may be provided by law may be executed by Lessor in its own name, individually, or in the name of its agent, and all legal proceedings for the enforcement of any such rights or remedies, including those set forth in Article XV, may be commenced and prosecuted to final judgment and execution by Lessor in its own name or in the name of its agent.

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E. Lessor covenants and agrees that Lessee, upon paying the Base Rent, Additional Rent and other charges herein provided for and observing and keeping the covenants, agreements and conditions of this Lease on its part to be kept and performed, shall lawfully and quietly hold, occupy and enjoy the Premises during the term of this Lease. Time is of the essence of this Lease and each and every provision contained herein, and any extension of time granted by Lessor to Lessee for the performance of any obligation of Lessee under this Lease shall not be considered an extension of time for the performance of any subsequent obligation of Lessee under this Lease.

F. The covenants and agreements herein contained shall bind and inure to the benefit of Lessor and its successors and assigns and Lessee and its permitted successors and assigns. All obligations of each party constituting Lessee hereunder shall be the joint and several obligations of each such party.

G. If any term or provision of this Lease shall to any extent be held invalid or unenforceable, the remaining terms and provisions of this Lease shall not be affected thereby, but each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by law. This Lease shall be construed and enforced in accordance with the laws of the state in which the Premises are located.

H. Lessee covenants not to do or suffer any waste or damage or

disfigurement or injury to the Premises or the Complex.

I. The term "Lessor" as used in this Lease so far as covenants or obligations on the part of Lessor are concerned shall be limited to mean and include only the owner or owners of the Complex at the time in question, and in the event of any transfer or transfers or conveyances the then grantor shall be automatically freed and released from all personal liability accruing from and after the date of such transfer or conveyance as respects the performance of any covenant or obligation on the part of Lessor contained in this Lease to be performed, it being intended hereby that the covenants and obligations contained in this Lease on the part of Lessor shall be binding on the Lessor, its successors and assigns, only during and in respect to their respective successive periods of ownership.

In the event of a sale or conveyance by Lessor of the Complex or any part of the Complex, the same shall operate to release Lessor from any future liability upon any of the covenants or conditions herein contained and in such event Lessee agrees to look solely to the responsibility of the successor in interest of Lessor in and to this Lease. This Lease shall not be affected by any such sale or conveyance, and Lessee agrees to attorn to the purchaser or grantee, which purchaser or grantee shall be personally obligated on this Lease only so long as it is the owner of Lessor's interest in and to this Lease.

J. The marginal or topical headings of the several Articles are for convenience only and do not define, limit or construe the contents of said Articles.

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K. All preliminary negotiations are merged into and incorporated in this Lease, except for written collateral agreements executed contemporaneously herewith.

L. This Lease can only be modified or amended by an agreement in writing signed by the parties hereto. No receipt of money by Lessor from Lessee or any other person after termination of this Lease or after the service of any notice or after the commencement of any suit, or after final judgment for possession of the Premises shall reinstate, continue or extend the term of this Lease or affect any such notice, demand or suit, or imply consent for any action for which Lessor's consent is required, unless specifically agreed to in writing by Lessor. Any amounts received by Lessor may be allocated to any specific amounts due from Lessee to Lessor as Lessor determines, except in the event of a dispute between Lessor and Lessee as to the appropriate charge, in which event Lessor shall await resolution of such dispute before allocating such amounts.

M. Lessor shall have the right to temporarily close any portion of the building area or land area to the extent as may, in Lessor's legal counsel's reasonable opinion, be necessary to prevent a dedication thereof or the accrual of any rights to any person or the public therein. Lessor shall at all times have full control, management and direction of the Complex, subject to the rights of Lessee in the Premises, and Lessor reserves the right at any time and from time to time to reduce, increase, enclose or otherwise change the size, number and location of buildings, layout and nature of the Complex and the other tenancies, premises and buildings included in the Complex, to construct additional buildings and additions to any building, and to create additional rentable areas through use and/or enclosure of common areas, or otherwise, and to place signs on the Complex, and to change the name, address, number or designation by which the Complex is commonly known. In exercising the foregoing rights, Lessor shall use commercially reasonable efforts to minimize any material adverse impact or the ability of Lessee to conduct its business in the Premises. No implied easements are granted by this Lease. Lessor shall in no event be liable for any lack of security in respect to the Complex.

N. Lessee shall permit Lessor (or its designees) to erect, use, maintain, replace and repair pipes, cables, conduits, plumbing, vents, and telephone, electric and other wires or other items, in, to and through the ceiling, floor and walls of the Premises, as and to the extent that Lessor may now or hereafter deem necessary or appropriate for the proper operation and maintenance of the Complex. In exercising the foregoing rights, Lessor shall use commercially reasonable efforts to minimize any material adverse impact or the ability of Lessee to conduct its business in the Premises.

O. Employees or agents of Lessor have no authority to make or agree to make a lease or other agreement or undertaking in connection herewith. The

submission of this document for examination does not constitute an offer to lease, or a reservation of, or option for, the Premises. This document becomes effective and

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binding only upon the execution and delivery hereof by the proper officers of Lessor and by Lessee. Lessee confirms that Lessor and its agents have made no representations or promises with respect to the Premises or the making of or entry into this Lease except as in this Lease expressly set forth, and Lessee agrees that no claim or liability shall be asserted by Lessee against Lessor for, and Lessor shall not be liable by reason of, breach of any representations or promises not expressly stated in this Lease. This Lease, except for the Complex Rules and Regulations, in respect to which subparagraph P of this Article shall prevail, can be modified or altered only by agreement in writing between Lessor and Lessee, and no act or omission of any employee or agent of Lessor shall alter, change or modify any of the provisions hereof.

P. Lessee shall perform, observe and comply with the Complex Rules and Regulations of the Complex as set forth on Exhibit B attached hereto and by this reference incorporated herein, with respect to the safety, care and cleanliness of the Premises and the Complex, and the preservation of good order thereon, and, upon written notice thereof to Lessee, Lessee shall perform, observe and comply with any changes, amendments or additions thereto as from time to time shall be established and deemed advisable by Lessor for tenants of the Complex provided such changes, amendments or additions do not impose additional monetary burdens or affirmative obligations on Lessee. Lessor shall not be liable to Lessee for any failure of any other tenant or tenants of the Complex to comply with such Complex Rules and Regulations.

Q. Lessee shall not use the Premises or permit anything to be done in or about the Premises which will, in any way, conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Lessee shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules and regulations now in force or which may hereafter be in force, and with the requirements of any fire insurance underwriters or other similar body now or hereafter constituted relating to or affecting the condition, use or occupancy of the Premises. Lessee shall use the Premises and comply with any recorded covenants, conditions, and restrictions affecting the Premises and the Complex as of the commencement of the Lease or which are recorded during the lease term, provided that such covenants, conditions and restrictions which are recorded during the term of the Lease do not materially and substantially interfere with the ability of Lessee to engage in Lessee's business at the Premises.

R. Lessee shall at all times during the term of this Lease and in all respects comply with all federal, state and local laws, ordinances and regulations ("Hazardous Materials Laws") relating to the industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, presence, disposal or transportation of any oil, petroleum products, flammable explosives, asbestos, urea formaldehyde, polychlorinated biphenyls, radioactive materials or waste, or other hazardous, toxic, contaminated or polluting materials, substances or wastes, including without limitation any "hazardous substances", "hazardous wastes", "hazardous

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materials" or "toxic substances" under any such laws, ordinances or regulations (collectively, "Hazardous Materials").

Lessee shall at its own expense procure, maintain in effect and comply with all conditions of any and all permits, licenses and other governmental and regulatory approvals required for Lessee's use of the Premises, including, without limitation, discharge of (appropriately treated) materials or waste into or through any sanitary sewer system serving the Premises. Except as discharged into the sanitary sewer in conformity with all applicable Hazardous Materials Laws, Lessee shall cause any and all Hazardous Materials brought or permitted on the Premises by Lessee to be removed from the Premises and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such Hazardous Materials and wastes. Lessee shall in all respects handle, treat, deal with and manage any and all Hazardous Materials brought or permitted on the Premises by Lessee in conformity with all applicable Hazardous Materials Laws and prudent industry practices regarding the management of such Hazardous

Materials. All reporting obligations relating to such Hazardous Materials to the extent imposed upon Lessee by Hazardous Materials Laws are solely the responsibility of Lessee. Upon expiration or earlier termination of this Lease, Lessee shall cause all Hazardous Materials (to the extent such Hazardous Materials are generated, stored, released or disposed of during the term of this Lease by Lessee) to be removed from the Premises and transported for use, storage or disposal in accordance and in compliance with all applicable Hazardous Materials Laws. Lessee shall not take any remedial action in response to the presence of any Hazardous Materials in, on, about or under the Premises or in any improvements situated on the Complex, nor enter into any settlement agreement, consent, decree or other compromise in respect to any claims relating to or in any way connected with the Premises or the Complex without first notifying Lessor of Lessee's intention to do so and affording Lessor ample opportunity to appear, intervene or otherwise appropriately assert and protect Lessor's interest with respect thereto. In addition, at Lessor's request, at the expiration of the term of this Lease, Lessee shall remove all tanks or fixtures which were placed on the Premises during the term of this Lease by or for Lessee and which contain, have contained or are contaminated with, Hazardous Materials.

Lessee shall immediately notify Lessor in writing of (a) any enforcement, clean-up, removal or other governmental or regulatory action instituted, completed or threatened pursuant to any Hazardous Materials Laws; (b) any claim made or threatened by any person against Lessor, or the Premises, relating to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials; and (c) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials in, on or about the Premises or with respect to any Hazardous Materials removed by Lessee from the Premises, including, any complaints, notices, warnings, reports or asserted violations in connection therewith. Lessee shall also provide to Lessor, as promptly as possible, and in any event within five business days after Lessee first receives or sends the same, copies of all claims, reports, complaints, notices, warnings or

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asserted violations relating in any way to the Premises or Lessee's use thereof. Upon written request of Lessor (to enable Lessor to defend itself from any claim or charge related to any Hazardous Materials Law), Lessee shall promptly deliver to Lessor notices of hazardous waste manifests reflecting the legal and proper disposal of all such Hazardous Materials removed or to be removed from the Premises.

To Lessor's knowledge, Lessor is not aware of any Hazardous Materials which exist or are located on or in the Premises, except as may be disclosed in that certain Environmental Site Assessment prepared by Western Technologies, Inc., dated April 18, 1995, as amended by that certain Stained Soil Report prepared by Western Technologies, Inc., dated June 20, 1995, and that certain Supplemental Environmental Report prepared Western Technologies, Inc., dated September 19, 1995. Further, Lessor represents to Lessee that, to the best of its knowledge, Lessor has not caused the generation, storage or release of Hazardous Materials upon the Premises, except in accordance with Hazardous Materials Laws. In the event (a) Hazardous Materials are discovered upon the Premises, (b) Lessor has been given written notice of the discovery of such Hazardous Materials, and (c) pursuant to the provisions of the preceding paragraphs of this Article XVII.R., neither Lessor nor Lessee is obligated to pay the cost of compliance with Hazardous Materials Laws, then and in that event Lessor may voluntarily but shall not be obligated to agree with Lessee to take all action necessary to bring the Premises into compliance with Hazardous Materials Laws at Lessor's sole cost. In the event Lessor fails to notify Lessee in writing within 30 days of the notice to Lessor of the discovery of such Hazardous Materials that Lessor intends to voluntarily take such action as is necessary to bring the Premises into compliance with Hazardous Materials Laws, then Lessee may (i) bring the Premises into compliance with Hazardous Materials Laws at Lessee's sole cost or (ii) provided such Hazardous Materials endanger persons or property in, on or about the Premises or interfere with Lessee's use of the Premises, terminate this Lease on a date not less than ninety days following written notice of such intent to terminate.

Lessor shall indemnify, defend (with counsel reasonably acceptable to Lessee), protect and hold Lessee and each of Lessee's officers, directors, partners, employees, agents, attorneys, successors and assigns free and harmless from and against any and all claims, liabilities, damages, costs, penalties, forfeitures, losses or expenses (including attorneys' fees) for death or injury

to any person or damage to any property whatsoever (including water tables and atmosphere) arising or resulting in whole or in part, directly or indirectly, from the presence or discharge of Hazardous Materials, in, on, under, upon or from the Premises, including materials used during construction of the Premises and the Complex or from the transportation or disposal of Hazardous Materials to or from the Premises to the extent caused by Lessor whether knowingly or unknowingly, the standard herein being one of strict liability. Lessor's obligations hereunder shall include, without limitation, and whether foreseeable, all cost of any required or necessary repairs, clean-up or detoxification or decontamination of the Premises, and the presence and implementation of any closure, remedial

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action or other required plans in connection therewith, and shall survive the expiration of or early termination of the term of this Lease. For purposes of the indemnity provided herein, any acts or omissions of Lessor or its employees, agents, customers, assignees, contractors or sub-contractors (whether or not they are negligent, intentional, willful or unlawful) shall be strictly attributable to Lessor.

Lessee shall indemnify, defend (with counsel reasonably acceptable to Lessor), protect and hold Lessor and each of Lessor's officers, directors, partners, employees, agents, attorneys, successors and assigns free and harmless from and against any and all claims, liabilities, damages, costs, penalties, forfeitures, losses or expenses (including attorneys' fees) for death or injury to any person or damage to any property whatsoever (including water tables and atmosphere) arising or resulting in whole or in part, directly or indirectly, from the presence or discharge of Hazardous Materials, in, on, under, upon or from the Premises or from the transportation or disposal of Hazardous Materials to or from the Premises to the extent caused by Lessee whether knowingly or unknowingly, the standard herein being one of strict liability. Lessee's obligations hereunder shall include, without limitation, and whether foreseeable, all cost of any required or necessary repairs, clean-up or detoxification or decontamination of the Premises, and the presence and implementation of any closure, remedial action or other required plans in connection therewith, and shall survive the expiration of or early termination of the term of this Lease. For purposes of the indemnity provided herein, any acts or omissions of Lessee or its employees, agents, customers, sub-lessees, assignees, contractors or sub-contractors (whether or not they are negligent, intentional, willful or unlawful) shall be strictly attributable to Lessee.

For purposes of the covenants and agreements contained in this Article XVII.R., inclusive, any acts or omissions of Lessee, its employees, agents, customers, sublessees, assignees, contractors or sub-contractors (except Opus Southwest Corporation and its contractors and subcontractors) shall be strictly attributable to Lessee; any acts or omissions of Lessor, its employees, agents, customers, assignees, contractors or sub-contractors shall be strictly attributable to Lessor.

S. All obligations of Lessee hereunder not fully performed as of the expiration or earlier termination of the term of this Lease shall survive the expiration or earlier termination of the term hereof, including, without limitation, all payment obligations with respect to Operating Expenses and Real Estate Taxes and all obligations concerning the condition of the Premises.

T. Any claim which Lessee may have against Lessor for default in performance of any of the obligations herein contained to be kept and performed by Lessor shall be deemed waived unless such claim is asserted by written notice thereof to Lessor within thirty (30) days of commencement of the alleged default or of accrual of the cause of action and unless suit be brought thereon within one (1) year subsequent to the accrual of such cause of action. Furthermore, Lessee agrees to look solely to Lessor's

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interest in the Complex for the recovery of any judgment from Lessor, it being agreed that Lessor, or if Lessor is a partnership, its partners whether general or limited, or if Lessor is a corporation, its directors, officers or shareholders, shall never be personally liable for any such judgment.

U. Lessee shall furnish to Lessor promptly upon demand, a corporate resolution, proof of due authorization of partners, or other appropriate

documentation reasonably requested by Lessor evidencing the due authorization of Lessee to enter into this Lease.

V. This Lease shall not be deemed or construed to create or establish any relationship or partnership or joint venture or similar relationship or arrangement between Lessor and Lessee hereunder.

W. Lessee shall in all respects comply with the Americans With Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.), as the same may be amended from time to time (as amended, the "ADA"), and Lessee agrees to indemnify and save Lessor and its managing agent harmless against and from any and all claims, loss, damage and expense by or on behalf of any person or persons, firm or firms, corporation or corporations, arising from any failure or alleged failure of Lessee to comply with the ADA or arising from any claim made under the ADA in connection with the Premises, and from and against all costs, reasonable attorneys' fees, expenses and liabilities incurred in or about any such claim or action or proceeding brought thereon; in case any action or proceeding be brought against Lessor or its managing agent by reason of any such claim, Lessee, upon notice from Lessor, covenants to resist or defend such action or proceeding by counsel reasonably satisfactory to Lessor.

X. Lessee shall not place, or permit to be placed or maintained, on any exterior door, wall or window of the Premises any sign, awning or canopy, or advertising matter or other thing of any kind, and will not place or maintain any decoration, lettering or advertising matter on the glass of any window or door, or that can be seen through the glass, of the Premises except as specifically approved in writing by Lessor. Lessee further agrees to maintain such sign, awning, canopy, decoration, lettering, advertising matter or thing as may be approved, in good condition and repair at all times. Lessee agrees at Lessee's sole cost, that any Lessee sign will be maintained in strict conformance with Lessor's sign criteria, if any, as to design, material, color, location, size, letter style, and method of installation.

ARTICLE XVIII. MISCELLANEOUS TAXES: Lessee shall pay, prior to delinquency, all taxes assessed or levied upon its occupancy of the Premises, or upon the trade fixtures, furnishings, equipment and all other personal property of Lessee located in the Premises, and when possible, Lessee shall cause such trade fixtures, furnishings, equipment and other personal property to be assessed and billed separately from the property of Lessor. In the event any or all of Lessee's trade fixtures, furnishings, equipment or other personal property, or Lessee's occupancy of the Premises, shall be assessed and taxed with the property of Lessor, Lessee shall pay to Lessor its share of such taxes within ten (10) days after delivery to

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Lessee by Lessor of a statement in writing setting forth the amount of such taxes applicable to Lessee's personal property.

ARTICLE XIX. OTHER PROVISIONS: The following are made a part hereof, with the same force and effect as if specifically set forth herein:

- A. Site Plan - Exhibit A.
- B. Complex Rules and Regulations - Exhibit B.
- C. Rider to Warehouse Lease - Exhibit C.
- D. Space Plan/Building Elevation - Exhibit D.
- E. Guarantee From Papa John's International, Inc. - Exhibit E.

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first above written.

LESSOR:

OPUS SOUTHWEST CORPORATION,
a Minnesota corporation

By /s/ Thomas W. Roberts

Thomas W. Roberts
Its President

LESSEE:

P.J. FOOD SERVICE, INC.,
a Kentucky corporation

By /s/ Robert J. Wadell

Its President

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EXHIBIT A

SITE PLAN

Exhibit A
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EXHIBIT B

COMPLEX RULES AND REGULATIONS

1. Any sign, lettering, picture, notice or advertisement installed on or in any part of the Premises and visible from the exterior of the Complex, or visible from the exterior of the Premises, shall be installed at Lessee's sole cost and expense, and in such manner, character and style as Lessor may approve in writing. In the event of a violation of the foregoing by Lessee, Lessor may remove the same without any liability and may charge the expense incurred by such removal to Lessee.

2. No awning or other projection shall be attached to the outside walls of the Complex. No curtains, blinds, shades or screens visible from the exterior of the Complex or visible from the exterior of the Premises shall be attached to or hung in, or used in connection with, any window or door of the Premises without the prior written consent of Lessor. Such curtains, blinds, shades, screens or other fixtures must be of a quality, type, design and color, and attached in the manner, approved by Lessor.

3. Lessee and its servants, employees, customers, invitees and guests shall not obstruct sidewalks, entrances, passages, corridors, vestibules, halls, elevators or stairways in and about the Complex which are used in common with other tenants and their servants, employees, customers, guests and invitees and which are not a part of the Premises of Lessee. Lessee shall not place objects against glass partitions or doors or windows which would be unsightly from the Complex corridors or from the exterior of the Complex and will promptly remove any such objects upon notice from Lessor.

4. Lessee shall use its best efforts not to make excessive noises, cause disturbances or vibrations or use or operate any electrical or mechanical devices that emit excessive sound or other waves or disturbances, and Lessee shall not create obnoxious odors (including cigarette, cigar and pipe smoke), any of which may be offensive to the other tenants and occupants of the Complex, or that would interfere with the operation of any device, equipment, radio, television broadcasting or reception from or within the Complex or elsewhere and shall not place or install any projections, antennas, aerials or similar devices inside or outside of the Premises or on the Complex.

5. Lessee shall not waste electricity, water or air conditioning and shall cooperate fully with Lessor to insure the most effective operation of the Complex's heating and air conditioning systems.

6. Lessee assumes full responsibility for protecting its space from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed and secured after normal business hours.

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(Page 1 of 4)

7. In no event shall Lessee bring into the Complex inflammables, such as gasoline, kerosene, naphtha and benzine, or explosives or any other article of intrinsically dangerous nature. If, by reason of the failure of Lessee to comply with the provisions of this subparagraph, any insurance premium for all or any part of the Complex shall at any time be increased, Lessee shall make immediate payment of the whole of the increased insurance premium, without

waiver of any of Lessor's other rights at law or in equity for Lessee's breach of this Lease.

8. Lessee shall comply with all applicable federal, state and municipal laws, ordinances and regulations and building rules and shall not directly or indirectly make any use of the Premises which may be prohibited by any of the foregoing or which may be dangerous to persons or property or may increase the cost of insurance or require additional insurance coverage.

9. Lessor shall have the right to prohibit any advertising by Lessee relating to Lessee's commissary to be operated in the Premises which in Lessor's reasonable opinion tends to impair the reputation of the Complex or its desirability as a warehouse complex for warehouse use and other uses, and upon written notice from Lessor, Lessee shall refrain from or discontinue such advertising.

10. The Premises shall not be used for lodging, sleeping or for any immoral or illegal purpose.

11. Lessee and Lessee's servants, employees, agents, visitors and licensees shall observe faithfully and comply strictly with the foregoing rules and regulations and such other and further appropriate and reasonable rules and regulations as Lessor or Lessor's agent may from time to time adopt; provided, however, that Lessee shall not be obligated to comply with any rules and regulations adopted after the date of this Lease to the extent same would prohibit Lessee from engaging in the uses permitted by this Lease. Reasonable notice of any additional rules and regulations shall be given in such manner as Lessor may reasonably elect.

12. Unless expressly permitted by Lessor, no additional locks or similar devices shall be attached to any exterior door or window and no keys other than those provided by Lessor shall be made for any exterior door. If more than two keys for one lock are desired by Lessee, Lessor may provide the same upon payment by Lessee. Upon termination of this Lease or of the Lessee's possession, Lessee shall surrender all keys of the Premises and shall explain to Lessor all combination locks on safes, cabinets and vaults.

13. Any carpeting cemented down by Lessee shall be installed with a releasable adhesive. In the event of a violation of the foregoing by Lessee, Lessor may charge the expense incurred by such removal to Lessee.

14. The water and wash closets, drinking fountains and other plumbing fixtures shall not be used for any purpose other than those for which they were constructed, and no sweepings, rubbish, rags, coffee grounds or other substances shall be thrown therein. All damages resulting from any misuse of the fixtures shall be

Exhibit B
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borne by the lessee who, or whose servants, employees, agents, visitors or licensees, shall have caused the same. No person shall waste water by interfering or tampering with the faucets or otherwise.

15. No electric circuit for any purpose shall be brought into the leased premises without Lessor's written permission specifying the manner in which same may be done.

16. No dog or other animal shall be allowed in offices, halls, corridors or elsewhere in the Complex.

17. Lessee shall not throw anything out of the door or windows or down any passageways or elevator shafts.

18. All loading, unloading, receiving or delivery of goods, supplies or disposal of garbage or refuse shall be made only through entryways and freight elevators provided for such purposes and indicated by Lessor. Lessee shall be responsible for any damage to the Complex or the property of its employees or others and injuries sustained by any person whomsoever resulting from the use or moving of such articles in or out of the leased premises, and shall make all repairs and improvements required by Lessor or governmental authorities in connection with the use of such articles.

19. Lessee shall be responsible for any damage to the Complex or the

property of its employees or others and injuries sustained by any person whomsoever resulting from the use or moving of heavy articles in or out of the Premises, and shall make all repairs and improvements required by Lessor or governmental authorities in connection with the use or moving of such articles.

20. Canvassing, soliciting and peddling in the Complex is prohibited and all tenants of the Complex shall cooperate to prevent the same.

21. Vending machines shall not be installed without permission of Lessor; provided, however, Lessor consents to the installation of vending machines in the pantry or kitchen area of the Premises for the dispensing of soda and other similar drinks to Lessee's employees and guests.

22. Canvassing, soliciting and peddling in the Complex is prohibited and each Lessee shall cooperate to prevent the same.

23. Wherever in these Complex Rules and Regulations the word "Lessee" occurs, it is understood and agreed that it shall mean Lessee and Lessee's associates, agents, clerks, servants and visitors. Wherever the word "Lessor" occurs, it is understood and agreed that it shall mean Lessor and Lessor's assigns, agents, clerks, servants and visitors.

24. Lessor shall have the right to enter upon the leased premises at all reasonable hours for the purpose of inspecting the same.

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25. Lessor shall have the right to enter the leased premises at hours convenient to Lessee for the purpose of exhibiting the same to prospective tenants within the sixty (60) day period prior to the expiration of this Lease, and Lessor may place signs advertising the leased premises for rent on the windows and doors of said Premises at any time within said sixty (60) day period.

26. Lessee and its servants, employees, customers, invitees and guests shall, when using the common parking facilities, if any, in and around the Complex, observe and obey all signs regarding fire lanes and no parking zones, and when parking always park between the designated lines. Lessor reserves the right to tow away, at the expense of the owner, any vehicle which is improperly parked or parked in a no parking zone. All vehicles shall be parked at the sole risk of the owner, and Lessor assumes no responsibility for any damage to or loss of vehicles. No vehicles shall be parked overnight, except to the extent such vehicles are driven by employees of Lessee and such employees are working in the Premises at such time as said vehicles are parked overnight.

27. In case of invasion, mob, riot, public excitement, or other commotion, Lessor reserves the right to prevent access to the Complex during the continuance of the same by closing the doors or otherwise, for the safety of the tenants or the protection of the Complex and the property therein. Lessor shall in no case be liable for damages for any error or other action taken with regard to the admission to or exclusion from the Complex of any person.

28. All entrance doors to the Premises shall be locked when the Premises are not in use. All corridor doors shall also be closed during times when the air conditioning equipment in the Complex is operating so as not to dissipate the effectiveness of the system or place an overload thereon.

29. Lessor reserves the right at any time and from time to time to rescind, alter or waive, in whole or in part, any of these Rules and Regulations when it is deemed necessary, desirable, or proper, in Lessor's judgment, for its best interest or for the best interest of the tenants of the Complex.

30. Smoking shall be permitted only in the smoking areas located outside of the building, as designated and redesignated from time to time by Lessor, and Lessee and its servants, employees, customers, invitees and guests shall not smoke anywhere at the Complex (other than the smoking areas designated by Lessor), including without limitation Lessee's Premises and the sidewalks, entrances, passages, corridors, halls, elevators and stairways of the Complex.

Initials:

Lessor_____

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EXHIBIT C

RIDER TO LEASE

ARTICLE XX. LOCK BOX: Lessor may from time to time designate a lock box collection agent for the collection of rents or other charges due Lessor. In such event, the payment made by Lessee to the lock box shall be the date of receipt by the lock box collection agent of such payment (or the date of collection of any such sum if payment is made in the form of a negotiable instrument thereafter dishonored upon presentment); however, for the purpose of this Lease, no such payment or collection shall be deemed a waiver by Lessor of any breach by Lessee of any term, covenant or condition of this Lease nor a waiver of any of Lessor's rights or remedies and any payment of amounts other than that deemed due and proper by Lessor shall not prejudice Lessor in any manner nor constitute a waiver and Lessor shall hereby be authorized to retain the proceeds of any payments by Lessee, whether restrictively endorsed or otherwise, and apply same to the amounts due and payable from Lessee under this Lease without waiver.

ARTICLE XXI. PRIOR PROPOSALS: All prior proposals in respect to this Lease are hereby terminated.

ARTICLE XXII. CONFIDENTIALITY: Lessee agrees to keep this Lease and the terms hereof in confidence, and not to publish or disclose, in whole or in part, the same without Lessor's prior written consent, which consent may be withheld in Lessor's sole discretion.

ARTICLE XXIII. TENANT IMPROVEMENTS: Lessor shall provide the base building improvements and a tenant improvement allowance (the "Tenant Improvement Allowance") equal to Fifty Thousand Eight Hundred Seventy-Two and No/100ths Dollars (\$50,872.00). All additional improvements to the base building will be so-called "Tenant Improvements" to be installed by Lessor but to be selected by Lessee as hereinafter set forth and paid for by Lessee subject to Lessor providing the Tenant Improvement Allowance (as hereinafter defined). Lessee acknowledges and agrees that items to be paid for by Lessee from the Tenant Improvement Allowance include the cost of space planning, construction document preparation, the cost of the design work and construction drawing work, all costs of obtaining permits, and reimbursables, and the cost of one-half (1/2) of the demising wall to be constructed in the building of which the Premises are a part. If the price of the Tenant Improvements exceeds the Tenant Improvement Allowance, Lessee shall pay Lessor, in cash, upon substantial completion of the Tenant Improvements, the amount by which the price of the Tenant Improvements exceeds the Tenant Improvement Allowance.

On or before September 20, 1996, Lessee shall provide to Lessor a space plan of the Tenant Improvements which Lessee desires for Lessor to construct, which space plan shall be subject to Lessor's approval and shall be adequate for the preparation by Lessor of working drawings for construction of such Tenant Improvements. Such space plan shall show in reasonable detail the design and appearance of the tenant finishing materials to be used in the

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construction thereof, and such other detail or description as may be necessary to adequately outline the scope of the Tenant Improvements. Lessee shall be responsible for Lessor's costs (including lost rent) arising out of delays in completing the Tenant Improvements caused by Lessee. Lessee also agrees to refrain from ordering long lead time items which would delay substantial completion of the Tenant Improvements. Lessee acknowledges that any air compressors to be installed either on the interior or the exterior of the Premises by Lessor or Lessee shall be subject to the prior written consent of Lessor.

ARTICLE XXIV. FINANCIAL STATEMENTS: Lessee agrees to provide to Lessor upon Lessee's execution of this Lease and prior to Lessor executing same, and within

thirty (30) days after Lessor's request therefor in connection with a proposed sale or refinancing of the Complex, complete, accurate up-to-date financial statements prepared according to generally accepted accounting principles consistently applied, certified by Lessee's chief financial officer, that same are a true, complete and correct statement of the financial condition of Lessee as of the date of such financial statements. Lessor shall use commercially reasonable efforts to disclose such information only to such parties as Lessor deems reasonably necessary in connection with any such proposed sale or refinancing.

ARTICLE XXV. SECURITY DEPOSIT: Lessee hereby deposits with Lessor in cash the sum of Eight Thousand One Hundred Thirty-nine and 52/100ths Dollars (\$8,139.52), Lessor's estimate of one month's Base Rent, the receipt of which is hereby acknowledged, as and for a security deposit for the full and faithful performance by Lessee of each and every term, covenant and condition of this Lease. In the event that Lessee defaults in respect to any of the terms, provisions, covenants and conditions of this Lease, including, but not limited to, the payment of any rentals or other charges or items to be paid or provided for by Lessee, Lessor may use, apply or retain the whole or any part of the security so deposited for the payment of any such rentals in default or for any other sum which Lessor may expend or be required to expend by reason of Lessee's default, including, but not limited to, any damages or deficiency in the reletting of the Premises, whether such damages or deficiency may accrue before or after reentry by Lessor. Lessee shall not be entitled to any interest on the security deposit. It is expressly understood and agreed that such deposit is not an advance rental deposit or a measure of Lessor's damages in case of Lessee's default. Upon application of any part of the deposit by Lessor as provided herein, Lessee shall pay to Lessor on demand the amount so applied in order to restore the security deposit to its original amount. Any application of the deposit by Lessor shall not be deemed to have cured Lessee's default by reason of which the application is made.

In the event of a bona fide sale of the building of which the Premises are a part (the "Building"), Lessor shall have the right to transfer the security deposit to its vendee for the benefit of Lessee and thereafter Lessor shall be released of all liability for the return of such deposit and Lessee agrees to look to said vendee for the return of its security deposit. It is agreed that this

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provision shall apply to every transfer or assignment made of the security deposit to any new landlord.

This security deposit shall not be assigned or encumbered by Lessee. It is expressly understood that the reentry of the Premises by Lessor for any default on the part of Lessee prior to the expiration of the term of this Lease shall not be deemed a termination of this Lease so as to entitle Lessee to recover the security deposit, and the security deposit shall be retained and remain in the possession of Lessor until the end of the term of this Lease.

Actions by Lessor against Lessee for breach of this Lease shall in no way be limited or restricted by the amount of the security deposit and resort to such deposit shall not waive any other rights or constitute an election of remedies which Lessor may have.

ARTICLE XXVI. ADDITIONAL DEVELOPMENT: Lessor and Lessee understand and agree that the Complex as constructed is a part of an integrated commercial real estate development ("Phase I"), to which additional phases may be added by Lessor (the second phase is hereinafter referred to as "Phase II," and the third phase is hereinafter referred to as "Phase III"). At any time during the term hereof, the Complex for purposes of this Lease may, at Lessor's option, include one or more of the three existing buildings currently constructed on Phase I and all easement areas appurtenant thereto, and all buildings, improvements and personal property of Lessor used in connection with the operation or maintenance thereof located therein and thereon and the appurtenant parking facilities. Additionally, upon substantial completion of Phase II and/or Phase III, the Complex for purposes of this Lease may, at Lessor's option, include all of the land within Phase II and/or Phase III and all easement areas appurtenant thereto, and all buildings, improvements and personal property of Lessor used in connection with the operation or maintenance thereof located therein and thereon and the appurtenant parking facilities.

Upon the election of Lessor, the Property shall thereafter be deemed to mean that portion of the land (and all easement areas appurtenant thereto) on which that portion of Phase I elected by Lessor to be included in the Complex is located; and the Complex as that term is used herein shall be deemed to mean all buildings and improvements and personal property of Lessor used in connection with the operation or maintenance thereof and appurtenant parking facilities.

Upon substantial completion of Phase II and the election of Lessor, the Property shall thereafter be deemed to mean the land (and all easement areas appurtenant thereto) on which both Phase I and Phase II are located; and the Complex as that term is used herein shall be deemed to mean all buildings and improvements and personal property of Lessor used in connection with the operation or maintenance thereof and appurtenant parking facilities located on the existing development and Phase II.

Upon substantial completion of Phase III and the election of Lessor, the Property shall thereafter be deemed to mean the land (and all easement areas appurtenant thereto) on which Phase I,

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Phase II and/or Phase III are located; and the Complex as that term is used herein shall be deemed to mean all buildings and improvements and personal property of Lessor used in connection with the operation or maintenance thereof and appurtenant parking facilities located on the existing development, Phase II and/or Phase III.

If Lessor so elects, redefinition of the terms "Property" and "Complex" as hereinabove described (and upon substantial completion of Phase II with respect to Phase II and upon substantial completion of Phase III with respect to Phase III), the percentage set forth as "Lessee's Pro Rata Share of Real Estate Taxes" and "Lessee's Pro Rata Share of Operating Expenses" in Article II.D. herein, shall be recomputed on the basis of the rentable area of the Premises compared to the rentable area of the Complex (as expanded).

In no event shall this Article be deemed to required Lessor to develop or construct Phase II or Phase III (nor require Lessor to combine any portions of Phase I and/or Phase II and/or Phase III as hereinabove allowed) or any addition or modification to the Complex (as originally defined herein or otherwise), nor is this intended in any manner to be a representation or warranty that Phase II and/or Phase III will at any time be constructed or developed by Lessor. Lessor shall retain the right to increase or decrease the size of the existing development or Phase II and/or Phase III and make other changes to the Property and the legal description of the Complex in its sole discretion.

ARTICLE XXVII. RIGHT TO EXAMINE BOOKS AND RECORDS OF LESSOR: Lessor hereby agrees, at Lessee's request, to make available to Lessee for its inspection and examination all of the books and records that relate to Lessor's statement as to Lessee's Pro Rata Share of Excess Real Estate Taxes and Lessee's Pro Rata Share of Excess Operating Expenses. Lessor also agrees to make the aforementioned books and records available to a certified public accountant, selected by Lessee, for review and audit if Lessee so elects.

ARTICLE XXVIII. CONTINUOUS OPERATIONS: Nothing contained in this Lease shall be construed as an obligation for Lessee to open or operate its business in the Premises. Lessee shall have the right to remove all of Lessee's personal property and cease operations in the Premises at any time and at Lessee's sole discretion. However, the right to cease to operate its business shall not affect Lessee's obligations to pay all amounts due hereunder and to perform all other covenants and obligations hereunder. Notwithstanding the foregoing, if Lessee ceases to operate its business in the Premises for a period in excess of ninety (90) days and such failure is not due to damage, casualty, or condemnation, Lessor shall have the right to terminate this Lease and recapture the possession of the Premises by delivering written notice of same to Lessee. All of Lessee's obligations under this Lease accruing from and after the date of such termination shall terminate upon the recapture of the Premises by Lessor under this Article.

ARTICLE XXIX. GUARANTEE: Lessee acknowledges that Lessor would not lease the Premises to Lessee without this Lease being guaran-

Exhibit C
(Page 4 of 5)

ted by Papa John's International, Inc., a Delaware corporation. Lessee agrees to cause said corporation to execute and deliver to Lessor, simultaneously with execution and delivery of this Lease, the Guarantee in the form of Exhibit E attached hereto and by this reference incorporated herein.

ARTICLE XXX. FIXTURIZATION PERIOD: Lessor shall permit Lessee, during the thirty (30) day period prior to the commencement date of this Lease, to commence installing Lessee's furniture, fixtures and equipment in the Premises; provided, however, that Lessee shall not interfere with any Tenant Improvement work then being completed by Lessor, and provided further, however, that Lessee shall not commence doing business in the Premises during such thirty-day period. During such early move-in period, Lessee agrees to comply with all provisions of this Lease (except for the provisions relating to the payment of rent, which shall not become effective until the commencement date of this Lease). Prior to entering the Premises during such early move-in period, Lessee agrees that all insurance required to be maintained by Lessee under Article VI of this Lease shall be in full force and effect, and Lessee agrees to deliver certificates of insurance to Lessor evidencing such insurance. All improvements, alterations, additions and installations made by Lessee prior to the commencement date of this Lease shall be made in strict compliance with the provisions of Article VIII of this Lease.

ARTICLE XXXI. PARKING: Lessor shall provide sufficient standard vehicular parking spaces on the Property so as to allow Lessee to utilize up to a maximum of twenty-nine (29) such spaces.

Initials:

Lessor _____

Lessee _____

Exhibit C
(Page 5 of 5)

EXHIBIT E

GUARANTEE

This is a guarantee of a lease dated as of _____, 1996 (the "Lease"), by and between OPUS SOUTHWEST CORPORATION, a Minnesota corporation, hereinafter called "Lessor", and P.J. FOOD SERVICE, INC., a Kentucky corporation, hereinafter called "Lessee", concerning that certain premises to be constructed upon a portion of the retail shopping complex commonly known as Kyrene Business Park located north of the northwest corner of Kyrene Road and Elliot Road, City of Tempe, County of Maricopa, State of Arizona.

FOR VALUE RECEIVED, and in consideration for, and as an inducement to Lessor to enter into the foregoing Lease, the undersigned hereby guarantees to Lessor and its successors and assigns the payment of all rentals specified thereunder and all other payments to be made by Lessee under the Lease, and the full performance and observance by Lessee of all the terms, covenants, conditions and agreements therein provided to be performed and observed by Lessee for which the undersigned shall be jointly and severally liable with Lessee, without requiring any notice of nonpayment, nonperformance or nonobservance, or proof of notice or demand, whereby to charge the undersigned, all of which the undersigned does hereby expressly waive, and the undersigned expressly agrees that the Lessor and its successors and assigns may proceed against the undersigned, before, after or simultaneously with the proceedings against the Lessee for default, and that this Guarantee shall not be terminated, affected or impaired in any way or manner whatsoever by reason of the assertion by Lessor against Lessee of any of the rights or remedies reserved to Lessor pursuant to the provisions of the Lease, or by reason of summary or other proceedings against Lessee, or by the omission of Lessor to enforce any of its rights against Lessee or by reason of any extensions of time or indulgences granted by Lessor to Lessee. The undersigned further covenants and agrees (i) that the undersigned will be bound by all of the provisions, terms, conditions, restrictions and limitations contained in the Lease, the same as though the undersigned was named therein as Lessee; and (ii) that this Guarantee shall be

absolute and unconditional and shall remain and continue in full force and effect as to any renewal, extension, amendment, addition, assignment, sublease, transfer or other modification of the Lease, whether or not the undersigned shall have any knowledge or have been notified of or agreed or consented to any such renewal, extension, amendment, addition, assignment, sublease, transfer or other modification of the Lease, and the undersigned agrees to be bound by any and all modifications to the Lease. If Lessor at any time is compelled to take any action or proceeding in court or otherwise to enforce or compel compliance with the terms of this Guarantee, the undersigned shall, in addition to any other rights and remedies to which the Lessor may be entitled hereunder or as a matter of law or in equity, be obligated to pay all costs, including attorneys' fees, incurred or expended by Lessor in connection therewith. Further, the undersigned hereby covenants and agrees to assume the Lease and to perform all of the terms and conditions thereunder for the balance of the original term should the Lease be disaffirmed by

Exhibit "E"
(Page 1 of 3)

any Trustee in Bankruptcy for Lessee, or at the option of Lessor, the undersigned shall, in the event of Lessee's bankruptcy, make and enter into a new lease which shall be in form and substance identical to the Lease. All obligations and liabilities of the undersigned pursuant to this Guarantee shall be binding upon the heirs, legal representatives, successors and assigns of the undersigned, and the undersigned and its heirs, legal representatives, successors and assigns shall remain fully liable under the Lease and this Guarantee regardless of any merger, corporate reorganization or restructuring involving Lessee regardless of the resulting organization, structure or ownership of Lessee. This Guarantee shall be governed by and construed in accordance with the laws of the State of Arizona.

The undersigned hereby unconditionally consents and agrees that any legal action brought under this Guarantee may be brought in any State Court of the State of Arizona or in a Federal United States Court in Arizona and the undersigned hereby unconditionally consents to the jurisdiction of such courts in connection with any cause of action brought by or against Lessee and/or Guarantor(s) in any way directly or indirectly related to the aforementioned Lease or this Guarantee. Further, each Guarantor hereby irrevocably and unconditionally appoints P. J. Food Service, Inc., a Kentucky corporation (Lessee), and the lessee under the Lease if another party shall be the lessee under the Lease, as its duly authorized agent(s) for the service of process in connection with any such cause of action, either of which may be considered a fully authorized agent for service of process. Nothing herein shall prevent Lessor from serving process in any other manner permitted by law.

The liability of the undersigned shall not be affected or impaired by any full or partial release of, settlement with, or agreement not to sue, Lessee or any other guarantor or other person liable in respect of the Lease, which Lessor is expressly authorized to do, omit or suffer from time to time, without notice to or approval by the undersigned. The singular herein shall include the plural and the plural shall include the singular when referring to the undersigned.

The Guarantor hereby waives the applicability and the benefits of Arizona Revised Statutes Section 12-1641 and Section 12-1642 and Arizona Rules of Civil Procedure 17(f).

At any time that Lessee is required to furnish a certificate pursuant to the Lease, the undersigned, by guarantying the terms and conditions of the Lease, agree that Guarantor, upon twenty (20) days prior written request to Lessee, shall certify (by written instrument, duly executed, acknowledged and delivered to Lessor and to any third person designated by Lessor in such request) that such person concurs with the statements set forth in said certificate by Lessee and that the guarantee of such person remains in full force and effect as to all obligations of Lessee under the Lease. Failure to deliver such certificate to Lessor (and any such designated third party) within such twenty (20) day period shall constitute automatic approval of the requested certificate as though such certificate had been fully executed and

Exhibit "E"
(Page 2 of 3)

delivered by such Guarantor to Lessor and such designated third party.

IN WITNESS WHEREOF, the undersigned has executed this Guarantee as
of the _____ day of _____, 1996.

GUARANTOR:

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

By: NOT FOR SIGNATURE-EXHIBIT ONLY

Its: _____

INITIALS:

Lessee _____

Lessor _____

Exhibit "E"
(Page 3 of 3)

S U B L E A S E A G R E E M E N T

FOR

ROTTERDAM INDUSTRIAL PARK
ROTTERDAM, NEW YORK

BETWEEN

DISTRIBUTION UNLIMITED, INC.
ROTTERDAM INDUSTRIAL PARK
BUILDING 6
ROTTERDAM, NEW YORK 12306

AND

P.J. FOOD SERVICE, INC.
11460 BLUEGRASS PARKWAY
LOUISVILLE, KENTUCKY 40299

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SUBLEASE AGREEMENT

THIS SUBLEASE made this ____ day of September, 1996, between Distribution Unlimited, Inc., Rotterdam Industrial Park, Building 6, Rotterdam, New York 12306, hereinafter referred to as the "Sublessor" and P.J. Food Service, Inc., a Delaware corporation which has a business office at 11460 Bluegrass Parkway, Louisville, Kentucky 40299, hereinafter referred to as the "Sublessee".

WITNESSETH that the Sublessor hereby subleases to the Sublessee and the Sublessee hereby hires and takes from the Sublessor those premises described as Bay 4, Building 14 located in Rotterdam Industrial Park, Town of Rotterdam, County of Schenectady, State of New York, hereinafter referred to as the "Demised Premises", as shown on the map attached hereto and made a part hereof, as Exhibit "D"; said Demised Premises being 40,420 square feet as measured in accordance with the BOMA Standard Method of Measurement, American National Standard Section Z65.1, which states that the rentable area of a floor shall be computed by measuring to the center of the dominant portion of the permanent outer buildings walls, and Sublessor hereby grants to Sublessee its guests, invitees and licensees all easements, rights and privileges appurtenant thereto including the right to use adjoining parking areas, driveways, roads, alleys, means of ingress and egress and other portions of the other areas ("Common Areas") in common use by owners or lessees of the Rotterdam Industrial Park and Sublessor agrees that it will not, during the term of this Sublease, alter those portions of the Common Areas shown in yellow on Exhibit "D" so as to materially and adversely affect ingress and egress to and from the Demised Premises or parking adjacent to the Demised Premises. The foregoing subleasing shall be upon the terms and conditions hereinafter set forth, and the Sublessee does hereby covenant with the Sublessor as follows:

1. TERM: The initial term of this Sublease shall be for a period of approximately four (4) years and eleven (11) months commencing on the earlier to occur of (i) January 31, 1997 or (ii) the date that Sublessee first commences normal business operations in any portion of the Demised Premises (the earlier of such two dates being hereinafter referred to as the "Term Commencement Date") and ending December 31, 2001 ("Initial Term"). Commencing September 8, 1996, Sublessee shall be entitled to enter upon the Demised Premises for the purpose of making same ready for Sublessee's use.

2. RENTAL: Commencing with the date Sublessee first enters the Demised Premises, Sublessee shall be responsible for the payment of all utility costs and Common Area charges allocable to the Demised Premises. As rental for the Demised Premises for the Initial Term the Sublessee hereby agrees to pay the Sublessor without deduction, setoff, prior notice or demand the sums as outlined in Exhibit A Rental and Term Schedule, in advance on the Term Commencement Date (to the extent of any partial month's rent due because the Term Commencement Date is not the first day of a calendar month) and thereafter on the first day of each and every month, said rental to be paid to the Sublessor by good check mailed to Sublessor at c/o Northeastern Industrial Park, P.O. Box 98, Guilderland Center, New York 12085 or delivered to Sublessor's offices at Building 6, East Road, Rotterdam Industrial Park, Schenectady, New York, or at such other place or places as the Sublessor may from time to time direct. Sublessee shall pre-pay the first full month's rent and last months' rental at Sublease signing. The Sublessee shall pay a "late charge" of two (2%) percent per month from the due date of any installment of rental (Fixed Minimum, or other as may be construed as rent) if said rental payment is made after its due date. Nothing herein contained shall be

deemed to limit any right or remedy which the Sublessor may have under this Sublease, at law or in equity.

3. **CONDITION OF PREMISES:** The Sublessee covenants that the Sublessee has examined the Demised Premises, knows the condition thereof and acknowledges that the same are accepted "as is", subject to the warranties as set forth hereafter

and subject to the conditions as set forth on Exhibit "B" attached hereto, which are conditions precedent to Sublessee's acceptance of the Demised Premises and obligations to perform any terms herein. Sublessee shall comply with the requirements of the Occupational Safety and Health Act of 1970 and all other applicable laws relating to occupational safety and health and rules and regulations promulgated thereunder, and the Sublessee shall further comply with all laws, rules and regulations of the State of New York and any department agency, board, or political sub-division of the State pertaining to building construction or safety applicable to either the Sublessee or the Sublessor and shall hold the Sublessor harmless therefrom. Nothing herein shall be construed as preventing the Sublessor from taking such action as it shall deem necessary for the protection of its interests in respect to any order, decree, judgment or other act of any Federal or State department, agency or board.

4. **UTILITIES:** The Sublessor or the local public utility shall provide and maintain the necessary mains, ducts and conduits in order to bring water, electricity and natural gas service to the Demised Premises and to carry sewage therefrom in accordance with Sublessee's specifications as set forth on Exhibit "C" attached hereto any made a part hereof. All means of distribution of such services within the Demised Premises shall be supplied and maintained by the Sublessee at the Sublessee's expense.

- a. **ELECTRICAL:** The Sublessee shall make known to the Sublessor its electricity requirements at or prior to the execution of this Sublease. In the event the Sublessee requires additional capacity beyond that as set forth on Exhibit "C", any additional risers, feeders, meters, wiring or other equipment required thereby shall be installed by the Sublessor or a qualified contractor upon the Sublessee's request and at the Sublessee's cost and expense, provided, however, that in the Sublessor's sole judgment, the same are reasonably necessary and will not cause permanent damage or injury to the Demised Premises or cause or create a dangerous or hazardous condition or entail excessive alterations, repairs or expense or unreasonably or materially interfere with or disturb other lessees. If, at the time of the commencement of this Sublease, the Demised Premises shall be unmetered for electricity consumption, the Sublessor shall cause such metering device or devices to be installed as the Sublessor shall deem necessary and the cost of such device, together with the expense of installing the same, shall not be paid by the Sublessee. If such electrical service is directly with the Niagara Mohawk Power Corporation, Sublessee shall request service in its own name prior to entering upon the Demised Premises and pay such costs directly to Niagara Mohawk Power Corporation.
- b. **WATER:** The Sublessor shall install, or cause to be installed, at no cost to Sublessee, a water meter and thereby measure the Sublessee's water consumption. Throughout the duration of the Sublessee's occupancy, the Sublessee shall keep such meter and installation equipment in good working order and repair at its own expense. In the event of activation of the unmetered sprinkler system due to fire or acts of Sublessee, Sublessor shall render a bill for water consumption based on output per sprinkler head times the duration of sprinkler flow. The cost of water is to be the then current charge by the municipality. Sublessee is to make payment directly to the utility company supplying such water. Sublessor warrants that a water line of at least 2" or greater delivering at a constant flow of 60 to 80 PSI services the Demised Premises.
- c. **SEWER:** Sublessee is to make payment, upon presentation of a bill by Sublessor, for the then current sewage charge by the municipality for the Demised Premises, and the amount thereof shall be deemed Additional Rent hereunder. Lessor warrants that a sewer line of at least 6" or greater services the Demised Premises.

- d. FUEL OIL AND/OR NATURAL GAS AND/OR LP GAS: Sublessee is to contract for and pay all costs of liquid or gas fuels directly to supplier, provided service to the Demised Premises shall not be the obligation and expense of the Sublessee. Sublessor warrants that a gas line of at least 2" or greater delivering at a constant flow of 5 PSI to the Demised Premises.

- e. SPRINKLERS: Sprinklers and sprinkler systems now existing in said Demised Premises shall be maintained and serviced by the Sublessor, provided, however, that if any such system or any of its appliances shall be damaged or injured or rendered otherwise than in proper working order by reason of any act or omission of the Sublessee, the Sublessee's agents, servants, employees, licensees or visitors, the Sublessee shall forthwith restore such equipment to good working condition and order at its own expense. If by reason of the acts or operations of the Sublessee, the New York Board of Fire Underwriters or the New York Fire Insurance Exchange or any bureau, department or official of the state or municipal government requires or recommends any change in such sprinklers or sprinkler system or if any change is necessary to prevent the imposition of a penalty or charge against the full allowance for a sprinkler system in the fire insurance rate as fixed by such exchange or by any fire insurance company, the Sublessee shall at its own expense promptly make such change; provided said change is a direct consequence of Sublessee's particular use of the Demised Premises. In the event said change is incident to the general usage of the Demised Premises as warehouse, industrial or distribution uses, Sublessee shall not be obligated to perform same at its expense. Any changes whatsoever in the sprinkler system desired by the Sublessee must be submitted to the Sublessor for the review and approval of the Sublessor's insurer.

In the event the Sublessee shall fail to pay any tax, rent, levy or charge for any utility service, which by reason of such non-payment may become a lien upon any part of the premises of the Sublessor, the Sublessor may, upon ten (10) days' written notice thereof to the Sublessee, make payment of such tax, rent, levy or charge together with any interest, penalties or other accruals due thereon, and upon such payment the amount thereof shall immediately become due and payable by the Sublessee to the Sublessor as rent hereunder.

The Sublessor may interrupt or suspend the supply of any such service to the Demised Premises in order to make any necessary repair or alteration to the Demised Premises or to any other building or other part of the premises of the Sublessor provided Sublessor notifies Sublessee, in writing, promptly after receiving notice thereof from any utility or governmental authority of any scheduled suspension of such service, and, in the case of a suspension of service necessitated by any activity of Sublessor or its affiliates, upon not less than ten (10) days' written notice sent prior to the Sublessee of the date for the commencement of any necessary repair or alteration. Said notice shall not be applicable in the event of an emergency involving the endangerment of life or the preservation of property from imminent destruction. There shall be no abatement in rent because of any such interruption or suspension provided that such repairs or alterations shall be made with reasonable diligence and provided further that any repair or alteration made by Sublessor shall not unreasonably interfere with the Sublessee's business. The Sublessor may at any time during the term of this Sublease assign, convey, transfer or set over to any municipality having jurisdiction or to any public utility corporation or private water corporation or sewage disposal corporation any or all of the Sublessor's right, title and interest in and to such public utility facilities and thereupon require the Sublessee to make payment for such services to such assignee, municipality, firm or corporation in accordance with such rates as such assignee may establish. Upon any such conveyance, assignment or transfer, there shall be no abatement of rent due and payable hereunder by reason of any interruption of such service resulting from the act or fault of such assignee,

provided further that such conveyance, assignment or transfer shall not unreasonably interfere with the Sublessee's business.

5. **ADDITIONAL RENT:** In addition to the rental herein provided, the Sublessee shall pay to the Sublessor as Additional Rent within twenty (20) days, that proportion of any real property taxes and assessments levied or assessed against the premises of which the Demised Premises are a unit, either school tax or town tax, as the total net rental area within the Demised Premises bears to the total net rental area within the building or buildings or land area, including the Demised Premises, which are included in the unit so taxed or assessed. The Sublessee shall also pay to the Sublessor as Additional Rent, similarly computed, premium rate charges incurred by the Sublessor with respect to insurance on the Demised Premises for general liability, fire and extended coverage. Such amounts shall be paid by the Sublessee to the Sublessor within ten (10) days after the receipt by the Sublessee of written notice thereof from the Sublessor. As of the date immediately preceding execution of this Sublease, Sublessor represents that the Demised Premises are listed on the applicable assessment rolls as being exempt from all real estate taxes. Sublessor agrees not to take any action to seek to have the Demised Premises become subject to real estate taxation. Nonetheless, should the Demised Premises become subject to any real estate taxes, Sublessee's liability or obligation for payment shall not exceed \$30,315.00 (thirty thousand three hundred fifteen and 00/100 dollars) (calculated by multiplying \$.15 x 40,420 square feet x 5 years) in the aggregate over the Initial Term.
6. **SERVICES - ADDITIONAL RENT:** The Sublessee shall initially pay to the Sublessor as Additional Rent, as and when billed by the Sublessor, \$.30 per square foot annual cost, paid monthly, for security and common area maintenance. The \$.30 is an estimated amount expected due for the first year, or part thereof, which is subject to adjustments detailed later in the Sublease.

Security and Common Area Maintenance: The charges for maintaining security and common area maintenance, as hereinbefore defined, shall include, but not be limited to, the costs of replacing, operating, managing, equipping, cleaning, lighting, repairing, and removing snow from main roads, ingress and egress thereto and parking areas (but excluding dock areas), landscaping and gardening, striping, sign, rail track maintenance and repair, traffic and safety control (including personnel), security personnel, maintenance and costs of labor, insurance materials and supplies, and the Sublessor's administrative and overhead costs for said services, which administrative and overhead costs shall be charged in the same manner as such costs are charged to other tenants in Rotterdam Industrial Park. The Sublessee shall pay its proportionate share, as hereinafter defined, of the total costs of security and common area maintenance in the manner hereinafter stated.

In computing the charges for security and common area maintenance, as provided above, the Sublessee's proportionate share, currently 1.1%, shall be deemed to be the ratio of the total square footage of the floor area of the Demised Premises, presently 40,420, to the total square footage of the floor area of the entire industrial park, presently 3,743,204.

Sublessor shall furnish the Sublessee a written estimate of the Sublessee's proportionate share of the charges specified above for the first calendar year or portion thereof, or for the next succeeding calendar year, as the case may be, and said charges shall be paid monthly with Fixed Minimum Rent, in advance commencing on the first day of the first Sublease Year. Charges for the first and last Sublease Years shall be on a pro rata basis based upon twelve (12) thirty (30) day months.

The Sublessee shall at its own expense maintain all portions of the Demised Premises and immediately adjoining areas in a clean and orderly condition free of dirt and rubbish, and the Sublessee shall remove or cause to be removed all

rubbish from the Demised Premises and immediately adjoining areas at the Sublessee's expense. Under no conditions will Sublessor permit Sublessee to use outside areas for parking of unregistered and/or disabled or nonfunctioning or damaged vehicles except for the temporary storage in the case of an emergency, or for the accumulation of pallets and/or other packing materials. Sublessee must install a dumpster or similar trash receptacle of ample size at inception of occupancy at a location proximate

to the Demised Premises as provided by the Sublessor. In the event the Sublessee permits accumulations of rubbish, which the Sublessor in the exercise of its judgment may deem unreasonable or harmful, injurious or deleterious to the use and enjoyment of the remainder of the premises of the Sublessor of which the Demised Premises are a part, the Sublessor may remove such rubbish and charge the cost thereof to the Sublessee and the Sublessee shall thereupon become liable to the Sublessor for such cost as Additional Rent. Sublessee shall keep all fire doors clear and shall not obstruct dock areas with vehicles or goods excepting the normal process of loading and unloading operations from inside storage to transport vehicles.

7. USE: The Demised Premises are hereby leased to the Sublessee upon the express condition that the Sublessee shall use the said Demised Premises for receiving, ordering, production, shipping and selling of products, materials and merchandise made or distributed by Sublessee or its affiliates and for no other purpose without the written consent of the Sublessor first obtained.

1.	Will rail be utilized?	Yes	X	No	
		-----		-----	
	If Yes, what will the average be?				
	Rail Cars Per Day .5	Month	15	Year	180
	-----		-----		-----
2.	Will there be any truck traffic?	Yes	X	No	
		-----		-----	
	If Yes, what will the average be?				
	Trucks Per Day 25	Month	750	Year	8,900
	-----		-----		-----
3.	Number of employees in your local operation:				
	Initial Start Up 50	After One Year		125	
	-----			-----	
4.	Number of employee parking spaces needed:				
	Initial Start Up 65	After One Year		135	
	-----			-----	

All uses to which the Demised Premises shall be put by the Sublessee shall conform to the requirements of any and all local laws, ordinances, rules or regulations adopted or enacted by the municipality having jurisdiction over the Demised Premises and shall also conform to any special use permit or certificate of occupancy or other permit of any kind issued or required to be issued by any governmental authority having such jurisdiction over the Demised Premises and shall not be put to any such use by the Sublessee until all governmental rules and regulations relative to or affecting such use have been complied with and all governmental permits required as a condition precedent to such use shall have been obtained. The Sublessee shall conduct its business throughout the term hereof in a first-class manner and shall not use the Demised Premises for or carry on or permit upon said Demised Premises any offensive, unreasonably noisy, or dangerous business, trade, manufacture or occupation or any nuisance or any activity contrary to public policy or any activity causing a noxious or offensive odor or causing pollution to the atmosphere, nor permit any auction sale to be held or conducted upon said Demised Premises, nor shall it use or permit the use of such Demised Premises or part thereof for any immoral or any other purpose prohibited by law or which will increase the rate of insurance upon the building in which said Demised Premises may be located or cause a cancellation of any insurance policy covering said building or any part thereof. The Sublessee shall not do or suffer anything to be done upon said Demised Premises which will cause structural injury to said Demised Premises or to the building of which the same form a part, nor shall it cause said Demised Premises to be overloaded, nor shall it permit any

machinery, apparatus or other appliance to be used or operated upon said Demised Premises which will injure said Demised Premises or the building of which the same form a part, nor shall the Sublessee permit any noisemaking device to be operated or allowed upon said Demised Premises for the purpose of attracting trade or otherwise. The Sublessee shall not permit any use to be made of the Demised Premises which will in any way

impair the efficient operation of the sprinkler within the building containing the Demised Premises. In addition to the Sublessee's liability for Additional Rent in respect of insurance premium rate increases as provided in Paragraph 5 hereof, if any act on the part of the Sublessee or use of the Demised Premises by the Sublessee shall cause directly or indirectly any increase of the Sublessors insurance expense, such additional expense shall be paid by the Sublessee to the Sublessor upon demand as Additional Rent. No such payment by the Sublessee shall limit the Sublessor in the exercise of any other rights or remedies or constitute a waiver of the Sublessor's right to require the Sublessee to discontinue such act or use.

8. REPAIRS AND MAINTENANCE: Throughout the term of this Sublease the Sublessee shall take good care of the Demised Premises. Sublessor is responsible for maintenance of the structural elements, fire alarm system, and sprinklers, and Sublessee for the maintenance and repairs of all other non-structural elements and systems, including doors and windows. When used in this paragraph the term "repairs" shall include all necessary replacements, renewals, alterations, additions and betterments of a non-structural character. All repairs made by the Sublessee shall be at least equal in quality and class to the original work. The Sublessee shall make no structural alterations to the Demised Premises without prior permission of the Sublessor given in writing. Upon the expiration of the term of this Sublease or sooner termination, the Sublessee shall surrender the Demised Premises to the Sublessor in the same condition as received, ordinary wear and tear and damage by fire, earthquake, act of God or the elements alone excepted. Sublessor, acting in its reasonable judgment, may make demand that maintenance be accomplished if a hazardous or deteriorating condition exists. If Sublessee desires services by Sublessor's maintenance personnel such will be performed on a work order basis only.

9. ALTERATIONS AND LIENS: The Sublessee shall make no structural alterations or additions to the Demised Premises without prior written consent of the Sublessor. Upon the giving of such written consent all alterations, additions and improvements, excluding trade fixtures, furnishings and equipment made in, to or on the Demised Premises shall become the property of the Sublessor (or Master Lessor, as hereinafter defined) and shall remain upon and be surrendered with the Demised Premises, except that the Sublessee shall ascertain from the Sublessor within sixty (60) days before the expiration of this term whether the Sublessor desires to have the Demised Premises or any part or parts thereof restored to their condition as of the time of the delivery thereof to the Sublessee (except for any and all offices or office-related improvements which shall remain), and, if the Sublessor so desires, the Sublessee shall restore said Demised Premises or such part or parts thereof to such original condition before the end of the term of this Sublease entirely at the Sublessee's own cost and expense. The Sublessee shall indemnify and save and hold harmless the Sublessor from all liens, claims or demands arising out of any work performed, materials furnished or obligations incurred by or for the Sublessee upon said Demised Premises during said term and agrees not to suffer any such lien or encumbrance to be imposed on any of the Sublessor's premises. The Sublessor shall have the right, after the giving of not less than five (5) days' notice to the Sublessee to remove such lien or encumbrance, to bring such action or proceeding as may be necessary to effect the removal thereof and the costs and expenses thereof, including reasonable attorney's fees, shall become immediately due and payable by the Sublessee to the Sublessor as Additional Rent.

10. ENTRY AND INSPECTION: The Sublessor and its agents may enter upon the Demised Premises at all reasonable times to inspect the same, to submit them to

a prospective purchaser or to make any repairs which the Sublessor shall consider necessary for the protection, improvement or preservation of the building in which the Demised Premises are situated, or to make any changes in the plumbing, wiring, meters or other equipment, fixtures or appurtenances of the building, provided that the same may be performed without material interference with the business operations of the Sublessee, and there shall be no liability against the Sublessor in favor of the Sublessee for damages sustained by the Sublessee by reason of such repairs or changes nor shall the Sublessee be entitled to any abatement of

rental by reason thereof. At any time after sixty (60) days prior to the termination of the Sublease the Sublessor may place on said Demised Premises any usual or ordinary "To Let" or "To Lease" signs. For the purposes of this paragraph, the Sublessor may hold at all times a duplicate set of keys to the Demised Premises. The Sublessee shall make no changes in locks or other facilities controlling access to the Demised Premises without the permission of the Sublessor and whenever such permission is granted, the Sublessee shall provide the Sublessor with a duplicate set of keys so as to provide the Sublessor with access at all times.

11. SUBLETTING AND ASSIGNMENT: The Sublessee shall not, without the Sublessor's prior written consent, which consent shall not be arbitrarily withheld or unreasonably delayed, assign or sublet this Sublease or permit any person or entity other than the Sublessee to use or occupy, or store goods, materials or other property (such goods, materials and property being hereinafter referred to as "Property") at the Demised Premises or any part thereof.

Notwithstanding the foregoing, or anything to be contrary elsewhere contained in this Sublease, Sublessee, without Sublessors consent, but upon not less than thirty (30) days' prior written notice, may assign this Sublease or sub-sublet the Demised Premises, or any portion thereof, to its parent, any of its subsidiaries or to any other entity affiliated with Sublessee or its parent, or to a corporation or other entity resulting from any reorganization or merger to which Sublessee, its parent or any of its subsidiaries or affiliates is a party, provided Sublessee shall remain obligated under this Sublease (the foregoing being hereinafter referred to as a "Permitted Assignment"). The Sublessor will not divulge to any third parties, except if required by the applicable loan document, to Sublessors lender, any confidential information received with respect to any proposed reorganization or merger.

Any (a) assignment or subletting or (b) or the permitting of any person or entity other than the Sublessee to use, or occupy any portion of, or store any Property at the Demised Premises, without the consent of the Sublessor in each instance, shall be void and shall constitute a breach of this Sublease. In the event of such prohibited assignment, sublet or use, occupancy or storage, the Sublessor may avail itself of any other remedies contained in this Sublease and any other remedy available to it under applicable law. In addition to the foregoing, in the event of any breach of clause (b) in the preceding sentence, the Sublessor may cause the removal of such occupant and/or materials, goods or Property, at the sole cost and expense of the Sublessee.

If the Sublessee proposes to assign the Sublease, enter into any sublease of the Demised Premises or grant to any person or entity the right to use, occupy, or store Property at any portion of the Demised Premises, the Sublessee shall deliver written notice thereof to the Sublessor, together with a copy of the proposed assignment, sublease or other agreement, if any, governing such use, occupancy or storage, and such financial information (i.e., balance sheet and annual reports concerning such sublessee, assignee or the person or entity that Sublessee proposes to let use or occupy, or store any Property at the Demised Premises (any such person or entity being hereinafter referred to as a "Licensee") as is acceptable to the Sublessor, in the exercise of Sublessor's reasonable discretion, the foregoing notice and financial information shall be delivered at least thirty (30) days prior to the effective date of the proposed assignment, the commencement date of the term

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of the proposed sublease or the date on which any person or entity proposes to use, occupy or store Property at the Demised Premises or any part thereof. Any proposed assignment, sublease or use, occupancy or storage of Property shall be expressly subject to the terms, conditions, and covenants of this Sublease. The Sublessee shall reimburse the Sublessor for all reasonable legal costs involved in reviewing a proposed assignment, subletting or agreement with any Licensee for the use, occupancy or storage of any Property.

Any proposed assignment shall contain a written assumption by the assignee of all of the Sublessee's obligations under this Sublease. Any sublease shall (a) provide that the sub-sublessee shall procure and maintain a

policy of insurance as required of the Sublessee under this Sublease; (b) provide for a copy to the Sublessor of any notice of default by either party; and (c) otherwise be reasonably acceptable in form to the Sublessor.

No consent by the Sublessor to any subletting, assignment or use, occupancy or storage of Property by any Licensee shall be deemed to be a consent to any further subletting (or sub-subletting), assignment or any other use, occupancy or storage by any Licensee (including the Licensees for whom permission is being given).

In the event that the Sublessee assigns or subleases any portion of the Demised Premises or permits the use, occupancy or storage of Property at any portion of the Demised Premises to anyone other than the Sublessee, or a subsidiary or affiliate of Sublessee pursuant to a Permitted Assignment, the Sublessee shall pay to the Sublessor monthly, as Additional Rent hereunder, one hundred (100%) percent of the amount calculated by subtracting from the rent and other charges and considerations payable from time to time by the assignee, sub-sublessee or Licensee to the Sublessee for aforesaid space, the amount of rent and other charges payable by the Sublessee to the Sublessor under this Sublease, allocated to the assigned, subleased or otherwise utilized portion of the Demised Premises.

A) Except for a Permitted Assignment, Sublessee shall not have the right to sublet or assign the Demised Premises except on the following terms and conditions:

1) Such subletting or assignment shall not relieve the Sublessee from its duty to perform fully all of the agreements, covenants and conditions set forth in this Sublease or any Guaranty from the obligations of any Guaranty executed and delivered in connection with this leasing.

2) The Sublessee shall first obtain the Sublessor's written consent to the subletting or assignment in each instance.

3) The Sublessee shall provide the name of the proposed sub-sublessee or assignee, the terms and conditions of the proposed subletting or assignment, the nature and character of the business of the proposed sub-sublessee or assignee, and the banking, financial and other credit information relating to the proposed assignee or sub-sublessee reasonably sufficient to enable Sublessor to determine the financial responsibility of said proposed sub-sublessee or assignee.

4) Upon the receipt of such request from Sublessee, Sublessor shall have an option, to be exercised in writing within thirty (30) days thereafter, to terminate this Sublease effective on a date (the "Termination Date") set forth in Sublessor's notice of termination, which shall not be less than thirty (30) days nor more than ninety (90) days following the service upon Sublessee of Sublessor's notice of termination.

5) In the event Sublessor shall exercise such option to terminate this Sublease, this Sublease shall expire on the Termination Date as if that date had been originally fixed as the expiration date of the term herein granted

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and Sublessee shall surrender possession of the entire Demised Premises on the Termination Date in accordance with the provisions of this Sublease.

B) If Sublessor shall not exercise its option within the period aforesaid, then Sublessor's consent to such request shall not be unreasonably withheld but will be given only on the following conditions acknowledged by Sublessee to be reasonable and proper:

1) That the subletting or assignment is for the entire Demised Premises only;

2) That the subletting or assignment shall be to a sub-sublessee

whose occupancy will be in keeping with the dignity and character of the then use and occupancy of the premises by other lessees and whose occupancy will not be more objectionable or more hazardous than that of Sublessee herein. In no event shall any subletting or assignment be permitted to a school of any kind or an employment or placement agency; or governmental or quasi-governmental agency;

3) That the subletting or assignment shall not be to any Sublessee, sub-sublessee or assign of any leased space in the premises of which the Demised Premises form a part;

4) That no subletting or assignment shall be permitted to any person or entity who is then a tenant or occupant of Rotterdam Industrial Park, Northeastern Industrial Park or Scotia-Glenville Industrial Park;

5) That the sublease or assignment will expressly prohibit assignment of the Sublease agreement or further subletting by the sub-sublessee without Sublessor's written consent.

6) If this Sublease shall be assigned, or if the Demised Premises or any part thereof, be sublet or occupied by any person or persons other than Sublessee, Sublessor may, after default by Sublessee, collect rent from the assignee, subtenant or occupant, and apply the net amount collected to the rent herein reserved, but no such assignment, subletting, occupancy or collection of rent shall be deemed a waiver of the covenants contained in this Sublease, nor shall it be deemed acceptance of the assignee, subtenant or occupant as a tenant or a release of Sublessee from the full performance by Sublessee of all of the terms, conditions and covenants of this Sublease.

12. LIABILITY AND INSURANCE: The Sublessee shall keep, save and hold the Sublessor harmless and free from all liability, penalties, losses, damages, costs, expenses, causes of action, claims and/or judgments arising by reason of any injury or damage to any person or persons or property including, without limitation, the Sublessee, its servants, agents and employees, from any cause or causes whatsoever, except for intentional acts or gross negligence of Sublessor, including leakage, while in, upon or in any way connected with said Demised Premises or its appurtenances.

The Sublessor shall not be liable for any loss or damage occasioned by defective wiring, plumbing, gas, sprinkler, steam, sewer, water or other pipes or fixtures; the bursting, leaking, running or clogging of the above pipes or fixtures or of any heating or air conditioning equipment, cistern, tank, sprinkler system, boiler, wash stand, closet or wastepipe; accidental discharge of the sprinkler; water, snow, ice or other foreign matter being upon or coming through the roof, skylights, trapdoors, doors, windows or otherwise, unless in each case the foregoing result from the gross negligence or intentional acts of Sublessor; acts or negligence or failure to comply with lease covenants by other tenants of the Sublessor; acts of negligence of guests, invitees and employees of the Sublessee or other occupants of the

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Demised Premises; acts of negligence of any owners or occupants of adjacent or contiguous property or their employees; acts of God; acts of negligence of any persons not in the employ of the Sublessor. In connection with any defect in or damage to the structural portions of the Demised Premises or the building-wide systems servicing the same (not arising from the act or omission of Sublessee or its sub-subtenants, or their respective employees, agents or invitees), Sublessor agrees to take commercially reasonable good faith steps to have Sublessor's landlord or any other appropriate party repair same.

The Sublessee shall take out and keep in force during the term hereof, at the Sublessee's expense, public liability and other insurance in companies acceptable to the Sublessor to protect against any liability to the public, whether to persons or property, incident to the use of said Demised Premises or resulting from accident occurring in or about said Demised Premises or the areas immediately adjacent thereto, which insurance shall be in an amount not less than \$1,000,000.00 to indemnify

against the claim of one person for personal injuries and not less than \$3,000,000.00 to indemnify against the claim of two or more persons for personal injuries in any one occurrence and in an amount not less than \$1,000,000.00 per occurrence to indemnify against a claim or claims for property damage. The Sublessee shall cause every insurer to agree by endorsement upon the policy or policies issued by it, or by independent instrument furnished to the Sublessor, that such insurer will give the Sublessor ten (10) days' written notice at the address where rental is paid before the policies in question shall be altered or canceled. Certified copies of said policies or certificates of insurance naming the Sublessor as additional insured shall be furnished at the time of Sublease inception. Said policies shall be renewed at the end of each policy period.

The Sublessor and Sublessee hereby release one another and their respective officers, agents, employees and servants from any and all claims or demands for damages, loss, expense or injury to the Demised Premises or to the furnishings and fixtures and equipment or inventory or other property of either the Sublessor or the Sublessee in, about or upon the Demised Premises, as the case may be, which may be caused by or result from perils, events or happenings which are the subject of insurance carried by the respective parties and in force at the time of any such loss, provided, however, that such release and waiver shall be effective only to the extent of the insurance coverage for such loss. This paragraph does not preclude the respective parties from any and all other remedies at law which are available and in no way are their respective rights prejudiced.

13. ABANDONMENT: In the event the Demised Premises become abandoned or surrendered or in the event the Sublessee be dispossessed or evicted by process of law, the Sublessor, in addition to all other remedies granted by this Sublease or available by operation of law, may deem that any personal property belonging to the Sublessee left on said Demised Premises is abandoned, and the Sublessor may enter upon said Demised Premises and remove therefrom any and all equipment, fixtures and merchandise and sell the same at public or private sale at such price and upon such terms as the Sublessor may determine without notice to or demand upon the Sublessee. Out of the proceeds of such sale the Sublessor may reimburse itself for the expense of such taking, removal and sale and for any indebtedness of the Sublessee to the Sublessor and the surplus, if any, shall be accounted for the Sublessee.
14. DEFAULT: In the event the Sublessee (a) fails to pay the rental herein provided or any part thereof or any other sum required by the Sublessee to be paid to the Sublessor within ten (10) days of the date when due or in the manner herein provided; or (b) if the Sublessee abandons said Demised Premises or violates any of the provisions of this Sublease respecting assignments or subletting; or (c) makes default in any of the other covenants or conditions on the Sublessee's part to be performed hereunder and such default is not cured within thirty (30) days after notice by the Sublessor to the Sublessee of such default, then such default or

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breach or act shall give the Sublessor the right to re-enter the Demised Premises and remove all persons and all or any property therefrom either by summary dispossession proceedings or by any suitable action or proceeding at law, or by force or otherwise, without being liable to indictment, prosecution or damages therefor, and repossess and enjoy said Demised Premises together with all additions, alterations and improvements, and in such case the Sublessor may either relet the Demised Premises or any parts thereof as agent of the Sublessee and receive the rents applying the same first to the payment of such expenses as the Sublessor may have incurred and then to the fulfillment of the covenants of the Sublessee. The Sublessor may rent said Demised Premises for a term extending beyond the term hereby granted without releasing the Sublessee from any liability. Upon the expiration of this Sublease prior to the expiration of its term by operation of any provision hereof or by summary proceedings or otherwise, then, whether or not the Demised Premises be relet, the Sublessee shall remain liable for and shall pay the Sublessor, until the time when this Sublease would have expired but for such termination or expiration, the equivalent of the amount of all of the rent and Additional Rent reserved herein, less the avails of reletting, if any, and the same shall be due and payable by the Sublessee to the Sublessor on the several

rent days above specified. The Sublessee hereby expressly waives any and all rights of redemption in the event of eviction or dispossession by judgment or warrant of any court or judge, and the Sublessee waives and will waive all right to trial by jury in any summary proceeding hereafter instituted by the Sublessor against the Sublessee in respect of the Demised Premises. All remedies herein provided shall be deemed cumulative and shall in no way limit or restrict the Sublessor from pursuing such other and further remedies as may be allowed at law or in equity.

15. [DELETED PRIOR TO EXECUTION]

16. HOLDING OVER: In the event the Sublessee holds over the term hereby created with the consent of the Sublessor, the Sublessee shall become a tenant from month to month at the average monthly rental payable hereunder for the immediately preceding six (6) month period, plus twenty-five (25%) percent increase at discretion of Sublessor.

17. DESTRUCTION: In the event the Demised Premises are damaged by fire, earthquake, enemy, act of God or the elements or other casualty, the Sublessor, unless it shall otherwise elect as hereinafter provided, shall take commercially reasonable, good faith steps to have the Master Lessor repair the same with reasonable dispatch after written notice of the damage. If such damage is so extensive as to render the Demised Premises untenable, but the election is made to nevertheless repair same, then the rent shall be abated to an extent corresponding with the time during which and the extent to which said Demised Premises may have been untenable. If such repairs, however, are delayed because of the Sublessee's failure to adjust the Sublessee's own insurance claim, no rental reduction shall be allowed beyond a reasonable time allowed for such adjustment. If, however, such damage or destruction to said Demised Premises shall be caused by negligence or intentional, improper conduct on the part of the Sublessee or the Sublessee's agents, servants, employees, visitors or licensees, then, notwithstanding such damage or destruction, the Sublessee shall be liable for the rent during the unexpired portion of the demised term without abatement unless this Sublease is terminated by mutual agreement of the parties. The Sublessor shall have the right to determine, within a reasonable time after such occurrence regardless of its cause, whether to demolish, rebuild or reconstruct the building containing the Demised Premises and, in the event of such decision by the Sublessor to so demolish, rebuild or reconstruct, then, upon notice given by the Sublessor to the Sublessee, this Sublease shall terminate on a date to be specified in such notice as if that date had been originally fixed as the expiration date of the term here demised and the rent shall be adjusted as of the time of the occurrence of such damage or destruction. The Sublessee shall give immediate notice to the Sublessor in case of such damage or destruction. Notwithstanding anything else

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herein to the contrary, in the event the Demised Premises cannot, with reasonable effort, be repaired within one hundred twenty (120) days, Sublessee may, upon not less than thirty (30) days' prior written notice to Sublessor, terminate this Sublease; provided that any such notice must be given within thirty (30) days after Sublessor advises Sublessee that the Demised Premises cannot be repaired within one hundred twenty (120) days.

18. CONDEMNATION: If the whole or a portion of the Demised Premises shall be taken for any public or quasi-public use by right of eminent domain, with or without litigation, or transferred by agreement or purchase in connection with such public or quasi-public use, the Sublease at the option of the Sublessor shall terminate as of the date title shall vest in the condemnor. If any part of the Demised Premises shall be so taken as to render the remainder thereof unusable for the purposes for which the Demised Premises were leased, then the Sublessee shall have the right to terminate this Sublease by giving notice as hereinafter provided. Upon any such taking, with or without a termination of this Sublease, all compensation awarded shall belong and be paid to the Sublessor and the Sublessee shall have no claim thereto and the Sublessee hereby irrevocably assigns, transfers, releases and sets over to the Sublessor any right to compensation for damages to which the Sublessee may become entitled during the term hereof by reason of such condemnation or taking, provided, however, that in the event of such taking and a termination of this Sublease by either party as a result of or in connection therewith the

Sublessee shall be entitled to a payment from the Sublessor of an amount equal to the unamortized cost (depreciated on a straight line basis computed monthly) to the Sublessee of all leasehold improvements made by the Sublessee during the original term hereof and such payment shall be made by the Sublessor out of the proceeds received by the Sublessor from the condemning authority and such claim of the Sublessee shall not be deemed a claim against the condemning authority or a lien on such proceeds. In no event shall the amount which the Sublessor shall be obligated to pay the Sublessee hereunder exceed the amount of the Sublessor's award less all expenses incurred by the Sublessor in connection with the securing or obtaining of such award. In the event that upon such taking there shall be no termination of this Sublease by either party, this Sublease shall continue for the balance of its term as to the part of the Demised Premises remaining. In such event the base rent payable by the Sublessee to the Sublessor hereunder and all items of Additional Rent payable hereunder as are determinable by reference to the area of the Demised Premises shall be reduced pro rata in the proportion in which the area of the Demised Premises so taken bears to the area of the Demised Premises before such taking, and all other liabilities of the Sublessee hereunder shall remain unaffected. If upon such taking this Sublease shall not terminate and shall continue as herein provided, the Sublessor shall at its own cost and expense restore the remaining portion of the Demised Premises to the extent necessary to render it useable for the purposes for which it was leased and shall make all repairs to the building in which the Demised Premises are located to the extent necessary to constitute the building a complete architectural unit, provided that such work shall not exceed the scope of construction existing immediately prior to such taking and the cost of such restoration shall not exceed the proceeds of the condemnation award less the Sublessor's expenses in securing such award. Termination of this Sublease by either party under the provisions of this paragraph shall be effected by the delivery of a thirty (30) day notice by such party to the other.

19. SALE OF PREMISES: In the event of a sale or conveyance by the Sublessor of all or any part of the Sublessor's estate containing the Demised Premises, the same shall operate to release the Sublessor from any future liability upon any of the covenants or conditions, express or implied, herein contained in favor of the Sublessee, and in such event the Sublessee agrees to look solely to the responsibility of the successor in interest of the Sublessor.
20. ESTOPPEL: At Sublessor's request, Sublessee agrees, within ten (10) days after receipt, to execute a lease estoppel certificate stating that:

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- a. The Sublease is unmodified and in full force and effect;
- b. The term of the Sublease has begun and rent payable under the Sublease is accruing;
- c. No notice of default or termination of the Sublease has been served on Sublessee under the terms of the Sublease;
- d. To the best of Sublessee's knowledge, neither he nor the Sublessor are in default in any way under the Sublease. In addition, Sublessee certifies that no event has occurred that with the passage of time or giving notice would constitute default under the Sublease by either him or the Sublessor; and

certifying with respect to such other information with respect to this Sublease and Sublessee's occupancy of the Demised Premises as Sublessor shall reasonably request.

21. [DELETED PRIOR TO EXECUTION]
22. SIGNS: The Sublessee shall not inscribe, paint or affix any signs, placards or advertisements on the exterior or roof of the Demised Premises or upon entrance doors, windows or upon any adjoining or appurtenant lands without obtaining the prior approval of the Sublessor in writing or without obtaining such permits therefor as may be required under any ordinance, local law, order, rules of regulation of the municipality having jurisdiction thereof. Any such sign, placard or advertisement so placed upon the Demised Premises shall be removed by the Sublessee at the termination of this Sublease and the Sublessee shall repair any damage or injury to the Demised Premises caused thereby, and upon the failure of the Sublessee to comply herewith, the Sublessor may have the same removed and

the Sublessee shall be liable to the Sublessor for the expense thereof.

23. ENTIRE AGREEMENT, WAIVER: This instrument contains all the agreements and conditions made between the parties hereto and may not be modified, changed or terminated in whole or in part orally or in any manner other than by agreement in writing signed by the parties hereto or their respective successors in interest. The receipt of rent by the Sublessor, with knowledge of any breach of this Sublease by the Sublessee or of any default on the part of the Sublessee in the observance or performance of any of the conditions or covenants of this Sublease, shall not be deemed to be a waiver of any provision of this Sublease. If the Sublessee makes any payment of any amount less than that due hereunder, the Sublessor without notice may accept the same as a payment on account; the Sublessor shall not be bound by any notation on any check involving such payment nor any statement in any accompanying letter. No failure on the part of the Sublessor to enforce any covenant or provision herein contained, nor any waiver of any right thereunder by the Sublessor, unless in writing, shall discharge or invalidate such covenant or provision or affect the right of the Sublessor to enforce the same in the event of any subsequent breach or default. The receipt by the Sublessor of any rent or any other sum of money or any other consideration hereunder paid by the Sublessee after the termination, in any manner, of the term herein demised, or after the giving by the Sublessor of any notice hereunder to effect such termination, shall not reinstate, continue or extend the term herein demised, or destroy, or in any manner impair the efficacy of any such notice of termination as may have been given hereunder by the Sublessor to the Sublessee prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by the Sublessor. Neither acceptance of the keys nor any other act or thing done by the Sublessor or any agent or employee of the Sublessor during the term herein demised shall be deemed to be an acceptance of a surrender of said Demised Premises, excepting only an agreement in writing signed by the Sublessor accepting or agreeing to accept such a surrender. Any right herein granted to the Sublessor to terminate this Sublease shall apply to any extension or renewal of the term herein demised, and the exercise of any such right during the term herein demised shall terminate any extension or renewal of the term herein demised, and any right on the part of the Sublessee thereto. No act or conduct of any nature or

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character on the part of the Sublessor or its agents, servants or employees other than by an agreement in writing signed by the Sublessor shall be construed as a waiver of the provisions of this paragraph irrespective of any circumstances existing at the time of such act or conduct.

24. NOTICE: Any notice required hereunder or by law to be served upon either of the parties shall be in writing and it shall be sent by certified mail, postage prepaid, addressed to the Demised Premises in the instance of the Sublessee, and to the place where rental is paid in the instance of the Sublessor, or to such other address as may be from time to time furnished in writing by either party to the other. Notice in writing shall be deemed to be communicated twenty-four (24) hours from the time of mailing.
25. [DELETED PRIOR TO EXECUTION]
26. FINANCIALS: From time to time during the term of the Sublease, but not more often than annually, the Sublessor has the right to request current financials from the Sublessee.
27. ANCILLARY FACILITIES: Sublessor agrees that Sublessee shall have the right, under the then prevailing terms, conditions and rates; and subject to their availability to use the following facilities at, nearby, or within the Rotterdam Industrial Park:
- a) railroad-related transport, loading/unloading and storage facilities; or
 - b) cold, frozen and dry goods storage facilities.
28. SECURITY BARRIERS: Sublessor agrees to permit Sublessee to erect, install or otherwise construct whatever security-related barriers within the Demised Premises Sublessee deems necessary between the Demised Premises

and any adjacent premises, provided the work is performed in accordance with all applicable governmental laws and regulations. Sublessee shall not be obligated to remove these security barriers upon surrender of the Demised Premises to Sublessor. Further, any work performed hereunder shall be subject to the provisions of Paragraph 9 of this Sublease as it refers to liens.

29. MASTER LEASE: Sublessor and Sublessee acknowledge that this Sublease is subject to all terms and conditions of that certain lease dated April 23, 1996 ("Master Lease") between The People of the State of New York acting by and through the Commission of the State of New York ("Master Lessor") and Sublessor. Notwithstanding the aforementioned, Sublessor warrants that any and all terms, conditions and representations made in this Sublease are not contrary to or in conflict with any terms, conditions and covenants of the Master Lease. This Sublease is contingent upon Sublessor obtaining the consent of the Master Lessor to this Sublease within ninety (90) days of its final execution.
30. NOTICE OF SUBLEASE EXTENSION: In the event Sublessor shall obtain the right to lease the Demised Premises from Maser Lessor for a period beyond the expiration date of Sublessee's Renewal Term, as hereinafter described, then Sublessor shall promptly notify Sublessee or such fact.
31. ENVIRONMENTAL MATTERS: Sublessor represents and warrants that to its knowledge no leak, spill, discharge, emission or disposal or hazardous or toxic substances has occurred on the Demised Premises and that to Sublessor's knowledge, the soil, ground water, soil vapor on or under the Demised Premises is free of toxic or hazardous substances as of the date hereof. Except to the extent caused by Sublessee, Sublessor agrees not to attempt to hold Sublessee and its officers, employees and agents liable for any claims, judgements, damages, fines, penalties, costs, liabilities (including sums paid in settlement of claims) or loss

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including attorneys' fees, consultants' fees, and experts' fees which arise during or after the term or any renewal term or in connection with the presence or suspected presence of toxic or hazardous substances in the soil, ground water, or soil vapor or in, under or upon the Demised Premises.

In the event Sublessee shall become aware of any environmental problem at the Demised Premises, which has, or in the exercise of reasonable discretion on the part of Sublessee could have, a material adverse affect upon Sublessee's business operations conducted at the Demised Premises, Sublessee shall have the right, on not less than thirty (30) days' prior written notice, to cancel this Sublease; provided that Sublessee must send such notice within thirty (30) days after the earlier to occur of (i) the date Sublessor advises Sublessee of the existence of such environmental problem or (ii) the date Sublessee first receives actual knowledge of such problem.

32. RENEWAL OPTION: If Sublessee shall not be in default of any of the terms, covenants and conditions of this Sublease at the time of giving the notice set forth within this Paragraph, as well as at the end of the Initial Term of this Sublease, the Sublessee is hereby granted the option to renew this Sublease for one (1) five (5) year period (the "Renewal Term") by giving notice, in writing, to Sublessor at least ninety (90) days prior to the expiration of the Initial Term. The rental for the Renewal Term shall be as outlined on Exhibit A with the Lessee paying its pro rata share of taxes (but with no limitation as to amount), insurance and security and common area maintenance (triple net costs) calculated and paid in the same manner as described herein.
33. CONSUMER PRICE INDEX:
- A. Definitions: For the purpose of calculating the cost of living adjustment referred to on Exhibit A, the following definitions shall apply: (i) the term "Base Month" shall mean the calendar month immediately preceding the calendar month in which the term of this Sublease commences; (ii) the term "Price Index" shall mean the "Consumer Price Index for All Urban Consumers" published by the Bureau of Labor Statistics of the United States Department of Labor, for New York-Northeastern, N J, All Items, (1967=100) or any renamed

local index covering the metropolitan New York area or any other successor or substitute index appropriately adjusted; (iii) the term "Price Index for the Base Month" shall mean the Price Index for the Base Month; and (iv) the term "Equalization Factor" shall mean one hundred percent (100%).

- B. The rent payable during the Renewal Term shall be adjusted to reflect a cost of living adjustment. The adjustment shall be based on the percentage difference between the Price Index for the Base Month and the Price Index for the month immediately preceding the commencement of the Renewal Term (the "Adjustment Month"). (i) In the event the Price Index for the Adjustment Month reflects an increase over the Price Index for the Base Month, then the annual rental rate to be charged for the Renewal Term shall be multiplied by the Equalization Factor of the percentage difference between the Price Index for the Base Month and the Price Index for the Adjustment Month, and the resulting sum shall be added to such annual rental rate, effective as of commencement of the Renewal Term. Sublessee covenants and agrees that said adjusted annual rental rate shall thereafter be payable hereunder in equal monthly installments.

The following illustrates the intentions of the parties hereto as to the computation of the aforementioned cost of living adjustment in the rental rate payable hereunder during the Renewal Term:

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Assuming that the fixed annual rent is \$10,000, that the Equalization Factor is 100%, that the Price Index for the Base Month was 102.0 and that the Price Index for the Adjustment Month was 105.0, then 100% of the percentage increase thus reflected, i.e., $100\% \times 2.941\%$, or 2.94%, would be multiplied by \$10,000, and the annual rental rate would be increased \$294.00 (plus any other adjustments computed in accordance with the terms of this Sublease) effective as of the first day of the Renewal Term.

In the event that any cost of living adjustment is not available as of the Adjustment Month, the monthly rent payments shall be made on the basis of the next preceding monthly rental until the cost of living adjustment is available when the monthly rental payment next due shall be computed on the basis of the cost of living adjustment increased to retroactively adjust the rental paid during the period at the old rate, and all subsequent monthly payments in such period shall be at the new rate.

- C. No adjustments or recomputations, retroactive or otherwise, shall be made due to any revision with may later be made in the first published figure of the Price Index for any month.
- D. Any delay or failure of Sublessor in computing or billing for the rent adjustments hereinabove provided, shall not constitute a waiver of or in any way impair the continuing obligation of Sublessee to pay such rent adjustments hereunder.
- E. Notwithstanding any expiration or termination of this Sublease prior to the date that this Sublease is scheduled to expire (except in case of a cancellation by mutual written agreement) Sublessee's obligation to pay rent as adjusted under this Paragraph shall continue and shall cover all periods during the Renewal Term up to the date that this Sublease is scheduled to expire, and shall survive any default under this Sublease.
34. BROKERAGE: Sublessee warrants and represents that it has not dealt with any real estate broker or agent in connection with this Sublease or its negotiations except Richard Sleasman of Robert Cohn Associates, Inc. Sublessee shall indemnify and hold Sublessor harmless from any cost, expense or liability (including cost of suit and reasonable attorney's fees) for any compensation, commission or fees claimed by any other real estate broker or agent in connection with this Sublease or its negotiation by reason of any act of Sublessee. Sublessor agrees to pay a real estate commission pursuant to the Real Estate Brokerage Commission Agreement dated on or about the date of this Sublease, by and between Sublessor and Robert Cohn Associates, Inc.

35. ELECTRICITY RATES: Sublessee shall file by no later than September 1, 1996, the New Load Forms required by Niagara Mohawk Power Corporation to receive competitive pricing for electricity under the Service Clarification No. 11 ("SC11 "), which is a tariff agreement to respond to customer needs and the increasing competitive forces in the energy service markets. Sublessee agrees to work diligently with Niagara Mohawk Power Corporation to receive an SC11 rate. The parties agree that should Sublessee not receive a satisfactory negotiated rate by no later than October 15, 1996, Sublessee may, at its option, give ten (10) days prior written notice to terminate this Lease.
36. SUBLESSEE'S FIT-UP: Sublessor, at its soles cost and expense shall perform the refurbishing requirements as outlined as Sublessor's responsibility on Exhibit B attached hereto prior to the Term Commencement Date.
37. GUARANTY: This Sublease is entitled to the benefits of a certain Guaranty of Sublease dated on or about the date hereof executed by Papa John's USA, Inc.

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This Agreement shall be interpreted according to the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement the day and year first above written.

AS TO SUBLESSOR:
ATTEST:

DISTRIBUTION UNLIMITED, INC.

/s/ Asa U. Kavanaugh

BY: /s/ David M. Buicko

David M. Buicko
Executive Vice President

DATE: September 4, 1996

AS TO SUBLESSEE:
ATTEST:

P.J. FOOD SERVICE, INC.

BY: /s/ Robert J. Wadell

NAME:
TITLE: President

DATE: August 29, 1996

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RENTAL AND TERM SCHEDULE

40,420 Square Feet in Building 14, Bay 4 in Rotterdam Industrial Park

Sublessor: P.J. Food Service, Inc.
11460 Bluegrass Parkway
Louisville, KY 40299

Contact: Robert Wadell (502-266-5200)

Initial Term: Five (5) years

Renewal Term: One (1) five (5) year term under the same terms and conditions subject only to an adjustment in the rental rate based on the change in the Consumer Price Index (as described in Paragraph

33 herein) as of the commencement date of the Sublease, but in no event shall the increase in the Sublease rate exceed fifteen percent (15%) of the Sublease rate for the initial term. Said adjusted rental rate shall remain constant throughout the Renewal Term.

Term Dates: Initial Term: January 31, 1997 through December 31, 2001
Renewal Term: January 1, 2002 through December 31, 2006

Sublease Rates: Initial Term: \$2.75 per square foot per annum, triple net
Renewal Term: \$2.75 per square foot per annum, increased one-time by any increase in the Consumer Price Index since the Lease Commencement Date, triple net

Triple net costs at Building 14, Rotterdam Industrial Park are currently \$.48 per square foot per annum, of which \$.15 per square foot per annum is allocable to taxes, to the extent charged. Taxes are limited, as described in Paragraph 5 of this Lease, during the Initial Term of the Lease.

Prepared August 28, 1996

EXHIBIT A - RENTAL AND TERM SCHEDULE

REFURBISHING REQUIREMENTS FOR
P.J. FOOD SERVICE, INC.

Services and charges to be addressed by both parties.

Item	Responsible Party	Description
1. Pedestrian Door	Sublessee	one (1) - south side
2. Overhead Doors	Sublessor	two (2)
3. Exterior of Bldg.		
4. Interior of Bldg.	N/A	
5. Office Space	Sublessee	
6. Toilets	Sublessee	
7. Heat-Duct Work	Sublessee	removal of duct work above office space
	Sublessor	reposition gas heaters
8. Light Bulbs	N/A	
9. Electricity	N/A	
10. Oil	N/A	
11. Painting	Sublessor	interior
12. Floors	Sublessor	fill holes; pressure wash soil stains

- | | | | |
|-----|------------------|-----------|--|
| 13. | Windows | N/A | |
| 14. | Parking Area | N/A | |
| 15. | Other - Ceilings | Sublessor | replace specific areas
with fiber board and
paint. |
| | - Mechanic Room | Sublessor | remove compressors;
conduit only |

In addition to the items listed above, representatives of Sublessor and Sublessee agree to meet within ten (10) days after the date of the full execution and delivery of this Sublease to resolve issues relating to building interior repairs, exterior painting, truck docks, truck canopies and truck apron paving. Lessor and Lessee agree to work in good faith to resolve these issues expeditiously, failing which either party may cancel this Sublease prior to the date Sublessee takes occupancy of the Demised Premises for any purpose.

SUBLESSOR: /s/ David M. Buicko	SUBLESSEE: /s/ Robert J. Wadell
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DATE: September 4, 1996	DATE: August 29, 1996
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EXHIBIT B - REFURBISHING REQUIREMENTS

LEASE - BUSINESS PROPERTY

THIS LEASE AGREEMENT, executed in duplicate, made and entered into this 30th day of August, 1996, by and between A. Terry Moss and Ira E. White (hereinafter called the "Landlord") whose address for the purpose of this lease is 1801 Guthrie Avenue Des Moines, Iowa 50316 and P.J. Food Service, Inc., a Kentucky corporaiton (hereinafter called the "Tenant") whose address for the purpose of this lease is 1901 Guthrie Avenue, Des Moines, Iowa 50316

WITNESSETH THAT:

1. PREMISES AND TERM. The Landlord, in consideration of the rents herein reserved and of the agreements and conditions herein contained, on the part of the Tenant to be kept and performed, leases unto the Tenant and Tenant hereby rents and leases from Landlord, according to the terms and provisions herein, the following described real estate, situated in Polk County, Iowa, to wit:

See attached Addendum.

with the improvements thereon and all rights, easements and appurtenances thereto belonging, which more particularly, includes the space and premises as may be shown on "Exhibit A," if an as may be attached hereto, for a term of * years, commencing at midnight of the day previous to the first day of the lease term, which shall be on the * day of * , 19*, and ending at midnight on the last day of the lease term, which shall be on the * day of * , 19 * , upon the condition that the Tenant pays rent therefor, and otherwise performs as in this lease provided.

* See attached addendum.

2. RENTAL. Tenant agrees to pay to Landlord as rental for said term, as follows: \$ * per month, in advance, the first year payment becoming due upon and the same amount, per month, in advance, on the 1st day of each month thereafter, during the term of this lease. In addition, to the above monthly rental Tenant shall also pay:

All sums shall be paid at the address of Landlord, as above designated, or at such other place in Iowa, or elsewhere, as the Landlord may, from time to time, previously designate in writing.

Delinquent payments shall draw interest at 12% per annum from the due date, until paid.

3. POSSESSION. Tenant shall be entitled to possession on the first day of the term of this lease, and shall yield possession to the Landlord at the time and date of the close of this lease term, except as herein otherwise expressly provided. Should Landlord be unable to give possession on said date, Tenant's only damages shall be a rebating of the pro rata rental.

4. USE OF PREMISES. Tenant covenants and agrees during the term of this lease to use and to occupy the leased premises only for see addendum. For restrictions on such use, see paragraph 6(c), 6 (d) and 11 (b) below.

5. QUIET ENJOYMENT. Landlord covenants that its estate in said premises is fee subject to mortgage and that the Tenant on paying the rent herein reserved and performing all the agreements by the Tenant to be performed as provided in this lease, shall and may peaceably have, hold and enjoy the demised premises for the term of this lease free from molestation, eviction or disturbance by the Landlord or any other persons or legal entity whatsoever. (But see paragraph 14, below).

Landlord, shall have the right to mortgage all of its right, title,

interest in said premises at any time without notice, subject to this lease.

6. CARE AND MAINTENANCE OF PREMISES. (a) Tenant takes said premises in their present condition except for such repairs and alterations as may be expressly herein provided.

(b) LANDLORD'S DUTY OF CARE AND MAINTENANCE. See attached addendum.

(c) TENANT'S DUTY OF CARE AND MAINTENANCE. Tenant shall, after taking possession of said premises and until the termination of this lease and the actual removal from the premises, at its own expense, care for and maintain said premises in a reasonably safe and serviceable condition. Tenant will furnish its own interior and exterior decorating. Tenant will not permit or allow said premises to be damaged or depreciated in value by any act or negligence of the Tenant, its agents or employees. Without limiting the generality of the foregoing, Tenant will make necessary repairs to the sewer, the plumbing, the water pipes and electrical wiring, except as follows:

No exceptions.

Tenant agrees to keep faucets closed so as to prevent waste of water and flooding of premises; to promptly take care of any leakage or stoppage in any of the water, gas or waste pipes. The Tenant agrees to maintain adequate heat to prevent freezing of pipes, if and only if the other terms of this lease fix responsibility for heating upon the Tenant. Tenant at its own expense may install flooring covering and will maintain such floor covering in good condition. Tenant will be responsible for the plate glass in the windows of the leased premises. Tenant shall make no structural alterations or improvements without the written approval of the landlord first had and obtained, of the plans and specifications therefor.

(d) Tenant will make no unlawful use of said premises and agrees to comply with all valid regulations of the Board of Health, City Ordinances or applicable municipality, the laws of the State of Iowa and the Federal government, but this provision shall not be construed as creating any duty by Tenant to members of the general public. If Tenant, by the terms of this lease is leasing premises on the ground floor, it will not allow trash of any kind to accumulate on said premises in the halls, if any, or the alley or yard in front, side or rear thereof, and it will remove same from the premises at its own expense. Tenant also agrees to remove snow and ice and other obstacles from the sidewalk on or abutting the premises, if premises include the ground floor, and if this lease may be fairly construed to impose such liability on the Tenant.

7(a). UTILITIES AND SERVICES. Tenant, during the term of this lease, shall pay, before delinquency, all charges for use of telephone, water, sewer, gas, heat, (if heating is Tenant's responsibility), electricity, power, air conditioning (if air conditioning is the Tenant's responsibility), garbage disposal, trash disposal and not limited by the foregoing all other utilities and services of whatever kind and nature which may be used in or upon the demised premises.

(b) Original heating equipment shall be furnished at the expense of landlord and maintenance thereof at the expense of tenant.

(c) JANITOR SERVICE shall be furnished at the expense of tenant.

(d) HEATING shall be furnished at the expense of tenant.

8(a). SURRENDER OF PREMISES AT END OF TERM - REMOVAL OF FIXTURES. Tenant agrees that upon the termination of this lease, it will surrender, yield up and deliver the leased premises in good and clean condition, except the effects of ordinary wear and tear and depreciation arising from lapse of time, or damage without fault or liability of Tenant. (See also 11(a) and 11(e) below).

(b) HOLDING OVER. Continued possession, beyond the expiratory date of the term of this lease, by the Tenant, coupled with the receipt of the specified rental by the Landlord (and absent a written agreement by both parties for an extension of this lease, or for a new lease) shall constitute a month to month extension of this lease.

9. ASSIGNMENT AND SUBLETTING. Any assignment of this lease or subletting of the premises or any part thereof, without the Landlord's written permission shall, at the option of the Landlord, make the rental for the balance of the lease term due and payable at once. Such written permission shall not be unreasonably withheld.

10(a). ALL REAL ESTATE TAXES, except as may be otherwise expressly provided in this paragraph 10, levied or assessed by lawful authority (but reasonably preserving Landlord's rights of appeal) against said real property shall be timely paid by the parties in the following proportions: by landlord 0%, by Tenant 100% to be prorated and paid as provided in the attached Addendum.

(b) Increase in such taxes, except as in the next paragraph provided, above the amount paid during the base year of N/A (base year if and as may be defined in this paragraph) shall be paid by Landlord,) 0% by Tenant 100%, to be prorated and paid as provided in the attached addendum..

(c) Increase in such taxes caused by improvements of Tenant shall be paid by Landlord 0%, by Tenant 100%.

(d) PERSONAL PROPERTY TAXES. Tenant agrees to timely pay all taxes, assessments or other public charges levied or assessed by lawful authority (but reasonably preserving Tenant's rights of appeal) against its personal property on the premises, during the term of this lease.

(e) SPECIAL ASSESSMENTS. Special assessments shall be timely paid by the parties in the following proportions; by the Landlord 0%, by the Tenant 100%, to be prorated and paid as provided in the attached addendum.

11. INSURANCE. (a) Landlord and Tenant will each keep its respective property interests in the premises and its liability in regard thereto, and the personal property on the premises, reasonably insured against hazards and casualties; that is, fire and those items usually covered by extended coverage; and Tenant will procure and deliver to the Landlord a certification from the respective insurance companies to that effect. Such insurance shall be made payable to the parties hereto as their interest may appear, except that the Tenant's share of such insurance proceeds are hereby assigned and made payable to the Landlord to secure rent or other obligations then due and owing Landlord by Tenant [See also 11(e) below].

(b) Tenant will not do or omit the doing of any act which would vitiate any insurance, or increase the insurance rates in force upon the real estate improvements on the premises or upon any personal property of the Tenant upon which the Landlord by law or by the terms of this lease, has or shall have a lien.

(c) Subrogation rights are not to be waived unless a special provision is attached to this lease.

(d) Tenant further agrees to comply with recommendations of Iowa Insurance Service Bureau and to be liable for and to promptly pay, as if current rental, any increase in insurance rates on said premises and on the building of which said premises are a part, due to increased risks or hazards resulting from Tenant's use of the premises otherwise than as herein contemplated and agreed.

(e) INSURANCE PROCEEDS. Landlord shall settle and adjust any claim against any insurance company under its said policies of insurance for the premises, and said insurance monies

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shall be paid to and held by the Landlord to be used in payment for cost of repairs or restoration of damaged building, if the destruction is only partial. [See also 11(a) above].

12. INDEMNITY AND LIABILITY INSURANCE. Except as to any negligence of the Landlord, arising out of roof and structural parts of the building, Tenant will protect, indemnify and save harmless the Landlord from and against any and all loss, costs, damage and expenses occasioned by, or arising out of, any accident or other occurrence causing or inflicting injury and/or damage to any person or property, happening or done in, upon or about the leased premises,

or due directly or indirectly to the tenancy, use or occupancy thereof, or any part thereof by the Tenant or any person claiming through or under the Tenant. The Tenant further covenants and agrees that it will at its own expense procure and maintain casualty and liability insurance in a responsible company or companies authorized to do business in the State of Iowa, in amounts not less than \$1,000,000 for any one person injured, and \$2,000,000 for any one accident, and with the limits of \$100,000 for property damage, protecting the Landlord against such claim, damages, costs or expenses on account of injury to any person or persons, or to any property belonging to any person or persons, by reason of such casualty, accident or other happening on or about the demised premises during the term thereof. Certificates or copies of said policies, naming the Landlord and providing for fifteen (15) days' notice to the Landlord before cancellation shall be delivered to the Landlord within twenty (20) days from the date of the beginning of the term of this lease. As to insurance of the Landlord for roof and structural faults, see paragraph 11(a) above.

13. FIRE AND CASUALTY, PARTIAL DESTRUCTION OF PREMISES. (a) In the event of a partial destruction or damage of the leased premises, which is a business interference, that is, which prevents the conducting of a normal business operation and which damage is reasonably repairable within sixty (60) days after its occurrence, this lease shall not terminate but the rent for the leased premises shall abate during the time of such business interference. In the event of partial destruction, Landlord shall repair such damages within 90 days of its occurrence unless prevented from so doing by acts of God, the elements the public enemy, strikes, riots, insurrection, government regulations, city ordinances, labor, material or transportation shortages, or other causes beyond Landlord's reasonable control.

(b) ZONING. Should the zoning ordinance of the city or municipality in which this property is located make it impossible for Landlord, using diligent and timely effort to obtain necessary permits and to repair and/or rebuild so that Tenant is not able to conduct its business on the premises or then such partial destruction shall be treated as a total destruction as in the next paragraph provided.

(c) TOTAL DESTRUCTION OF BUSINESS USE. In the event of a destruction or damage of the leased premises including the parking area (if a parking area is a part of the subject matter of this lease) so that Tenant is not able to conduct its business on the premises or the then current legal use for which the premises are being used and which damages cannot be repaired within sixty (60) days this lease may be terminated at the option of either the Landlord or Tenant. Such termination in such event shall be effected by written notice of one party to the other, within twenty (20) days after such destruction. Tenant shall surrender possession within ten (10) days after such notice issues, and each party shall be released from all future obligations hereunder, Tenant paying rental pro rata only to the date of such destruction. In the event of such termination of this lease, Landlord at its option, may rebuild or not, according to its own wishes and needs.

14. CONDEMNATION. (a) DISPOSITION OF AWARDS. Should the whole or any part of the demised premises be condemned or taken by a competent authority for any public or quasi-public use or purpose, each party shall be entitled to retain, as its own property, any award payable to it. Or in the event that a single entire award is made on account of the condemnation, each party will then be entitled to take such proportion of said award as may be fair and reasonable

(b) DATE OF LEASE TERMINATION. If the whole of the demised premises shall be so condemned or taken, the Landlord shall not be liable to the Tenant except and as its rights are preserved as in paragraph 14(a) above.

15. TERMINATION OF LEASE AND DEFAULTS OF TENANTS. (a) TERMINATION UPON EXPIRATION OR UPON NOTICE OF DEFAULTS. This lease shall terminate upon expiration of the demised term; or if this lease expressly and in writing provides for any option or options, and if any such option is exercised by the Tenant, then this lease will terminate at the expiration of the option term or terms. Upon default in payment of rental herein or upon any other default by Tenant in accordance with their terms and provisions of this lease, this lease may at the option of the Landlord be canceled and forfeited, provided however, before any such cancellation and forfeiture except as provided in 15(b) below, Landlord shall give Tenant a written notice specifying the default, or defaults, and stating that this lease will be cancelled and forfeited ten (10) days after the giving of such notice, unless such default, or defaults are remedied within

such grace period. (See paragraph 22, below). As an additional optional procedure or as an alternative to the foregoing (and neither exclusive of the other) Landlord may proceed as in paragraph 21, below, provided.

(b) BANKRUPTCY OR INSOLVENCY OF TENANT. In the event Tenant is adjudicated a bankrupt or in the event of a judicial sale or other transfer of Tenant's leasehold interest by reason by any bankruptcy or insolvency proceedings or by other operation of law, but not by death, and such bankruptcy, judicial sale or transfer has not been vacated or set aside within ten (10) days from the giving of notice thereof by Landlord to Tenant, then and in any such events, Landlord may, at its option, immediately terminate this lease, re-enter said premises, upon giving of ten (10) days' written notice by Landlord to Tenant, all to the extent permitted by applicable law.

(c) In (a) and (b) above, waiver as to any default shall not constitute a waiver of any subsequent default or defaults.

(d) Acceptance of keys, advertising and re-renting by the Landlord upon the Tenant's default shall be construed only as an effort to mitigate damages by the Landlord, and not as an agreement to terminate this lease.

16. RIGHT OF EITHER PARTY TO MAKE GOOD ANY DEFAULT OF THE OTHER
If default shall be made by either party in the performance of, or in compliance with, any of the terms, covenants or conditions of this lease, and such default shall have continued for thirty (30) days after written notice thereof from one party to the other, the person aggrieved, in addition to all other remedies now or hereafter provided by law, may, but need not, perform such term, covenant or condition, or make good such default and any amount advanced shall be repaid forthwith on demand, together with interest at the rate of 12% per annum, from date of advance.

(b) Landlord during the last ninety (90) days of this lease, or extension, shall have the right to maintain in the windows or on the building or on the premises either or both a "For Rent" or "For Sale" sign and Tenant will permit at such time, prospective tenants or buyers to enter and examine the premises.

18. MECHANIC'S LIENS. Neither the Tenant nor anyone claiming by, through, or under the Tenant, shall have the right to file or place any mechanic's lien or other lien of any kind or character whatsoever, upon said premises or upon any building or improvement thereon, or upon the leasehold interest of the Tenant therein, and notice is hereby given that no contractor, sub-contractor, or anyone else who may furnish any material, service or labor for any building, improvements, alteration, repairs or any part thereof, shall at any time be or become entitled to any lien thereon, and for the further security of the Landlord, the Tenant covenants and agrees to give actual notice thereof in advance, to any and all contractors and sub-contractors who may furnish or agree to furnish any such material, service or labor.

19. LANDLORD'S LIEN AND SECURITY INTEREST. (a) Said Landlord shall have in addition to the lien given by law, a security interest as provided by the Uniform Commercial Code of Iowa, upon all personal property and all substitutions therefor, kept and used on said premises by Tenant. Landlord may proceed at law or in equity with any remedy provided by law or by this lease for the recovery of rent, or for termination of this lease because of Tenant's default in its performance.

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20. SUBSTITUTION OF EQUIPMENT, MERCHANDISE, ETC. (a) The Tenant shall have the right, from time to time, during the term of this lease, or renewal thereof, to sell or otherwise dispose of any personal property of the Tenant situated on the said demised premises, when in the judgment of the Tenant it shall have become obsolete, outworn or unnecessary in connection with the operation of the business on said premises; provided, however, that the Tenant shall, in such instance (unless no substituted article or item is necessary) at its own expense, substitute for such items of personal property so sold or otherwise disposed of, a new or other item in substitution thereof, in like or greater value and adopted to the affixed operation of the business upon the demised premises.

(b) Nothing herein contained shall be construed as denying to Tenant the right to dispose of inventoried merchandise in the ordinary course of the Tenant's trade or business.

21. RIGHTS CUMULATIVE. The various rights, powers, options, elections and remedies of either party, provided in this lease, shall be construed as cumulative and no one of them as exclusive of the others, or exclusive of any rights, remedies or priorities allowed either party by law, and shall in no way affect or impair the right of either party to pursue any other equitable or legal remedy to which either party may be entitled as long as any default remains in any way unremedied, unsatisfied or undischarged.

22. NOTICES AND DEMANDS. Notices as provided for in this lease shall be given to the respective parties hereto at the respective addresses designated on page one of this lease unless either party notifies the other, in writing, of a different address. Without prejudice to any other method of notifying a party in writing or making a demand or other communications, such message shall be considered given under the terms of this lease when sent, addressed as above designated, postage prepaid, by registered or certified mail, return-receipt requested, by the United States mail and so deposited in a United States mail box.

23. PROVISIONS TO BIND AND BENEFIT SUCCESSORS, ASSIGNS, ETC. Each and every covenant and agreement herein contained shall extend to and be binding upon the respective successors, heirs, administrators, executors and assigns of the parties hereto; except that if any part of this lease is held in joint tenancy, the successor in interest shall be the surviving joint tenant.

24. CHANGES TO BE IN WRITING. None of the covenants, provisions, terms or conditions of this lease to be kept or performed by Landlord or Tenant shall be in any manner modified, waived or abandoned, except by a written instrument duly signed by the parties and delivered to the Landlord and Tenant. This lease contains the whole agreements of the parties.

25. RELEASE OF DOWER. Spouse of Landlord, appears as a party signatory to this lease solely for the purpose of releasing dower, or distributive share, unless said spouse is also a co-owner of an interest in the leased premises.

26. CONSTRUCTION. Words and phrases herein, including acknowledgment hereof, shall be construed as in the singular or plural number, and as masculine, feminine or neuter gender according to the context.

27. See attached Addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed this lease in duplicate the day and year first above written.

ALL SIGNATURES APPEAR ON THE ADDENDUM.

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ADDENDUM TO LEASE AGREEMENT FOR
1901 GUTHRIE, DES MOINES, IOWA, BY AND BETWEEN,
A. TERRY MOSS AND IRA E. WHITE, COLLECTIVELY, LANDLORD,
AND P.J. FOOD SERVICE, INC., TENANT,
DATED THE 30TH DAY OF AUGUST, 1996.

28. Description of the Property and the Premises. The real property demised to Tenant pursuant to paragraph 1, above (the "Premises") is locally known as 1901 Guthrie Avenue, Des Moines, Iowa. The Premises is approximately 30,750 gross square feet and is shown on Exhibit "A" hereto. The Premises is a portion of a multi-tenant office/warehouse building (the "Building") in what is a multi-building development. The warehouse/office buildings, parking lot, all site improvements and the land on which the same are located, are hereinafter collectively referred to as the "Complex". The Complex is legally described as:

Part of vacated Block 23, T.E. Brown's Official Plat of the Northeast 1/4 of Section 36, Township 79 North, Range 24 West of the 5th P.M. except the Northeast 40 acres of the same, and part of Blocks 28 and 29, T.E. Brown's Official Plat of the North 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 36, Township 79 North, Range 24 West of the 5th P.M., and part of DeWolf Street right-of-way and part of East 19th Street right-of-way, more particularly described as follows:

Beginning at the Southwest corner of Lot 24, Block 23 of said T.E. Brown's Official Plat; thence North 0 (degrees) 03' (minutes) 41" (seconds) West along the West line of said Block 23, a distance of 579.02 feet to the present South right-of-way line of Guthrie Avenue; thence North 89 degrees 52'09" East along said right-of-way line, 114.91 feet to a jog in said right-of-way line; thence South 0 degrees 00'02" West, 10.00 feet; thence North 89 degrees 52'09" East along said right-of-way line, 134.91 feet to a jog in said right-of-way line; thence

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South 0 degrees 03'50" West, 19.50 feet; thence North 89 degrees 52'09" East along said right-of-way line, 90.00 feet; thence South 77 degrees 53'36" East along said right-of-way line, 184.00 feet to the West line of vacated East 19th Street; thence North 89 degrees 52'09" East along said right-of-way line, 50.00 feet to a jog in said right-of-way line; thence South 0 degrees 02'34" East, 11.00 feet; thence North 89 degrees 52'09" East along said right-of-way line, 120.90 feet to a jog in said right-of-way line; thence North 0 degrees 02'13" West, 97.00 feet; thence North 89 degrees 52'09" East, 100.00 feet; thence South 0 degrees 02'14" East, 447.03 feet; thence South 1 degree 15'11" East, 99.52 feet; thence South 89 degrees 52'11" West, 514.23 feet to the Southwest corner of Lot 23 of said Block 28; thence South 0 degrees 27'28" East along the East right-of-way line of vacated DeWolf Street, 50.00 feet to the North right-of-way line of Thompson Avenue; thence South 89 degrees 52'11" West along said North right-of-way line, 278.56 feet to the point of beginning, all now included in and forming a part of the City of Des Moines, Polk County, Iowa and containing 9.37 acres.

The demise of the Premises includes a non-exclusive right to use the parking lot, the driveways, sidewalks and other common areas which are a part of the Complex. Landlord reserves the right to increase or decrease the size of the Complex, including the land and the improvements thereto and to increase or decrease the size and number of buildings in the Complex.

29. Rental Amount. During the initial term of this Lease, the annual base rent shall be One Hundred Fifteen Thousand Three Hundred Twelve Dollars and Fifty Cents (\$115,312.50), payable in advance in equal monthly installments of Nine Thousand Six Hundred Nine Dollars and Thirty-eight Cents

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(\$9,609.38). Tenant has paid to Landlord, a rental deposit in the amount of Nine Thousand Six Hundred Nine Dollars and Thirty-eight Cents (\$9,609.38), which shall be applied to the base rent for the last month of this Lease.

30. Term. The term of this Lease shall commence on the 1st day of October, 1996 (or as soon thereafter as the Premises are ready for occupancy by Tenant) and shall expire five (5) years after the date on which this Lease commences. Tenant is granted an Option to Renew this Lease for an additional term of five (5) years. The term of the Option to Renew shall commence upon the expiration of the initial term of this Lease. (The word "term" when used in this Lease without the adjective "initial" shall refer collectively to the initial term of this Lease plus the term of the Option to Renew if it is exercised, unless the context clearly requires a different meaning.) All terms and provisions of this Lease shall remain in full force and effect during the term of the Option to Renew, provided however, the monthly base rental amount due to Landlord during the term of the Option to Renew shall be increase by fifteen percent (15%) over the monthly base rent due during the initial term of this Lease. The Option to Renew may be exercised by Tenant only by written notice to Landlord no later than nine (9) months prior to the commencement of the term of the Option to Renew, given in the manner described in paragraph 22, above.

31. Repair, Maintenance and Replacements. It is expressly understood and agreed that the rental payments due hereunder are to be completely net to Landlord and this Lease shall be construed so as to assure Landlord that the rents herein reserved are received on an absolutely net basis (except in so far as Landlord shall be obligated to complete the improvements described in paragraph 36, below). Without limiting the generality of the foregoing, Tenant shall pay all costs of use, operation, maintenance and repair of the premises, including, but not limited to, general interior maintenance; all maintenance,

repairs and replacements to the Premises, including electrical, plumbing, heating and cooling equipment; utilities; and insurance. Provided, however, Tenant shall not be responsible to pay the cost of repair or replacement of the roof membrane or the

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repair or replacement of structural parts of the walls, floor or footings. Tenant shall also pay its prorated share of the operating expenses of the Complex, as hereinafter described. Tenant shall pay the cost of any damage done to the Complex caused by Tenant, its employees, agents, contractors, principals, guests, invitees or customers. Warranties for those improvements, machinery and equipment of Landlord which are to be repaired, maintained and/or replaced by Tenant under the terms of this Lease, shall be deemed to have been assigned to Tenant. Landlord shall be responsible for replacement of structural parts of the Building and for repairs and replacements to water, sewer and electrical services for the Premises located outside the Building, in each case, as needed during the term of this Lease.

32. Common Area Maintenance and Operating Expenses. A prorated share of all common area maintenance expenses and all other operating expenses (collectively "Operating Expenses") paid or incurred by Landlord with respect to the ownership, maintenance or operation of the Complex during the term of this Lease, shall be timely paid by Tenant as provided herein. Tenant's share of such Operating Expenses shall be that portion of the Operating Expenses for the Complex calculated by multiplying the total Operating Expenses for the Complex times a fraction, the numerator of which is the size of the Premises in square feet, and the denominator of which is the total size in square feet (measured on the same basis as the size of the Premises used to calculate the numerator) of all completed rental space in the office/warehouse building or buildings which are a part of the Complex. Tenant shall pay on the first day of each month during the term hereof, a sum equal to one-twelfth of Landlord's good faith estimate of Tenant's obligation for such Operating Expenses under the terms hereof for the then current calendar year, plus or minus any estimated deficiency or surplus in the amount paid by Tenant to that time, as the case may be. Within ninety (90) days following the close of each calendar year during which any such payments were made by Tenant to Landlord, Landlord shall provide Tenant with an accounting of all such Operating Expenses

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and all payments received from Tenant on account thereof. If Tenant does not object to the accounting within thirty (30) days following its receipt of the same, the accounting shall become conclusively binding on Tenant, except in the event of fraud or intentional misrepresentation by Landlord. If such accounting shows that Tenant's share of the Operating Expenses for such calendar year exceeds the payments made by Tenant, Tenant shall within ten (10) days pay to Landlord the amount by which Tenant's share of such expenses exceeds the payments made by Tenant. If such accounting shows that Tenant's share of the Operating Expenses for such calendar year was less than the payments made by Tenant, Landlord shall within ten (10) days, pay to Tenant the amount by which Tenant's payments exceed Tenant's share of the Operating Expenses. Landlord may in good faith from time to time during each calendar year, adjust the payment amount Tenant is to make under the terms of this paragraph so as to more accurately approximate Tenant's anticipated share of the annual Operating Expenses, and to take into account any deficiency or surplus in the amounts paid by Tenant. Whenever under the terms of this Lease a proration of expenses is provided for based upon the area of the Premises and the area of the building or buildings in the Complex, such areas shall be determined as of the dates the particular expenses are incurred by Landlord (it being Landlord's prerogative to change the size and number of buildings and the size of the Complex). Tenant shall pay the entire cost of property/casualty insurance for the Tenant Improvements (defined below) and any other improvements made by Tenant.

33. Operating Expenses Defined. Operating Expenses shall include all expenses of maintaining, repairing, caring for and operating the Complex, including, but not limited to: exterior maintenance, repairs and replacements; common area maintenance, repairs and replacements; lawn care; landscaping care; snow removal; salaries, payroll taxes, insurance and the like for maintenance personnel; supplies; licenses; equipment rental; areaway fees; easement fees; liability and property/casualty insurance (with such endorsements and coverages as Landlord may reasonably

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select, including but not limited to the insurance to be carried by Landlord pursuant to paragraph 11, above); common area utilities including, but not limited to water, sewer, electric, gas and lighting; security (if any); signage; cleaning; parking lot maintenance, repairs, replacements, wear coating, sealing, crack filling and striping; routine roof leak repair; equipment and mechanical maintenance, repairs and replacements; routine accounting expenses; and administrative expenses (not to exceed ten percent (10%) of the Operating Expenses excluding real estate taxes and insurance) and fees. Operating Expenses shall not include: (i) major repairs to or replacement of the roof membrane; (ii) repair or replacement of structural parts of the walls, floor or footings; (iii) repair or replacement of exterior walls or the foundation; (iv) major repairs to infrastructure at the building site, or, (v) real estate commissions or fees.

34. Use of Premises. Tenant covenants and agrees during the term of this Lease to use and to occupy the Premises only for office space and for the preparation, storage and distribution of food, food product and food ingredients. Tenant may use the Premises for other purposes only with the express written consent of Landlord, which consent shall not be withheld unless Landlord has a good and substantial reason for withholding such approval. Tenant agrees that it shall not use the Premises for any purpose or in any manner which is prohibited or restricted by law, ordinance, regulation, restrictive covenant, applicable urban renewal plan, or in any manner which interferes with the use of the Complex by any other tenants. No use of the Premises shall be permitted which presents an undue hazard of fire or explosion or which creates hazardous or otherwise unreasonable levels of smoke, noise, vibrations, dust, pollutants, refuse, waste, fumes, odors or other emissions. Tenant shall have non-exclusive use of the parking areas at the Complex for vehicle parking for Tenant, Tenant's customers, employees, contractors, vendors, suppliers, owners, and principals, while using the Premises. Tenant and its customers, employees, contractors, vendors and suppliers shall have non-exclusive use of the truck turnaround areas for truck

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access to the Premises and for truck turnaround. Tenant and Tenant's employees, contractors, vendors, suppliers, owners, and principals, shall park their vehicles in such parking areas at the Complex as Landlord may from time to time designate. Tenant has no other rights or interest in the common areas. By way of example, and not by way of limitation, Tenant shall not: maintain, keep, store or abandon any vehicles or other property, temporarily or permanently in, on or under the common area; damage the common area; use the common area in such a manner as to interfere with the use of the common area by Landlord, other tenants or the customers, employees, contractors, vendors, suppliers, owners or principals of such other tenants; or use the common area for any purpose not expressly permitted under the terms hereof. Tenant shall not park any vehicle on a regular or continuing basis at the Complex, if such automobile, truck or other vehicle is physically damaged, rusted or otherwise ill kept. Tenant shall not repair, paint or maintain any vehicle at the Complex.

35. Subordination to Landlord's Mortgage. Tenant shall subordinate its leasehold interest in the Premises and in this Lease to any mortgage as Landlord may from time to time grant and Tenant shall execute a subordination instrument to that effect in such form and content as Landlord shall reasonably request, on the condition that (i) each mortgagee shall recognize this Lease and agree not to disturb the occupancy of the Premises by Tenant so long as Tenant is in compliance with the terms and conditions of this Lease, (ii) each mortgagee enters into a customary non-disturbance agreement on terms reasonably acceptable to Tenant. Tenant agrees that at any time, or from time to time, upon request by Landlord, it shall, within ten (10) days following any such request, execute, acknowledge and deliver to Landlord a statement in writing stating (i) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect, with such modifications); (ii) the commencement and termination date thereof; (iii) that all conditions to be performed by Landlord

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under this Lease have been performed, or stating those conditions not performed; (iv) that there are no expenses or offsets against Landlord, or stating those claimed by Tenant; (v) the date to which rent and other charges have been paid in advance, if any; and (vi) such other matters requested by Landlord. It is

intended that any such statement may be relied upon by any prospective purchaser or assignee of this Lease, the fee or other interest in the Complex, or any mortgagee, beneficiary or conveyee of any security interest, or any assignee thereof, under any mortgage, deed of trust, assignment or conveyance for security purposes now or hereinafter made with respect to this Lease, the fee or other interest in the Complex.

36. Additional Improvements. Tenant leases the Premises "as is" and in its present condition, except that as soon as reasonably possible following the execution of this Lease by Landlord and Tenant, Landlord shall at its expense make the following improvements to the Premises (the "Additional Improvements"): the installation of two (2) additional dock doors (with dock bumpers and seals) in the Premises as shown on the attached Exhibit "B". Tenant shall pay one-half (1/2) of the cost of the Additional Improvements, not to exceed the sum of Ten Thousand Dollars (\$10,000.00). Tenant shall pay said amount within thirty (30) days following completion of the Additional Improvements and receipt of an itemized statement from Landlord for the same.

37. Tenant Improvements. Tenant may make improvements to the Premises ("Tenant Improvements") at its sole expense as provided herein. Landlord hereby consents to the Tenant Improvements which include: Installation of coolers (including cutting the floor slab), baking equipment, ventilation equipment as well as office, electrical and plumbing improvements. The nature, design and specifications for all other Tenant Improvements shall be subject to written approval by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed. Tenant Improvements shall not structurally alter the Building, nor decrease its fair market value. Tenant Improvements shall comply with all

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applicable city, state and federal building codes, including but not limited to the Uniform Building Code and the Americans with Disabilities Act and shall be completed in a workmanlike manner.

38. Removal of Fixtures and Attached Equipment. Tenant may not, at the termination or expiration of this Lease, or at any other time, except as provided herein, remove any fixtures, signs, or equipment attached to the Premises, Tenant Improvements, or other improvements installed in, or made to the Premises or the Complex. All such fixtures, attached equipment, Tenant Improvements or other improvements shall become the property of Landlord upon the expiration or termination of this Lease. However, upon the expiration or termination of this Lease, Tenant will promptly remove at its expense any fixture, sign, attached equipment or improvement if requested in writing to do so by Landlord. Notwithstanding the foregoing, during the sixty (60) days preceding the termination or expiration of this Lease, if Tenant is not in default hereunder, Tenant may remove any signs, trade fixtures and attached trade equipment which it has installed at the Premises. Trade fixtures and attached trade equipment are fixtures and attached equipment used specifically for the preparation, storage and distribution of food, food product and food ingredients. In all cases, Tenant shall promptly repair in a workmanlike manner any damage done by such removal and restore the Premises to a good condition. Such repairs shall include replacing any section of floor removed and in case of the removal of a concrete floor, doweling the replacement floor section to the then existing floor in a workmanlike manner. In addition, Tenant may remove and replace fixtures during the term of this Lease, provided that the replacement fixtures are promptly installed and that the value of each replacement fixture meets or exceeds the value of the fixture removed.

39. Real Estate Taxes and Special Assessments. In addition to the real estate taxes paid by Tenant pursuant to paragraph 10(c) (which shall include the real estate taxes on the Tenant Improvements and other improvements made by Tenant), above, a share of all other real estate taxes and special assess-

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ments levied or assessed by lawful authority against the Complex during the term of this Lease shall be timely paid by Tenant as provided herein. Tenant shall pay such share of the real estate taxes and special assessments for the Complex calculated by multiplying the total real estate taxes and special assessments for the Complex (less the amounts paid by Tenant pursuant to paragraph 10(c), above and less the amounts of real estate taxes allocated by Landlord to tenant

improvements made by other tenants in the portions of the Complex which are demised exclusively to such other tenants) times a fraction, the numerator of which is the size of the Premises in square feet, and the denominator of which is the total size in square feet (measured on the same basis as used to calculate the numerator) of all completed rental space in the office/warehouse building or buildings which are a part of the Complex. (A sample calculation of the real estate tax allocation is set forth on Exhibit "C".) The Landlord shall elect the ten (10) year declining tax abatement schedule as permitted by the City of Des Moines. The prorata share of real estate taxes to be paid by Tenant during the term of this Lease shall reflect a prorata share of said tax abatement as though the tax abatement were level (rather than there being a greater abatement in the earlier years), so that the benefit of such tax abatement on a present value basis shall be allocated evenly to the full ten (10) year period of said abatement. Therefore, if Tenant leases the Premises only for the initial five (5) year term hereof, it shall be entitled to a prorated share of one-half (1/2) of the total tax abatement, or if Tenant leases the Premises for the initial five (5) year term hereof and for the five (5) year Option Period, Tenant shall be entitled to a prorated share of all of the tax abatement. Tenant shall pay on the first day of each month during the term hereof, a sum equal to Tenant's obligation for all real estate taxes and special assessments under the terms hereof next due (as estimated in good faith by Landlord) divided by the number of months to elapse before one month prior to the date on which such real estate taxes and special assessments will become due and payable to the authority assessing the same. Such

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amounts shall be held by Landlord and paid to the taxing authority when due. No interest shall accrue to the benefit of Tenant on such funds and such funds may be commingled with other funds of Landlord. Tenant acknowledges that at the end of the term of this Lease, it will owe to Landlord, Tenant's share of the real estate taxes which come due following the end of the term of this Lease, as indicated on said Exhibit "C". For purposes of this paragraph and paragraph 10(e), above, the special assessments which become due and payable during the term of this Lease (and with respect to which Tenant is to pay a prorated share), shall be deemed to be only those installments of any such special assessments which come due and payable during the term of this Lease.

40. Personal Property Taxes. Tenant agrees to timely pay all taxes, assessments or other public charges levied or assessed by lawful authority (but reasonably preserving Tenant's rights of appeal) against its personal property on the Premises, during the term of this Lease.

41. Other Taxes. Tenant shall be responsible to pay as additional rent, any and all sales tax, use tax, lease tax, rent tax or other tax assessed against or imposed upon Lease payments or other payments hereunder or against Landlord by reason of the Lease payments or other payments hereunder, except that nothing herein shall be construed so as to require Tenant to pay Landlord's income tax, estate tax, inheritance tax, excess profits tax, franchise tax or capital tax.

42. Indemnity. Tenant shall protect, indemnify and save harmless Landlord from and against any and all loss, costs, damage and expenses occasioned by, or arising out of, any accident or other occurrence causing or inflicting injury or damage to any person or property, happening or done, in, upon or about the Complex, or due directly or indirectly to the tenancy, use or occupancy thereof, or any part thereof by Tenant, its employees, agents, contractors, principals, guests, invitees, customers and the like, or any person claiming through or under Tenant, except

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with respect to the negligent or intentional acts of Landlord or its agents.

43. Damage to Personal Property. Tenant shall maintain property/casualty insurance for all personal property of Tenant (or for which Tenant is responsible) which is located at the Premises or the Complex, and for all fixtures and all improvements made to the Premises or the Complex by Tenant, and under no circumstances shall Landlord be liable for any loss of or damage to such personal property, fixtures or improvements, except with respect to the intentional acts of Landlord or its agents.

44. Hazardous Wastes. Landlord warrants to Tenant that Landlord has

no actual first hand knowledge of any hazardous wastes on, in, under or adjacent to the Complex. Landlord shall not bring, create, store, discharge, dump, place, dispose of or use any hazardous product, material, substance or waste on, in or near the Complex except in compliance with all applicable governmental laws, ordinances and regulations. Tenant shall not bring, create, store, discharge, dump, place, dispose of or use any hazardous product, material, substance or waste on, in or near the Complex except in compliance with all applicable governmental laws, ordinances and regulations. Tenant shall pay all abatement cost, clean up cost, damages, charges, taxes, assessments, penalties, fines, and any other charge or cost incident to any hazardous product, material, substance or waste brought, created, stored, discharged, dumped, placed, disposed of or used on or near the Complex by Tenant, its employees, invitees or agents holding Landlord harmless from and against the same and Tenant does hereby agree to indemnify Landlord from and against any and all liability of any kind or type arising therefrom. Tenant shall immediately notify Landlord in writing if Tenant becomes aware of or suspects any environmental contamination on, in or near the Complex. Landlord does hereby agree to indemnify Tenant from and against the cost of all abatement, clean up, taxes, assessments, penalties or fines imposed on Tenant by reason of hazardous waste brought to the Complex by Landlord, if such abatement costs, clean up, taxes, assessments, penalties or fines are imposed on

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Tenant solely because of Tenant's occupancy of the Premises and Tenant is not otherwise liable or at fault for the same.

45. Right of First Refusal. Before agreeing to sell the Building, Landlord shall first offer the Building for sale to Tenant by submitting to Tenant a written proposal (the "Sale Proposal"). Tenant may within thirty (30) days after receipt of such Sale Proposal accept or reject the same. If Tenant fails to accept the Sale Proposal within said thirty (30) day period in the manner prescribed herein, Landlord may agree to sell the Building free of Tenant's right of first refusal on substantially the same terms and conditions as are set forth in the Sale Proposal. However, if Landlord receives an offer to buy the Building on materially less onerous terms or for a purchase price less than the lesser of (i) the price contained in the Sale Proposal, and (ii) the price of any counter-proposal Tenant may have made to Landlord, Landlord must give written notice to Tenant of the receipt of such an offer to buy (together with a copy thereof) if Landlord accepts or intends to accept such offer to buy. Tenant may within ten (10) business days following receipt of such notice, elect to purchase the Building under the same terms and conditions as are contained in the offer to buy. Election to accept the Sale Proposal or to purchase under the same terms and conditions as the offer to buy must be made by written notice to Landlord in the manner described in paragraph 22, above. Failure to timely exercise the right of first refusal by accepting the Sale Proposal or agreeing to purchase the Building under the same terms and conditions as the offer to buy, shall be deemed to be a waiver of this right of first refusal. If the Building is not sold within the one (1) year period following receipt of the Sale Proposal by Tenant, the Building shall not then be sold by Landlord without first giving another Sale Proposal to Tenant as first described above. This right of first refusal shall apply to subsequent sales of the Building by Landlord's successors and assigns, notwithstanding the fact that Tenant has declined to purchase the Building under the provisions hereof with respect to a previous sale. This right of first refusal shall not apply to

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any sale whereby the Building is sold as a part of the sale of Complex, or any other sale if sold together with other real property owned by Landlord or any of Landlord's partners or affiliates. This right of first refusal shall not apply to sales to entities controlled by or affiliated with Landlord, to any one or more of Landlord's partners, to any relative of any of Landlord's partners or to any entity controlled by or affiliated with any relative of Landlord's partners. A "relative" shall mean a parent, grandparent, child, sibling, stepbrother, stepsister, aunt, uncle or spouse; or a parent, grandparent, child, sibling, stepbrother, stepsister, aunt or uncle of a spouse, or trustee or custodian of any of the foregoing. If Landlord agrees to sell the Building together with the Complex, Tenant shall have no right of first refusal, but Tenant's right of first refusal to purchase the Building if the same is to be sold separately from the Complex, shall continue and be applicable with respect to any subsequent sale of the Building separately from the Complex. A series of two or more sales which take place as part of an exchange shall be treated as a single sale for

purposes of this paragraph

46. Additional Rights and Remedies on Default. In addition to any and all remedies Landlord or Tenant may have at law or in equity, and in addition to other remedies herein provided:

A. Upon any default by Tenant, Landlord may terminate this Lease by giving Tenant written notice thereof, in which event this Lease and the leasehold estate hereby created and all interest of Tenant and all parties claiming by, through or under Tenant shall automatically terminate upon the effective date of such notice of termination as therein stated and Landlord and Tenant shall have no further obligations, liabilities or rights hereunder after the date of such termination except for rights, obligations or liabilities accrued through the date thereof, and Landlord and its agents and representatives shall have the right, without further demand or notice, to re-enter and take posses-

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sion of the Premises and remove all persons and property therefrom with process of law, without being deemed guilty of any manner of trespass and without prejudice to any remedies for nonpayment of rent or existing breaches hereof (this remedy shall not be deemed to have been exercised by Landlord unless the notice of termination contains an explicit waiver of all claims against Tenant arising subsequent to the effective date of the notice).

B. Landlord may terminate Tenant's right to possession of the Premises without terminating this Lease, by giving Tenant written notice thereof and specifying the effective date of the termination of Tenant's right to possession, and without further demand or notice, re-enter and take possession of the Premises and remove all persons and property therefrom with process of law, without being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of accrued rent or existing breaches hereof, and lease, manage and operate the Premises and collect the rents, issues and profits therefrom all for the account of Tenant, and credit toward the satisfaction of Tenant's obligations hereunder the rental thus received (after deducting therefrom all reasonable costs and expenses actually incurred by Landlord in repossessing, leasing, remodeling, managing and operating the Premises). If the rental so received by Landlord is not sufficient to satisfy all of Tenant's obligations under this Lease, then Tenant shall pay to Landlord upon demand the deficiencies in rent and other amounts after the same come due under the terms and conditions of this Lease, together with interest thereon at the rate of Twelve per cent (12%) per annum from the date such deficiency arises.

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C. In the event of a default under the terms and provisions of this Lease, the aggrieved party shall be entitled to collect from the party in default, in addition to any and all other amounts which the aggrieved party may be entitled to recover under other provisions of this Lease or under the provisions of applicable law, the reasonable costs and expenses of the aggrieved party, including reasonable attorney's fees and legal expenses, which are incurred in the pursuit of the remedies of the aggrieved party.

D. No remedy herein or otherwise conferred upon or reserved to Landlord or Tenant shall be considered to exclude or suspend any other remedy but the same shall be cumulative and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute, and every power and remedy given by this Lease to Landlord or Tenant may be exercised from time to time and so often as occasion may arise or as may be deemed expedient.

E. No delay or omission of Landlord or Tenant to exercise any right or power arising from any default shall impair any such right or power or be construed to be a waiver of any such default or any acquiescence therein. No waiver of any breach of any of the covenants of this Lease shall be construed, taken or held to be a waiver of any other breach, or as a waiver, acquiescence in or consent to any further or succeeding breach of the same covenant. The acceptance by Landlord of any

payment of rent or other charges hereunder after the termination by Landlord of this Lease or of Tenant's right to possession hereunder shall not, in the absence of an agreement in writing to the contrary signed by Landlord, be deemed to restore this Lease

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or Tenant's right to possession hereunder, as the case may be, but shall be construed as a payment on account and not in satisfaction of damages due from Tenant to Landlord.

Notwithstanding the provisions of paragraph 15, above, the grace period with respect to non-monetary defaults shall be the thirty (30) days following the written notice described in said paragraph 15, but only if Tenant commences to cure the non-monetary default within the first ten (10) days of the thirty (30) day grace period and proceeds with due diligence and in good faith to attempt to cure such default within the thirty (30) day period.

28. Late Payment Penalty. Tenant agrees that for any and every monthly rental or other monthly payment due hereunder which is not actually received in full by Landlord on or before the tenth (10th) day of the month for which said payment is due, Tenant shall pay to Landlord as a late payment penalty, payable as additional rent, a sum equal to five per cent (5%) of the amount due. A check tendered to Landlord in payment of any amount due under the terms of this Lease which is returned to Landlord due to insufficient funds or because the drawer's account is closed, shall be deemed to be a late payment under the terms of this paragraph. Provided however, such late payment penalty shall be waived by Landlord twice during each year of this Lease, if the payment for such a month is received within five (5) days following the date on which Landlord advises Tenant that the particular payment has not been received.

29. Recordation. This Lease shall not be filed or recorded by either party hereto with any city, county, state or federal government office or agency, except as may become necessary in the event of a bona fide legal proceeding which requires such filing or recording. Each party agrees, upon the request of the other party, to execute a memorandum of this Lease in a form suitable for recording to protect, preserve or enhance those rights of each party which are protected, preserved or enhanced by such recordation.

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30. Retained Easements and Further Assurances. Landlord retains easements for ingress, egress, access, utilities, maintenance and inspection, over, under, across and through the Premises. Landlord may exercise its right to inspect the Premises from time to time during Tenant's normal business hours following reasonable notice to Tenant. However, in the case of an emergency with the substantial threat of personal injury or material property damage, Landlord may enter the Premises without prior notice to Tenant. Tenant, upon written request from Landlord, shall provide Landlord with keys to the Premises and locks within the Premises, but shall not be required to provide Landlord with keys or code numbers to any alarm system for the Premises. Tenant shall not change or re-key the locks to or in the Premises without first providing Landlord with notice of the same.

31. Rules. Tenant acknowledges that the Premises is part of an office/warehouse building located at 1801-1915 Guthrie Avenue, Des Moines, Iowa, and that there are or will be other tenants in the building and are or may be other buildings at 1801-1915 Guthrie Avenue. Tenant agrees that Landlord may from time to time promulgate reasonable rules and regulations pertaining to Tenant, other tenants, the Premises and the Complex and that Tenant will abide by such reasonable rules and regulations. Such rules and regulations shall be effective only after Tenant is notified of the same in writing.

32. Signage. No signs shall be affixed or attached to the Premises or displayed from the Premises or the Complex without the express written approval of Landlord (including approval as to the location and the manner in which such signage is affixed), which approval shall not be unreasonably withheld, conditioned or delayed. All signage approved by Landlord pursuant to the provisions hereof shall be high quality and professionally constructed. All such signage shall match existing signage (if any) at the Complex and signage for the Complex planned by Landlord in terms of location, attachment, quality, design, color, style, construction, materials, etc. and it shall not be unreasonable for Landlord to disapprove Tenant's signage or proposed

signage based on location, attachment, quality, design, color, style, construction, materials, Landlord's subjective evaluation of its general appearance, or because Tenant's signage or proposed signage is not harmonious with the existing signage at the Complex, or signage for the Complex planned by Landlord.

33. Waiver of Subrogation. Landlord and Tenant shall each look first to any insurance in its favor before making any claim against the other for damage or loss resulting from fire or other casualty, and to the extent that such insurance is in force and collectible and to the extent permitted by law and such insurance without penalty, Landlord and Tenant hereby each release and waive all rights of recovery against the other or anyone claiming through or under each of them by way of subrogation or otherwise.

34. Increased Insurance Limits. The limits of the insurance required under the terms of paragraph 12, above, to be carried by Tenant shall be increased at Landlord's reasonable request from time to time during the terms of the Options to Renew, if at the time of such request the customary limits of liability policies insuring similar risks in similar localities have increased materially.

35. Exhibits. The Exhibits referred to herein are a part of this Lease as if fully set forth herein.

36. Conflicts. The terms, covenants, obligations and duties contained in this Addendum are in addition to and in clarification of the terms, covenants, obligations and duties contained in the pre-printed portion of this Lease (paragraphs 1 through 27 on pages 1 through 4). However, in each instance in which a provision of this Addendum is in conflict with a provision of the printed portion of this Lease and cannot reasonably be construed as a clarification or an additional term, covenant, obligation or duty, the provision in this Addendum shall control.

IN WITNESS WHEREOF, the parties hereto have duly executed this Lease in duplicate the day and year first above written.

/s/ A. Terry Moss

A. Terry Moss, Landlord

/s/ Mariann Moss

Mariann Moss, Spouse

/s/ Ira E. White

Ira E. White, Landlord

P. J. FOOD SERVICE, INC.,

Tenant

By: /s/ Robert J. Wadell

Robert J. Wadell, President

This Lease Agreement and each and every term, covenant, condition, promise and provision thereof made by or obligating Tenant, and the full, prompt and complete performance of this Lease Agreement by Tenant, is hereby unconditionally and fully guaranteed by Papa John's International, Inc.

PAPA JOHN'S INTERNATIONAL, INC.,

Guarantor

By: /s/ Richard J. Emmett

Senior Vice President

Exhibit 21

Subsidiaries of the Registrant

PJ Food Service, Inc., a Kentucky corporation

Papa John's USA, Inc., a Kentucky corporation

Printing & Promotions, Inc., a Kentucky corporation

PJFS of Mississippi, Inc., a Mississippi corporation

Risk Services Corp., a Kentucky corporation

Capital Delivery, Ltd., a Kentucky corporation

Consent of Independent Auditors

We consent to the incorporation by reference in (I) the Registration Statements (Forms S-8 No. 333-16447 and No. 33-67472) pertaining to the Papa John's International, Inc. 1993 Stock Ownership Incentive Plan, (ii) the Registration Statement (Form S-8 No. 33-67470) pertaining to the Papa John's International, Inc. 1993 Stock Option Plan for Non-Employee Directors, and (iii) the Registration Statement (Form S-4 No. 33-96552) of Papa John's International, Inc. of our report dated February 28, 1997, with respect to the consolidated financial statements of Papa John's International, Inc. and subsidiaries included in the Annual Report (Form 10-K) for the year ended December 29, 1996.

Ernst & Young LLP

Louisville, Kentucky
March 24, 1997

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