

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

/X/ Annual report pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 26, 1999

OR

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

COMMISSION FILE NUMBER: 0-21660

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

DELAWARE 61-1203323  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)

2002 PAPA JOHN'S BOULEVARD  
LOUISVILLE, KENTUCKY 40299-2334  
(Address of principal executive offices)

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

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

Yes	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. / /

As of March 13, 2000 there were 25,766,938 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 \$478,421,048 based on the last sale price of the Common  
Stock on March 13, 2000 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 24, 2000.

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## PART I

### ITEM 1. BUSINESS

#### GENERAL

Papa John's International, Inc. (referred to as "the Company", "Papa John's" or in the first person notations of "we", "us" and "our") operates and franchises pizza delivery and carry-out restaurants under the trademark "Papa John's" domestically in 47 states, the District of Columbia and five international markets, and under the trademark "Perfect Pizza" in the United Kingdom. The first Company-owned Papa John's restaurant opened in 1985 and the first franchised restaurant opened in 1986. We acquired Perfect Pizza Holdings Limited ("Perfect Pizza") in 1999 (see Business - Expansion). At December 26, 1999, there were 2,280 Papa John's restaurants in operation, consisting of 573 Company-owned and 1,707 franchised restaurants. Additionally, there were 206 Perfect Pizza restaurants in operation, consisting of 12 Company-owned and 194 franchised-owned restaurants.

#### STRATEGY

Our goal is to build the strongest brand loyalty of all pizzerias internationally. To accomplish this goal, we have 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 brand. The key elements of our strategy include:

**FOCUSED, HIGH QUALITY MENU.** Papa John's restaurants offer a focused menu of high quality pizza, breadsticks and cheesesticks. Papa John's traditional crust pizza is prepared using fresh dough (never frozen), cheese made from 100% real mozzarella, fresh-packed pizza sauce made from vine-ripened tomatoes (not from concentrate) and a proprietary mix of savory spices, and a choice of high quality meat and vegetable toppings. Papa John's thin crust pizza is made with a prepared crust and the same high quality toppings. We believe our focused menu creates a strong identity in the marketplace and simplifies operations.

**EFFICIENT OPERATING SYSTEM.** We believe our operating and distribution systems, restaurant layout and designated delivery areas result in lower restaurant operating costs and improved food quality, and promote superior customer service. Our 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 team member can concentrate on a well-defined function in preparing and delivering the customer's order.

**COMMITMENT TO TEAM MEMBER TRAINING AND DEVELOPMENT.** We are committed to the development and motivation of our team members through on going training programs, incentive compensation and opportunities for advancement. Team member training programs are conducted for corporate team members, as well as franchise team members located at training centers across the United States. We offer performance-based financial incentives and stock option awards to restaurant team members at various levels. Our growth also provides significant opportunities for advancement. We believe these factors create an entrepreneurial spirit throughout Papa John's, resulting in a positive work environment and motivated, customer-oriented team members.

TARGETED, COST-EFFECTIVE MARKETING. Our 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 we or our franchisees have a significant presence, local marketing efforts are supplemented with radio and television advertising. Three national television campaigns aired in 1999.

FRANCHISE SYSTEM. We are committed to developing a strong franchise system by attracting experienced operators, allowing them to expand in a controlled manner and monitoring their compliance with our high standards. We seek 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 domestic franchisee is required to purchase dough and spice mix from us and purchase all other supplies from us or our approved suppliers. Commissaries outside the U.S. may be operated by franchisees pursuant to license agreements. We devote significant resources to provide Papa John's franchisees with assistance in restaurant operations, management training, team member training, marketing, site selection and restaurant design.

#### UNIT ECONOMICS

We believe our unit economics are exceptional. In 1999, the 492 restaurants that were Company-owned and that are included in the most recent comparable restaurant base generated average sales of \$754,000, average cash flow (operating income plus depreciation) of \$154,000 and average restaurant operating income of \$128,000 (or 17.0% of average sales).

The average cash investment for the 36 Company-owned restaurants opened during the 1999 fiscal year, exclusive of land, was approximately \$224,000. We expect the average cash investment for Company-owned restaurants opening in 2000 to be approximately \$244,000.

#### EXPANSION

A total of 401 Papa John's restaurants were opened during 1999, consisting of 36 Company-owned and 365 franchised restaurants. During 1999, we acquired Perfect Pizza, an operator and franchisor of 205 delivery and carry-out pizza restaurants in the United Kingdom (See "Note 3" of "Notes to Consolidated Financial Statements"). One Perfect Pizza franchised restaurant was opened in 1999 subsequent to our acquisition. During 2000, we plan to open approximately 35 restaurants and acquire an additional 60 restaurants from our franchisees and expect franchisees to open approximately 375 restaurants. Newer domestic market expansion is planned for the upper Northeast Coast, West Coast and Rocky Mountain regions, in addition to building out existing markets throughout the country. International expansion is planned primarily in Mexico, Puerto Rico, Venezuela, Costa Rica, Guatemala, Saudi Arabia, Canada, Iceland and the United Kingdom. New restaurants in the United Kingdom may be opened as either Papa John's or Perfect Pizza units. We expect that substantially all existing or new Perfect Pizza units will be converted to Papa John's over a three-year period.

Our ability and the ability of our franchisees to open new restaurants is affected by a number of factors, many of which are beyond our control and the control of our franchisees. These factors include, among other things, selection and availability of suitable restaurant and commissary locations, increases in food, paper or labor costs, 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 we or our franchisees will be able to meet planned growth targets or open restaurants in markets now targeted for expansion.

Our expansion strategy is to cluster restaurants in targeted markets, thereby increasing consumer awareness and enabling us to take advantage of operational, distribution and advertising efficiencies. Our 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. We have co-developed markets with some franchisees or divided markets among franchisees, and will continue to utilize market co-development in the future. In determining which new markets to develop, we consider 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, we analyze detailed information concerning these factors and each market is toured and evaluated by a member of our Development department.

#### MENU

Papa John's restaurants offer a focused menu of high quality pizza, breadsticks and cheesesticks, as well as canned or bottled soft drinks. Papa John's traditional crust pizza is prepared using fresh dough (never frozen), and our thin crust pizza is made with a prepared crust. Papa John's pizzas are made from hard wheat flour, cheese made from 100% real mozzarella, freshed-packed pizza sauce made with vine-ripened tomatoes (not from concentrate) and a proprietary mix of savory spices, and a choice of high-quality meat (no artificial fillers) and vegetable toppings. Fresh onions and green peppers are purchased from local produce suppliers and sliced daily in the restaurants. Fresh baby portabella mushrooms are purchased from the commissary system, which delivers twice weekly. Each traditional crust pizza is served with a container of our special garlic sauce and two pepperoncinis, and each thin crust pizza is served with a container of special seasonings and two pepperoncinis. We believe our focused menu helps create a strong identity among consumers and simplifies operations, resulting in lower restaurant operating costs, improved food quality and consistency 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 domestic Papa John's restaurant averages 1,100 to 1,800 square feet and a typical international Papa John's restaurant averages 800 to 1,400 square feet. Papa John's restaurants are 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 a carry-out customer area. The counters are designed to allow customers to watch the team members slap out the dough and put sauce and toppings on pizzas.

We consider the location of a restaurant to be important and therefore devote significant resources to the investigation and evaluation of potential sites. The site selection process includes a review of trade area demographics, target population density, household income levels and competitive factors. A member of our development team inspects each potential domestic Company-owned or franchised restaurant location and the surrounding market before a site is approved. Our restaurants are typically located in strip shopping centers or free-standing buildings that provide visibility, curb appeal and accessibility. Our

restaurant design may be configured to fit a wide variety of building shapes and sizes, which increases the number of suitable locations for our restaurants.

Since 1994, an increasing number of free-standing restaurants have been opened in the Papa John's system. We seek either existing buildings suitable for conversion, or locations suitable for the construction of our prototype restaurant. Free-standing buildings generally provide more signage and better visibility, accessibility and parking. We believe that these locations improve Papa John's image and brand awareness. At year-end, free-standing units represented approximately 24% of Company-owned restaurants. We expect this ratio to remain fairly consistent in future years. During 1997, we constructed our first multi-bay unit, housing a Company-owned restaurant in addition to third party tenants. Management believes that improved site selection may result from maintaining control of the multi-bay development process. We have seven multi-bay units open and this strategy will continue to be evaluated as additional operational and financial results for these types of units become available for analysis.

All of the equipment, fixtures and smallwares needed to open a Papa John's restaurant are available for purchase through us. We also provide layout and design services and recommend subcontractors, signage installers and telephone systems to Papa John's franchisees. Although not required to do so, substantially all of Papa John's franchisees purchase most of their equipment from us.

#### COMMISSARY SYSTEM; PURCHASING

Our domestic commissary system, comprised of eleven regional quality control centers, supplies pizza dough, food products, paper products, smallwares and cleaning supplies twice weekly to each restaurant. Our system enables us to monitor and control product quality and consistency, while lowering food costs. We relocated our full service commissary in Louisville, Kentucky and opened a full-service commissary in Dallas, Texas (replacing the distribution center) in 1999. A full-service commissary was opened in Pittsburgh, Pennsylvania in January 2000. A full-service commissary is expected to open in Phoenix, Arizona in the second quarter of 2000 (to replace our current distribution center). Our other full-service commissaries are in Orlando, Florida; Raleigh, North Carolina; Jackson, Mississippi; Denver, Colorado; Rotterdam, New York; Portland, Oregon and Des Moines, Iowa. The primary difference between a full-service commissary and a distribution center is that full-service commissaries produce dough. The commissary system capacity is continually evaluated in relation to planned restaurant growth, and facilities are developed or upgraded as operational or economic conditions warrant.

Four international franchised commissaries located in Costa Rica, Venezuela, Guatemala and Mexico were opened in 1999. Other international franchised commissaries are located in Mexico and Puerto Rico. We expect that future international commissaries will be licensed to franchisees; however, we may open Company-owned commissaries at our discretion. Perfect Pizza is currently relocating and expanding its distribution center and the new facility will accommodate a full-service commissary as the conversion to Papa John's takes place in the future.

We set quality standards for all products used in our restaurants and designate approved outside suppliers of food and paper products which must meet our quality standards. In order to ensure product quality and consistency, all of our restaurants are required to purchase proprietary spice mix and dough from our commissaries. Franchisees may purchase other goods directly from approved suppliers or our commissaries. National purchasing agreements with most of our suppliers generally result in volume discounts to us, allowing us to sell products to our restaurants at prices which we believe are below those generally available in the marketplace. Within our domestic commissary system, products are distributed

to restaurants by refrigerated trucks leased and operated by us or transported by a dedicated logistics company.

Effective December 27, 1999, the commissary entered into a purchasing arrangement with a third-party entity formed at the direction of the Franchise Advisory Council (see Franchise Program - Franchise Advisory Council) for the sole purpose of reducing cheese price volatility. Under this arrangement, the commissary will purchase cheese at a fixed quarterly price based in part on historical average cheese prices. Gains and losses incurred by the selling entity will be passed to the commissary via adjustments to the selling price over time. Ultimately the commissary will purchase cheese at a price approximating the actual average market price, but with more predictability and less volatility than the previous purchasing method.

#### MARKETING PROGRAMS

Our 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. In markets in which we or Papa John's franchisees have a significant presence, local marketing efforts are supplemented with radio and television advertising.

In addition to extensive local store marketing, all Company-owned and franchised Papa John's restaurants within a 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 are 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 us and our franchisees. The Marketing Fund produces Papa John's national television commercials.

We provide both Company-owned and franchised restaurants with catalogs for the purchase of uniforms and promotional items and pre-approved print marketing materials. We also provide direct marketing services to Company-owned and franchised restaurants utilizing customer information gathered by our proprietary point-of-sale technology.

#### COMPANY OPERATIONS

**RESTAURANT PERSONNEL.** A typical Papa John's restaurant employs a restaurant manager, two assistant managers and approximately 20 - 25 hourly team members, most of whom work part-time. The manager is responsible for the day-to-day operation of the restaurant and for maintaining Company-established operating standards. The operating standards and other resources are contained in a comprehensive operations manual supplied to each restaurant and updated regularly. We seek to hire experienced restaurant managers and staff, provide comprehensive training on operations and managerial skills, and motivate and retain them by providing opportunities for advancement and performance-based financial incentives and stock option grants.

We employ area supervisors, each of whom has responsibility for overseeing three to six Company-owned restaurants. We also employ regional vice presidents and district managers who oversee area supervisors and managers within their respective markets. These team members are also eligible to earn performance-based financial incentives, including stock option grants.

**TRAINING AND EDUCATION.** We have a department dedicated to training and developing team members, as well as assisting new restaurant openings. We have at least one full-time training coordinator in each of our markets and regional training directors located strategically across the country. We provide an on-site training team three days before and three days after the opening of any Company-owned or franchised restaurant requesting assistance. Each regional vice president, district manager, area supervisor and restaurant manager completes our management training program and on-going development programs in which instruction is given on all aspects of our systems and operations. The programs include classroom instruction and hands-on training at an operating Papa John's restaurant or at Company-certified training centers. Our training includes: new team member orientation, in-store and delivery training, core management skills training, new product or program implementation and ongoing developmental programs.

**POINT OF SALE TECHNOLOGY.** Point of sale technology (our proprietary PROFIT System-TM-) is in place in substantially all Company-owned and franchised restaurants. We believe this technology facilitates faster and more accurate order taking and pricing, reduces paperwork and allows the restaurant manager to better monitor and control food and labor costs. We believe the PROFIT System enhances restaurant-level marketing capabilities through the development of a data base containing information on customers and their buying habits with respect to our products. Polling capabilities allow us to obtain restaurant operating information, thereby improving the speed, accuracy and efficiency of restaurant-level reporting.

**REPORTING.** Managers at Company-owned restaurants evaluate daily reports of sales, cash deposits and operating costs. Physical inventories of all food and beverage items are taken nightly. Our area supervisors prepare weekly operating projections for each of the restaurants under their supervision.

**HOURS OF OPERATIONS.** Our 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.** We continue to attract many franchisees with significant restaurant experience. We consider our franchisees to be a vital part of our system's continued growth and believe our relationship with our franchisees is excellent. As of December 26, 1999, there were 1,707 franchised Papa John's restaurants operating in 46 states, the District of Columbia, and five international markets, and 194 franchised Perfect Pizza restaurants operating in the United Kingdom. We had development agreements for approximately 1,321 additional franchised restaurants committed to open through 2009. 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. Formal development agreements for franchised Perfect Pizza restaurants do not exist, although a pipeline of qualified franchisees interested in expansion is maintained. During the 1999 fiscal year, 365 (345 domestic and 20 international) franchised Papa John's restaurants were opened, and one Perfect Pizza franchised restaurant was opened subsequent to our acquisition.

**APPROVAL.** Franchisees are approved on the basis of the applicant's business background, restaurant operating experience and financial resources. We generally seek franchisees who will enter into development agreements for multiple restaurants. We seek franchisees who have restaurant experience or, in the case of franchisees who do not have restaurant experience, we require 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. We have recently added small towns and non-traditional locations in our franchising program. These venues are often sold as a single restaurant location.

**DEVELOPMENT AND FRANCHISE AGREEMENTS.** We enter into development agreements with our domestic franchisees for the opening of a specified number of restaurants within a defined period of time and specified geographic area. Under our 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 agreement. This amount is credited against the standard \$20,000 franchise fee payable to us upon signing the franchise agreement for a specific location. Generally, a franchise agreement is executed when a franchisee secures a location.

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

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

In 1997, we began developing an international department and opened our first franchised restaurant outside the U.S. in July 1998. In international markets, we enter into either a development agreement or a master franchise agreement with a franchisee for the opening of a specified number of restaurants within a defined period of time and specified geographic area. Under a master franchise agreement, the franchisee has the right to subfranchise a portion of the development to one or more subfranchisees approved by us. Under our current standard international development agreement, the franchisee is required to pay total fees of \$25,000 per restaurant, \$10,000 at the time of signing the agreement, \$10,000 ninety days before the scheduled opening date of each restaurant and \$5,000 upon signing the franchise agreement for a specific location. Under our current master franchise agreement, the master franchisee is required to pay total fees of \$25,000 per restaurant owned and operated by the master franchisee, under the same terms as for the development agreement, and \$15,000 for each subfranchised restaurant, \$10,000 upon signing of the master franchise agreement and \$5,000 on or prior to the date the subfranchised restaurant opens for business.

Our current standard international master franchise and development agreements provide for payment to us of a royalty fee of 5% of sales (including sales by subfranchised restaurants), with no provision for increase. The remaining terms applicable to the operation of individual restaurants are substantially equivalent to the terms of our standard domestic franchise agreement.

As a result of our acquisition, we franchise restaurants in the United Kingdom under Perfect Pizza franchise agreements, which were in effect at the time of our acquisition. These franchise agreements differ from our standard international franchise agreements in many respects, with few material differences. A principal difference is the term of the agreement, which is five years. The franchisee fee is £8,000 (approximately \$13,000 at current exchange rates), and the royalty rate of 5% is the same as our standard international agreements. The Perfect Pizza system has been developed principally through franchising of individual restaurants to single location franchisees. Thus, the system has no equivalent to our development agreements or master franchise agreements. It is expected that future development in

the United Kingdom will take place pursuant to standard Papa John's international development and franchise agreements.

We have entered into a limited number of development and franchise agreements for non-traditional restaurant units. These agreements generally cover venues or areas not originally targeted for development and have terms differing from the standard agreement. Although we expect an increase in the number of franchised units in non-traditional venues in 2000, we do not believe these contracts will have a significant impact on 2000 revenues or earnings.

**FRANCHISE RESTAURANT DEVELOPMENT.** We provide assistance to Papa John's franchisees in selecting sites, developing restaurants and evaluating the physical specifications for typical restaurants. Each franchisee is responsible for selecting the location for its restaurants but must obtain our 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. We provide design plans, fixtures and equipment for most franchisee locations at competitive prices.

**FRANCHISEE LOAN PROGRAM.** In 1996, we established a program under which selected franchisees could borrow funds for use in the construction and development of their restaurants. Loans made under the program typically bear interest at fixed or floating rates (ranging from 5.5% to 12.0% at December 26, 1999), and are secured by the fixtures, equipment and signage (and where applicable, the land) of the restaurant and the ownership interests in the franchisee. In limited cases, we have obtained a purchase option with respect to the financed restaurants. At December 26, 1999, loans outstanding under the franchise loan program totaled \$11.7 million, with commitments to lend up to an additional \$2.5 million. We do not expect to significantly expand the franchise loan program beyond current commitment levels.

**FRANCHISE TRAINING AND SUPPORT.** Every franchisee is required to have a principal operator approved by us who satisfactorily completes our required 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 our Company-certified management training program. We provide an on-site training crew three days before and three days after the opening of a franchisee's first two restaurants. Ongoing supervision of training is monitored by the corporate franchise training team. Multi-unit franchisees are encouraged to hire a full-time training coordinator certified to deliver Company approved programs in order to train new team members and management candidates for their restaurants. Our franchise consultants, reporting to the Vice President of Franchise Sales and Operations, maintain open communication with the franchise community, relaying operating and marketing information and new ideas between us and franchisees.

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

**FRANCHISE ADVISORY COUNCIL.** We have a Franchise Advisory Council that consists of Company and franchisee representatives. The Advisory Council holds quarterly meetings to discuss new marketing ideas, operations, growth and other relevant issues.

**REPORTING.** We collect weekly and monthly sales and other operating information from Papa John's franchisees. We have agreements with most Papa John's franchisees permitting us to electronically debit the franchisees' bank accounts for the payment of royalties, Marketing Fund contributions and

commissary purchases from Papa John's. 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 Papa John's. Competitors include a large number of international, national and regional restaurant chains, as well as local pizza operators. Some of our competitors have been in existence for a substantially longer period than us and may be better established in the markets where our restaurants are, or may be, located. Within the pizza segment of the restaurant industry, we believe that our primary competitors are the international pizza chains, including Pizza Hut, Domino's and Little Caesars, and several regional chains (Papa Murphy's, Donatos, etc.). A change in the pricing or other marketing strategies of one or more of these competitors could have an adverse impact on our 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 cheese and other commodity costs, labor and benefits costs and the lack of experienced management and hourly team members may adversely affect the restaurant industry in general and our restaurants in particular.

With respect to the sale of franchises, we compete 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 our restaurants.

#### GOVERNMENT REGULATION

We, along with our franchisees, are subject to various federal, state and local laws affecting the operation of our 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. Our commissary and distribution facilities are licensed and subject to regulation by state and local health and fire codes, and the operation of our trucks is subject to Department of Transportation regulations. We are also subject to federal and state environmental regulations.

We are 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 us to furnish to prospective franchisees a franchise offering circular containing prescribed information. A number of states in which we might consider franchising also regulate the sale of franchises and require registration of the franchise offering circular with state authorities. 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 regulation 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. Some foreign countries also have disclosure requirements and other laws regulating franchising and the

franchisor-franchisee relationship. As we expand internationally we will be subject to applicable laws in each jurisdiction where franchised units are established.

We are also subject to the Americans With Disabilities Act of 1990, which, among other things, may require renovations to restaurants to meet federally-mandated requirements. The cost of these renovations is not expected to be material. Further government initiatives, if enacted, for example, a proposed system of mandated health insurance, could adversely affect us and our franchisees as well as the restaurant industry in general.

#### TRADEMARKS

Our rights in principal trademarks and service marks are a significant part of our business. We are the owner of the federal registration of the trademark "Papa John's." We have also registered "Pizza Papa John's and design" (our logo), "Better Ingredients. Better Pizza." and "Pizza Papa John's Better Ingredients. Better Pizza. and design" as trademarks and service marks. We also own federal registrations for several ancillary marks, principally advertising slogans. We have also applied to register our primary trademark, "Pizza Papa John's and design," in 76 foreign countries and the European Community. The "Perfect Pizza" trademark is also registered in the United Kingdom. We are aware of the use by other persons in certain geographical areas of names and marks which are the same as or similar to our marks. It is our policy to pursue registration of our marks whenever possible and to oppose vigorously any infringement of our marks.

On August 12, 1998, Pizza Hut, Inc. filed suit against us in the United States District Court for the Northern District of Texas, claiming that our "Better Ingredients. Better Pizza." slogan constitutes false and deceptive advertising in violation of the Lanham Trademark Act. Pizza Hut also filed petitions for cancellation in the trademark Trial and Appeal Board of the United States Department of Commerce Patent and Trademark Office against our registrations for "Better Ingredients. Better Pizza." and "Pizza Papa John's Better Ingredients. Better Pizza. and design" as trademarks and service marks. Proceedings on both of these cancellation petitions were stayed by the Trademark Trial and Appeal Board pending the outcome of the lawsuit filed by Pizza Hut, as the issues are substantially the same (see "Legal Proceedings" and "Note 14" of "Notes to Consolidated Financial Statements").

#### EMPLOYEES

As of December 26, 1999, we employed 16,619 persons, of whom approximately 14,439 were restaurant team members, 762 were restaurant management and supervisory personnel, 593 were corporate personnel and 825 were commissary and support services personnel. Most restaurant team members work part-time and are paid on an hourly basis. None of our team members are covered by a collective bargaining agreement. We consider our team member relations to be 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 of Financial Condition and Results of Operations. 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 we believe that our expectations are based on reasonable assumptions, actual results may differ materially from those in the forward looking statements as a result of various factors, including but not limited to, the following:

1. Our ability and the ability of our franchisees to continue to expand through the opening of new restaurants is affected by a number of factors, many of which are beyond our control and our franchisees' control. These factors include, among other things, selection and availability of suitable restaurant locations, increases in food, paper and labor costs, 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 we or the Papa John's 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 Papa John's and our franchisees. Some of these competitors have been in existence for a substantially longer period than us or our franchisees and may be better established in the markets where restaurants operated by Papa John's or our franchisees are, or may be, located. A change in the pricing or other marketing or promotional strategies of one or more of our major competitors could have an adverse impact on sales and earnings at restaurants operated by us and our franchisees.

3. An increase in the cost of cheese or other commodities could adversely affect the profitability of our restaurant operations. Cheese, representing approximately 40% of our food cost, and other commodities are subject to seasonal fluctuations, weather, demand and other factors that are beyond our control. During the third quarter of 1999, cheese prices reached an all time high, but have since returned to more normal levels. Additionally, sustained increases in fuel costs could adversely affect profitability of our restaurant and commissary businesses.

4. Changes in consumer taste, demographic trends, traffic patterns and the type, number and location of competing restaurants could adversely affect our restaurant business.

5. Our 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 us and our franchisees are paid at rates related to the federal minimum wage. Accordingly, further increases in the minimum wage will increase labor costs for us and our franchisees. Additionally, labor shortages in various markets could result in higher required wage rates.

6. Our international operations are subject to a number of additional factors, including international economic and political conditions, currency regulations and fluctuations, differing cultures and consumer preferences, diverse government regulations and structures, availability and cost of land and construction, and differing interpretation of the obligations established in franchise agreements with international franchisees. Accordingly, there can be no assurance that our international operations will achieve or maintain profitability or meet planned growth rates.

7. Our acquisition of Perfect Pizza and planned conversion of Perfect Pizza restaurants to Papa John's restaurants over the next three years represents the first time we have attempted to expand the Papa John's brand in this manner. There can be no assurance that all conversion issues will be identified and successfully addressed in a timely and cost-effective manner or that the existing Perfect Pizza market share can be successfully converted to Papa John's.

ITEM 2. PROPERTIES

As of December 26, 1999, there were 2,280 Papa John's restaurants and 206 Perfect Pizza restaurants systemwide.

COMPANY-OWNED PAPA JOHN'S RESTAURANTS

	NUMBER OF RESTAURANTS
	-----
Colorado.....	49
Delaware.....	11
Florida.....	47
Georgia.....	68
Illinois.....	3
Indiana.....	36
Kentucky.....	34
Maryland.....	54
Minnesota.....	41
Missouri.....	20
New Jersey.....	1
New Mexico.....	10
North Carolina.....	48
Ohio.....	18
Pennsylvania.....	1
South Carolina.....	3
Tennessee.....	27
Texas.....	86
Virginia.....	16
	-----
Total Company-owned Papa John's Restaurants.....	573
	=====

DOMESTIC FRANCHISED PAPA JOHN'S RESTAURANTS

	NUMBER OF RESTAURANTS
	-----
Alabama.....	53
Arkansas.....	12
Arizona.....	45
California.....	126
Colorado.....	3
Connecticut.....	10
Florida.....	165
Georgia.....	44
Hawaii.....	7
Idaho.....	7
Illinois.....	69
Indiana.....	76
Iowa.....	19
Kansas.....	24
Kentucky.....	53
Louisiana.....	45
Maryland.....	18
Massachusetts.....	10
Michigan.....	44
Minnesota.....	3
Mississippi.....	21
Missouri.....	30
Montana.....	6
Nebraska.....	13
Nevada.....	13
New Hampshire.....	7
New Jersey.....	22
New Mexico.....	5
New York.....	30
North Carolina.....	49
North Dakota.....	2
Ohio.....	134
Oklahoma.....	22
Oregon.....	15
Pennsylvania.....	67
Rhode Island.....	6
South Carolina.....	39
South Dakota.....	4
Tennessee.....	59
Texas.....	114
Utah.....	21
Virginia.....	82
Washington.....	24
West Virginia.....	18
Wisconsin.....	36
Wyoming.....	3
Washington, D.C.....	6
	-----
Total Domestic Franchised Papa John's Restaurants.....	1,681
	=====

INTERNATIONAL FRANCHISED PAPA JOHN'S RESTAURANTS

	NUMBER OF RESTAURANTS
	-----
Costa Rica.....	5
Central America.....	2
Mexico .....	10
Puerto Rico.....	4
Venezuela.....	5
	-----
Total International Franchised Papa John's Restaurants .....	26
	=====

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 our leases specify a fixed annual rent. Generally, the leases are triple net leases which require us 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, with a small number of escalations based on changes in the Consumer Price Index.

Approximately 134 Company-owned restaurants are located in buildings we own on land either owned or leased by us. These restaurants range from 1,200 to 1,800 square feet. Seven of the restaurants are located in multi-bay facilities we own. These multi-bay facilities contain from 2,800 to 5,000 square feet, and the space not utilized by the Papa John's restaurants in each facility is leased or held for lease to third party tenants.

All 194 franchised and 12 Company-owned Perfect Pizza restaurants are located in the United Kingdom. In addition to leasing the 12 Company-owned restaurant sites, we lease and sublease to franchisees 148 of the 194 franchised restaurant sites. The initial lease terms on the Company and franchised sites are generally 10 to 15 years. The initial lease terms of the franchisee subleases are generally 5 to 10 years.

Information with respect to our leased commissaries and other facilities as of December 26, 1999, is set forth below.

FACILITY	SQUARE FOOTAGE
-----	-----
Jackson, MS Commissary	30,000
Raleigh, NC Commissary	27,000
Denver, CO Commissary	32,000
Phoenix, AZ Distribution Center (terminating in 2000)	26,000
Phoenix, AZ Commissary (opening in 2000)	57,000
Des Moines, IA Commissary	31,000
Rotterdam, NY Commissary	45,000
Portland, OR Commissary	37,000
Pittsburgh, PA Commissary	52,000

We own approximately five acres in Orlando on which our 63,000 square foot full-service commissary is located, and eight acres in Dallas on which our 77,500 square foot full-service commissary is located. In



addition, the Company owns approximately 72 acres in Louisville, Kentucky with a 42,000 square foot building housing our printing operations and a 247,000 square foot building, approximately 30-40% of which accommodated the relocation and expansion of the Louisville commissary operation and promotional division in 1999. The remainder of the building accommodated the relocation and consolidation of our corporate offices in 1999.

The Perfect Pizza management team is located in 6,000 square feet of leased office space in London with a remaining lease term of 16 years. We expanded and relocated the Perfect Pizza distribution center into a 30,000 square foot owned facility in March 2000. This new facility will accommodate a full-service commissary as the conversion to Papa John's restaurants occurs.

#### ITEM 3. LEGAL PROCEEDINGS

On August 12, 1998, Pizza Hut, Inc. filed suit against us in the United States District Court for the Northern District of Texas, claiming that our "Better Ingredients. Better Pizza." slogan constitutes false and deceptive advertising in violation of the Lanham Trademark Act. The trial began on October 25, 1999. On November 18, 1999, the jury returned a verdict that our "Better Ingredients. Better Pizza." slogan is false and deceptive. On January 3, 2000, the court announced its judgment, awarding Pizza Hut \$468,000 in damages and ordering us to cease all use of the "Better Ingredients. Better Pizza." slogan. Under the judge's order, we were to cease using the slogan in print and broadcast advertising by January 24, 2000, phase out printed promotional materials and other items containing the slogan (except signage) by March 3, 2000 and remove the slogan from restaurant signage by April 3, 2000. We have estimated that the pre-tax costs of complying with the court's order and certain related costs could approximate \$12.0 to \$15.0 million, of which \$6.1 million was recorded as a pre-tax charge against 1999 earnings. However, we filed an appeal of the verdict and the court's order and a motion for stay of the court's order pending outcome of the appeal. On January 21, 2000, the United States Court of Appeals for the Fifth Circuit granted a stay of the District Court judgment pending our appeal. Oral arguments related to the appeal are scheduled to be held in April 2000 (see "Note 14" of "Notes to Consolidated Financial Statements"). If our appeal is successful, the timing and possibly the amount of costs to be incurred could be favorably impacted.

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

#### ITEM 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 Papa John's, together with their ages, their positions and the years in which they first became an officer:

NAME -----	AGE -----	POSITION -----	FIRST ELECTED EXECUTIVE OFFICER -----
John H. Schnatter	38	Founder, Chairman of the Board and Chief Executive Officer	1985
Blaine E. Hurst	43	Vice Chairman and President	1995
Charles W. Schnatter	37	Senior Vice President, General Counsel and Secretary	1991
E. Drucilla Milby	46	Senior Vice President, Chief Financial Officer and Treasurer	1991
Robert J. Wadell	44	President - PJ Food Service, Inc.	1990
Barry M. Barron	43	Senior Vice President - International	1999
Richard J. Emmett	44	Senior Vice President and Senior Counsel	1992
Lou DiFazio, Jr.	42	Vice President - Corporate Operations	1999
J. David Flanery	43	Vice President and Corporate Controller	1994
Thomas C. Kish	34	Vice President - Information and Support Services	1999
Mary Ann Palmer	42	Vice President - People Department	1999
Syl J. Sosnowski	58	Vice President - Marketing	1995
Hart Boesel	53	Vice President - Franchise Sales & Operations	1999

John Schnatter created the Papa John's concept and founded Papa John's 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 since 1986.

Blaine Hurst has served as Vice Chairman since 1998 and President since 1996. From 1995 to 1996, Mr. Hurst served as Chief Information Officer after having joined Papa John's 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 since 1996.

Charles Schnatter has served as General Counsel and Secretary since 1991 and has been a Senior Vice President 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 us. Charles Schnatter has been a franchisee since 1989.

Dru Milby has served as Senior Vice President since 1996, Chief Financial Officer since 1995 and Treasurer since 1993. Ms. Milby held the position of 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.

Robert Wadell has served as President of PJ Food Service, Inc. since 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.

Barry Barron has served as Senior Vice President of International since 1998. Mr. Barron also served as Regional Vice President, Southwest Region from 1995 to 1998. The Southwest Region he served included restaurants in Texas, New Mexico, Colorado, Missouri and Illinois. Prior to joining Papa John's, Mr. Barron was employed by a major competitor for more than 10 years where he held various positions overseeing operations and delivery business development.

Richard Emmett was appointed Senior Vice President and Senior Counsel in March 1997, after having served as Senior Vice President-Development from August 1996 to March 1997. From 1992 to 1996, Mr. Emmett held the position of 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 since 1992.

Lou DiFazio has served as Vice President, Corporate Operations since January 1999. From 1994 to 1999, Mr. DiFazio served as Regional Vice President, Southeast Region, where he was responsible for the operation of 125 restaurants. From 1993 to 1994, Mr. DiFazio served as both a district manager and senior district manager for the Atlanta and Charlotte markets. A pizza industry veteran for more than twelve years, Mr. DiFazio started his career as a supervisor for a major competitor. In addition to his experience as a supervisor, he has worked in various marketing, real estate and store development positions in the pizza industry. We announced that Mr. DiFazio will be resigning this position effective in the second quarter of 2000 to focus on his Papa John's franchised restaurants.

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

Tom Kish has served as Vice President, Information Services since October 1996 and Vice President, Support Services, since March 1998. From 1995 to 1996, Mr. Kish served as Director of Store Systems. Prior to joining Papa John's, Mr. Kish held several consulting positions, many of them with Fortune 500 companies. Mr. Kish has been a franchisee since 1998.

Mary Ann Palmer has served as Vice President, People Department since the department was created in January 1999. Ms. Palmer served as Vice President of Education and Training from 1997 to 1999. From

1996 to 1997, Ms. Palmer held the position of Senior Counsel in our legal department. Prior to joining Papa John's, Ms. Palmer practiced law as a partner in the area's largest regional law firm, Wyatt, Tarrant & Combs.

Syl Sosnowski has served as Vice President of Marketing since 1995. Mr. Sosnowski also served as Vice President of Support Services from 1997 to 1998. From 1990 to 1995, Mr. Sosnowski served as Vice President of Marketing and Sales for Carvel Corporation.

Hart Boesel has served as Vice President of Franchise Sales and Operations since 1999. Mr. Boesel held the position of Vice President of Franchise Operations from 1995 to 1999. In his capacity as Vice President, Mr. Boesel serves as the primary corporate contact for the Papa John's franchise family. Prior to joining Papa John's, Mr. Boesel had 17 years of experience in corporate, franchise and international operations for a major quick service restaurant chain.

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

PART II

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

Our common stock trades on the NASDAQ National Market tier of The NASDAQ Stock Market under the symbol PZZA. As of March 13, 2000, there were approximately 932 record holders of common stock. The following table sets forth for the quarters indicated the high and low sale prices of our common stock, as reported by The NASDAQ Stock Market.

1999	High -----	Low -----
First Quarter	\$ 47.38	\$ 38.88
Second Quarter	44.13	35.25
Third Quarter	44.88	37.81
Fourth Quarter	44.50	23.31

1998		
First Quarter	\$ 38.88	\$ 31.25
Second Quarter	44.00	37.50
Third Quarter	39.91	26.50
Fourth Quarter	42.25	29.25

Since our initial public offering of common stock in 1993, we have not paid dividends on our common stock, and have no plans to do so in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below for each of the years in the five-year period ended December 26, 1999 was derived from our audited consolidated financial statements, restated for the acquisition of Minnesota Pizza (see "Note 3" of "Notes to Consolidated Financial Statements"). 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. 26, 1999	Dec. 27, 1998	Dec. 28, 1997	Dec. 29, 1996	Dec. 31, 1995
<b>SYSTEMWIDE RESTAURANT SALES</b>					
Company-owned	\$ 394,636	\$ 344,089	\$ 262,272	\$ 171,457	\$ 111,755
Franchised	1,038,080	812,182	605,337	447,739	346,995
Perfect Pizza: Company-owned	455	-	-	-	-
Perfect Pizza: franchised	5,175	-	-	-	-
<b>Total</b>	<b>\$ 1,438,346</b>	<b>\$ 1,156,271</b>	<b>\$ 867,609</b>	<b>\$ 619,196</b>	<b>\$ 458,750</b>
<b>INCOME STATEMENT DATA</b>					
<b>Revenues:</b>					
Restaurant sales	\$ 395,091	\$ 344,089	\$ 262,272	\$ 171,457	\$ 111,755
Franchise royalties	41,270	32,126	23,875	17,688	13,561
Franchise and development fees	6,871	5,450	5,162	4,061	3,385
Commissary sales	309,015	255,083	184,407	141,654	105,874
Equipment and other sales	53,078	45,404	39,952	26,959	18,665
<b>Total revenues</b>	<b>803,325</b>	<b>682,152</b>	<b>515,668</b>	<b>361,819</b>	<b>253,240</b>
Operating income	72,333	53,045	35,141	22,573	15,610
Investment income	3,384	4,100	4,196	3,484	1,659
<b>Income before income taxes and cumulative effect of a change in accounting principle</b>	<b>75,717</b>	<b>57,145</b>	<b>39,337</b>	<b>26,057</b>	<b>17,269</b>
Income tax expense	28,431	22,181	15,772	10,932	6,525
<b>Income before cumulative effect of a change in accounting principle</b>	<b>47,286</b>	<b>34,964</b>	<b>23,565</b>	<b>15,125</b>	<b>10,744</b>
Cumulative effect of accounting change, net of tax (2)	-	(2,603)	-	-	-
<b>Net income</b>	<b>\$ 47,286</b>	<b>\$ 32,361</b>	<b>\$ 23,565</b>	<b>\$ 15,125</b>	<b>\$ 10,744</b>
<b>Basic earnings per share:</b>					
Income before cumulative effect of a change in accounting principle	\$ 1.57	\$ 1.18	\$ .81	\$ .54	\$ .43
Cumulative effect of accounting change, net of tax (2)	-	(.09)	-	-	-
<b>Basic earnings per share</b>	<b>\$ 1.57</b>	<b>\$ 1.09</b>	<b>\$ .81</b>	<b>\$ .54</b>	<b>\$ .43</b>
<b>Diluted earnings per share:</b>					
Income before cumulative effect of a change in accounting principle	\$ 1.52	\$ 1.15	\$ .79	\$ .53	\$ .42
Cumulative effect of accounting change, net of tax (2)	-	(.09)	-	-	-
<b>Diluted earnings per share</b>	<b>\$ 1.52</b>	<b>\$ 1.06</b>	<b>\$ .79</b>	<b>\$ .53</b>	<b>\$ .42</b>
<b>Basic weighted average shares outstanding</b>	<b>30,195</b>	<b>29,537</b>	<b>29,044</b>	<b>28,138</b>	<b>25,267</b>
<b>Diluted weighted average shares outstanding</b>	<b>31,080</b>	<b>30,455</b>	<b>29,720</b>	<b>28,798</b>	<b>25,680</b>
<b>BALANCE SHEET DATA</b>					
Total assets	\$ 372,051	\$ 319,724	\$ 253,413	\$ 214,392	\$ 129,484
Debt	6,233	8,420	5,905	5,230	2,510
Stockholders' equity	292,133	254,170	206,996	178,194	106,822

(1) We operate on a 52-53 week fiscal year ending on the last Sunday of December of each year. The 1999, 1998, 1997 and 1996 fiscal years consisted of 52 weeks and the 1995 fiscal year consisted of 53 weeks.

(2) Reflects the cumulative effect on income and earnings per share of a change in accounting principle, net of tax, as required by Statement of Position 98-5 "Reporting the Costs of Start-Up Activities" (see "Note 2" of "Notes to Consolidated Financial Statements").

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

##### INTRODUCTION

Papa John's International, Inc. (referred to as "the Company," "Papa John's" or in the first person notations of "we," "us" and "our") began operations in 1985 with the opening of the first Papa John's restaurant in Jeffersonville, Indiana. At December 26, 1999, there were 2,280 Papa John's restaurants in operation, consisting of 573 Company-owned and 1,707 franchised and 206 Perfect Pizza restaurants in the United Kingdom (consisting of 12 Company-owned and 194 franchised). Our revenues are principally derived from retail sales of pizza to the general public by Company-owned restaurants, franchise royalties, sales of franchise and development rights, sales to franchisees of food and paper products, restaurant equipment, printing and promotional items, risk management services, and information systems and related services used in their operations.

We intend to continue to expand the number of Company-owned and franchised restaurants. Our expansion strategy is to cluster restaurants in targeted markets, thereby increasing consumer awareness and enabling us to take advantage of operational, distribution and advertising efficiencies. We believe that our expansion strategy has contributed to increases in comparable annual sales for Company-owned restaurants of 3.5% in 1999, 9.0% in 1998, and 9.3% in 1997. We anticipate that future comparable sales increases, if any, will be at a lesser rate than those achieved in the past. Average sales for the Company's most recent comparable base restaurants increased to \$754,000 for 1999 from \$750,000 for 1998. This increase is attributable to continuing strong sales of maturing restaurants. Average sales volumes in new markets are generally lower than in those markets in which we have established a significant market position.

Approximately 45% of our revenues for 1999 and 44% for 1998 were derived from the sale to franchisees of food and paper products, restaurant equipment, printing and promotional items, risk management services and information systems equipment and software and related services by us, our commissary subsidiary, PJ Food Service, Inc., and our support services subsidiary, Papa John's Support Services, Inc. We believe that, in addition to supporting both Company and franchised growth, these subsidiaries contribute to product quality and consistency throughout the Papa John's system.

We continually strive to obtain high quality sites with good access and visibility, and to enhance the appearance and quality of our restaurants. We believe that these factors improve our image and brand awareness. The average cash investment for the 36 Company-owned restaurants opened during 1999, exclusive of land, decreased to approximately \$224,000 from \$252,000 for the 70 units opened in 1998. This decrease was primarily due to a change in the mix of store types built in 1999. In 1999, we built fewer freestanding restaurants which have a higher cost. We also opened more non-traditional units in 1999, which have a lower cost than traditional units. We expect the average cash investment for restaurants opening in 2000 to be approximately \$244,000.

We defer certain costs incurred in connection with the development of our information systems and amortize such costs over periods of up to five years from the date of completion.

Our fiscal year ends on the last Sunday in December of each year. All fiscal years presented consist of 52 weeks. Our 2000 fiscal year will consist of 53 weeks.

#### 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. 26, 1999	DEC. 27, 1998 (1)	DEC. 28, 1997 (1)
<b>INCOME STATEMENT DATA:</b>			
Revenues:			
Restaurant sales	49.1%	50.4%	50.9%
Franchise royalties	5.1	4.7	4.6
Franchise and development fees	0.8	0.8	1.0
Commissary sales	38.4	37.4	35.8
Equipment and other sales	6.6	6.7	7.7
<b>Total revenues</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Costs and expenses:			
Restaurant cost of sales (2)	25.4	26.9	26.5
Restaurant operating expenses (2)	54.7	53.5	55.1
Commissary, equipment and other expenses (3)	90.5	91.7	91.6
General and administrative expenses (4)	6.8	7.8	7.5
Advertising litigation expense (5)	0.8	-	-
Pre-opening and other general expenses (4)	0.4	0.5	0.3
Depreciation and amortization (4)	3.1	3.0	4.0
<b>Total costs and expenses</b>	<b>91.0</b>	<b>92.2</b>	<b>93.2</b>
Operating income	9.0	7.8	6.8
Investment income	0.4	0.6	0.8
Income before income taxes and cumulative effect of a change in accounting principle	9.4	8.4	7.6
Income tax expense	3.5	3.3	3.0
Income before cumulative effect of a change in accounting principle	5.9	5.1	4.6
Cumulative effect of accounting change, net of tax (4)	-	(0.4)	-
<b>Net income</b>	<b>5.9%</b>	<b>4.7%</b>	<b>4.6%</b>



	YEAR ENDED		
	Dec. 26, 1999	Dec. 27, 1998 (1)	Dec. 28, 1997 (1)
Restaurant Data:			
Percentage increase in comparable Company-owned restaurant sales (6)	3.5%	9.0%	9.3%
Number of Company-owned restaurants included in the respective years' most recent comparable restaurant base	492	407	278
Average sales for Company-owned restaurants included in the respective years' most recent comparable restaurant base	\$ 754,000	\$ 750,000	\$ 717,000
PAPA JOHN'S RESTAURANT PROGRESSION:			
Number of Company-owned restaurants:			
Beginning of period	514	427	318
Opened	36	70	87
Closed	(1)	(1)	(1)
Acquired from franchisees	28	21	23
Sold to franchisees	(6)	(3)	--
Restated (7)	2	--	--
End of period	573	514	427
Number of U.S. franchised restaurants:			
Beginning of period	1,365	1,090	842
Opened	345	296	277
Closed	(8)	(3)	(6)
Sold to Company	(28)	(21)	(23)
Acquired from Company	6	3	--
Restated (7)	1	--	--
End of period	1,681	1,365	1,090
Number of international franchised restaurants:			
Beginning of period	6	--	--
Opened	20	6	--
End of period	26	6	--
Total restaurants end of period	2,280	1,885	1,517

	Company-owned	Franchised	Total
PERFECT PIZZA RESTAURANT PROGRESSION:			
Number of restaurants at November 29, 1999 date of acquisition	15	190	205
Opened	--	1	1
Sold to franchisees	(3)	3	--
End of period	12	194	206

- (1) Restated for the March 1999 acquisition of Minnesota Pizza (see "Note 3" of "Notes to Consolidated Financial Statements").
- (2) As a percentage of Restaurant sales.
- (3) As a percentage of Commissary sales and Equipment and other sales on a combined basis.
- (4) The 1998 operating results reflect the adoption of an accounting standard related to the costs of start-up activities (see "Note 2" of "Notes to Consolidated Financial Statements") which impacts the amount of depreciation and amortization, general and administrative expenses, and pre-opening and other general expenses reflected above.
- (5) Represents estimated 1999 costs related to complying with the Court's order in the Pizza Hut litigation (see "Item 3. Legal Proceedings" and "Note 14" of "Notes to Consolidated Financial Statements").
- (6) Includes only Company-owned restaurants open throughout the periods being compared.
- (7) Non-traditional units previously opened but not included in restaurant progression.

1999 COMPARED TO 1998

On March 28, 1999, we acquired Minnesota Pizza Company, LLC ("Minnesota Pizza"), a franchisee which operated 37 Papa John's restaurants in the Minneapolis/St. Paul market (see "Note 3" of "Notes to Consolidated Financial Statements"). The transaction was accounted for as a pooling of interests. Our operating results for the first quarter of 1999 and previously reported results of operations and balance sheets have been restated to include Minnesota Pizza.

On November 29, 1999, we acquired Perfect Pizza Holdings Limited ("Perfect Pizza"), a company located in the United Kingdom operating 205 restaurants (See "Note 3" of "Notes to Consolidated Financial Statements"). The Consolidated Statements of Income contain financial results for the month of December 1999 for Perfect Pizza, which reflect total revenues of \$2.9 million and net income of \$228,000. Due to the immateriality of these operating results, the discussion below does not include comments related to the impact of Perfect Pizza.

**REVENUES.** Total revenues increased 18.1% to \$805.3 million in 1999, from \$682.2 million in 1998.

Restaurant sales increased 14.8% to \$395.1 million in 1999, from \$344.1 million in 1998. This increase was primarily due to a 12.6% increase in the number of equivalent Company-owned restaurants open during 1999 as compared to 1998. "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 3.5% in 1999 over 1998 for Company-owned restaurants open throughout both years in large part due to reduced price discounting.

Franchise royalties increased 28.5% to \$41.3 million in 1999, from \$32.1 million in 1998. This increase was primarily due to a 25.6% increase in the number of equivalent franchised restaurants open during 1999 as compared to 1998. Also, comparable sales increased 6.4% in 1999 over 1998 for franchised restaurants open throughout both years.

Franchise and development fees increased 26.1% to \$6.9 million in 1999, from \$5.5 million in 1998. This increase was primarily due to the 365 franchised restaurants opened during 1999, as compared to 302 opened during 1998, an increase of 21%. The average dollar amount of fees per franchised restaurant may vary from period to period, depending on the mix of restaurants opened pursuant to older development agreements (including "Hometown restaurants" which generally had lower required fees than traditional restaurants opened pursuant to standard development agreements) and those opened pursuant to international development agreements (which may have higher or lower required fees). Hometown restaurants are located in smaller markets, generally with less than 9,000 households. Hometown restaurant development agreements entered into subsequent to March 1998, generally provide for fees equivalent to those under standard development agreements. The standard international development agreement requires total fees of \$25,000 per restaurant, while subfranchised restaurants opened pursuant to a master franchise agreement require total fees of \$15,000 per restaurant. This is compared to the standard domestic development and franchise fee of \$20,000 per restaurant.

Commissary sales increased 21.1% to \$309.0 million in 1999, from \$255.1 million in 1998. This increase was primarily due to the increases in equivalent franchised restaurants and comparable sales for franchised restaurants noted above, partially offset by the impact of lower 1999 cheese costs which resulted in lower cheese pricing and sales relative to 1998 levels.

Equipment and other sales increased 16.9% to \$53.1 million in 1999, from \$45.4 million in 1998. This increase was primarily due to ongoing equipment, smallwares, uniforms and print materials related to the increase in equivalent franchised restaurants open during 1999 as compared to 1998, and the increase in the number of new restaurant equipment packages sold to franchisees that opened restaurants in 1999 as compared to 1998.

**COSTS AND EXPENSES.** Restaurant cost of sales, which consists of food, beverage and paper costs, decreased as a percentage of restaurant sales to 25.4% in 1999, from 26.9% in 1998. The primary reason for the decrease is attributable to reduced restaurant menu price discounting and a decrease in the average cheese block price. The cost of cheese, representing approximately 40% of food cost, and other commodities are subject to significant price fluctuations caused by weather, demand and other factors. Most of the factors affecting the cost of cheese are beyond our control (see "Item 1. Business - Commissary System; Purchasing" and "Note 9" of "Notes to Consolidated Financial Statements").

Restaurant salaries and benefits increased as a percentage of restaurant sales to 27.0% in 1999, from 26.8% in 1998. This increase was primarily due to higher staffing levels after our 14th Anniversary promotion to support the demands of new customers and enhanced employee benefits to select restaurant personnel. Occupancy costs as a percentage of restaurant sales remained consistent at 5.0% for both 1999 and 1998.

Restaurant advertising and related costs increased as a percentage of restaurant sales to 9.1% in 1999, from 8.7% in 1998. The increase in 1999 was primarily the result of increased promotional activities in the second quarter in response to significant promotional activities by our competitors and increased activities in the fourth quarter in response to overall market conditions and sales trends.

Other restaurant operating expenses increased as a percentage of restaurant sales to 13.6% in 1999, from 13.0% in 1998. Other operating expenses include an allocation of commissary operating expenses equal to 3% of Company-owned restaurant sales in order to assess a portion of the costs of dough production and food and equipment purchasing and storage to Company-owned restaurants. The increase in other operating expenses as a percentage of restaurant sales was primarily due to increased costs associated with our 14th Anniversary promotion and increased repair and maintenance costs. Repair and maintenance costs are expected to increase as existing units mature.

Commissary, equipment and other expenses include cost of sales, salaries and benefits, and other operating expenses associated with sales of food, paper, equipment, information systems and printing and promotional items to franchisees and other customers. These costs decreased as a percentage of combined commissary sales and equipment and other sales to 90.5% in 1999 from 91.7% in 1998. Cost of sales as a percentage of combined commissary sales and equipment and other sales decreased to 76.2% in 1999 from 78.5% in 1998, principally due to the timing of certain favorable commodity price changes (primarily cheese) and the change in classification of certain expenses to salaries and benefits previously reported as cost of sales. Salaries and benefits increased to 6.6% in 1999 from 5.7% in 1998 due to the change in classification of certain expenses previously reported in cost of sales and general and administrative expenses. Other operating expenses increased to 7.7% in 1999 compared to 7.5% in 1998 due primarily to higher delivery costs related to the transition to a new distribution vendor and higher costs related to the 14th Anniversary promotion, partially offset by a reduction in rent expense due to the opening of the Dallas, Texas and Louisville, Kentucky commissaries. Additionally, delivery costs as a percentage of sales will fluctuate with cheese prices. Although the change in cheese price has an effect on sales, the costs to deliver remain relatively consistent regardless of cheese prices.

General and administrative expenses decreased as a percentage of total revenues to 6.8% in 1999 from 7.8% in 1998. This decrease was due to the following: (1) leveraging expenses on a higher sales base; (2) the resolution of certain economic incentives related to the construction of the new corporate headquarters facility; (3) reduction in payroll processing fees due to bringing payroll processing in-house; and (4) the change in classification of certain expenses to commissary, equipment and other salaries and benefits previously reported as general and administrative expenses. The change in classification represented approximately 0.2% of the total improvement.

Advertising litigation expense represents costs associated with the lawsuit filed against us by Pizza Hut, Inc. claiming that our "Better Ingredients. Better Pizza." slogan is false and deceptive advertising. The \$6.1 million in advertising litigation expense consists primarily of legal costs and costs to discontinue the "Better Ingredients. Better Pizza." slogan. See "Item 3. Legal Proceedings" and "Note 14" of "Notes to Consolidated Financial Statements" for additional information.

Pre-opening and other general expenses remained fairly consistent at \$3.6 million in 1999, compared to \$3.5 million in 1998. Depreciation and amortization expense as a percentage of total revenues remained consistent at 3.1% in 1999, compared to 3.0% in 1998.

INVESTMENT INCOME. Investment income decreased to \$3.4 million in 1999 from \$4.1 million in 1998 due to a lower average balance of franchise loans and a decrease in our average investment portfolio balance.

INCOME TAX EXPENSE. Income tax expense (exclusive of the cumulative effect of accounting change and related taxes) reflects a combined federal, state and local effective tax rate of 37.6% for 1999, compared to 38.8% in 1998. The effective income tax rate for 1998, including an income tax benefit for the treatment of Minnesota Pizza as a C Corporation (see "Note 3" of "Notes to Consolidated Financial Statements"), was 37.0%. The effective income tax rate in 1999 increased as compared to the 1998 pro forma rate as a result of a continued decrease in the relative level of tax-exempt investment income to total pre-tax income.

#### 1998 COMPARED TO 1997

As noted above, our previously reported results of operations and balance sheets have been restated to include Minnesota Pizza and the following discussion reflects this restatement.

REVENUES. Total revenues increased 32.3% to \$682.2 million in 1998, from \$515.7 million in 1997.

Restaurant sales increased 31.2% to \$344.1 million in 1998, from \$262.3 million in 1997. This increase was primarily due to a 24.0% increase in the number of equivalent Company-owned restaurants open during 1998 as compared to 1997. "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 9.0% in 1998 over 1997 for Company-owned restaurants open throughout both years.

Franchise royalties increased 34.6% to \$32.1 million in 1998, from \$23.9 million in 1997. This increase was primarily due to a 26.9% increase in the number of equivalent franchised restaurants open during 1998 as compared to 1997. Also, comparable sales increased 10.1% in 1998 over 1997 for franchised restaurants open throughout both years.

Franchise and development fees increased 5.6% to \$5.5 million in 1998, from \$5.2 million in 1997. This increase was primarily due to the 302 franchised restaurants opened during 1998, as compared to 277 opened during 1997, an increase of 9.0%. The average dollar amount of fees per franchised restaurant may vary from period to period, depending on the mix of restaurants opened pursuant to older development agreements including "Hometown restaurants."

Commissary sales increased 38.3% to \$255.1 million in 1998, from \$184.4 million in 1997. This increase was primarily due to the increases in equivalent franchised restaurants and comparable sales for franchised restaurants noted above. There was an additional impact of higher cheese prices in 1998 compared to 1997 in response to increased cheese costs during 1998.

Equipment and other sales increased 13.6% to \$45.4 million in 1998, from \$40.0 million in 1997. This increase was primarily due to ongoing equipment and smallwares orders related to the increase in equivalent franchised restaurants open during 1998 as compared to 1997, and the increase in the number of new restaurant equipment packages sold to franchisees that opened restaurants in 1998 as compared to 1997. A portion of the equipment and other sales increase was also attributable to an increase in sales of the Papa John's PROFIT system, a proprietary point of sale system.

**COSTS AND EXPENSES.** Restaurant cost of sales, which consists of food, beverage and paper costs, increased as a percentage of restaurant sales to 26.9% in 1998, from 26.5% in 1997. The primary reason for the increase is attributable to increases in the average cheese block market prices, partially offset by a decrease in the average cost of certain other commodities.

Restaurant salaries and benefits decreased as a percentage of restaurant sales to 26.8% in 1998, from 27.1% in 1997. The decrease is primarily due to increased efficiencies in relation to higher sales volumes, partially offset by the 1998 full year impact of increases in the federal minimum wage in September 1997. Occupancy costs decreased as a percentage of restaurant sales to 5.0% in 1998 from 5.2% in 1997 as a result of leveraging against a higher sales base.

Restaurant advertising and related costs decreased as a percentage of restaurant sales to 8.7% in 1998, from 9.4% in 1997. The decrease in 1998 was primarily the result of efficiencies related to increased market penetration and higher sales volume. Our advertising often varies based on the timing of national or market-level promotions.

Other restaurant operating expenses decreased as a percentage of restaurant sales to 13.0% for 1998 from 13.4% for 1997. The decrease in other operating expenses as a percentage of restaurant sales was primarily due to a reduction in worker's compensation costs.

Commissary, equipment and other expenses include cost of sales, salaries and benefits, and other operating expenses associated with sales of food, paper, equipment, information systems and printing and promotional items to franchisees and other customers. These costs were relatively consistent as a percentage of combined commissary sales and equipment and other sales at 91.7% in 1998 and 91.6% in 1997. Cost of sales as a percentage of combined commissary sales and equipment and other sales increased to 78.5% in 1998 from 77.7% in 1997, due to the timing of certain unfavorable commodity price changes (primarily cheese). The increase was offset by a decrease in salaries and benefits and other operating expenses to 13.2% in 1998 compared to 13.9% in 1997, due primarily to efficiencies related to an increased number of restaurants serviced by the overall commissary system without significant expansion in 1998.

General and administrative expenses increased slightly as a percentage of total revenues to 7.8% in 1998 from 7.5% in 1997. This increase is primarily due to the adoption of the AICPA Statement of Position 98-5 ("SOP") which required the expensing of certain start-up costs effective in 1998 (see "Note 2" of "Notes to Consolidated Financial Statements"). Certain of these costs had previously been deferred and, accordingly, were not previously included in general and administrative costs. Even though the adoption resulted in significant changes to the amounts reported on individual line items (general and administrative expenses, pre-opening and other general expenses, and depreciation and amortization), the effect of the adoption of the SOP did not have a material impact on 1998 consolidated net income, excluding the one time cumulative effect adjustment of \$2.6 million, net of taxes of \$1.5 million. This increase was partially offset by the recognition of \$2.0 million in incentives under the Kentucky Jobs Development Act (the "KJDA incentives") related to the development of a new corporate headquarters facility and associated employment increases.

Pre-opening and other general expenses increased to \$3.5 million in 1998, compared to \$1.5 million in 1997. Pre-opening and other general expenses consisted primarily of relocation costs in 1997 and of both relocation costs and pre-opening expenses in 1998 as a result of the adoption of the SOP (see "Note 2" of "Notes to Consolidated Financial Statements").

Depreciation and amortization decreased as a percentage of total revenues to 3.0% in 1998, from 4.0% in 1997. This decrease was due to the elimination of pre-opening deferrals and related amortization in 1998 as a result of the adoption of the SOP (see "Note 2" of "Notes to Consolidated Financial Statements").

INVESTMENT INCOME. Investment income remained relatively consistent at \$4.1 million in 1998 and \$4.2 million in 1997 as average invested and loaned balances and yields were also fairly consistent between years.

INCOME TAX EXPENSE. Income tax expense (exclusive of the cumulative effect of accounting change and related taxes) reflects a combined federal, state and local effective tax rate of 38.8% in 1998, compared to 40.1% in 1997. The effective income tax rates for 1998 and 1997, including an income tax benefit for the treatment of Minnesota Pizza as a C Corporation (see "Note 3" of "Notes to Consolidated Financial Statements"), was 37.0% in both years.

#### LIQUIDITY AND CAPITAL RESOURCES

We require capital primarily for the development and acquisition of restaurants, the addition of new commissary and support services facilities and equipment, the enhancement of corporate systems and facilities and the funding of franchisee loans. Additionally, we began a share repurchase program in 1999. Capital expenditures of \$81.2 million, acquisitions of \$32.7 million, loans to franchisees of \$6.6 million and share repurchases of \$31.7 million for 1999, were primarily funded by cash flow from operations, cash generated from the exercise of stock options and the liquidation of available cash and investments.

Total 2000 capital expenditures are expected to be approximately \$50.0 million, primarily for the development or relocation of restaurants, construction of commissary facilities, and the completion of the Louisville corporate offices. During 2000, we plan to open approximately 35 new Company-owned restaurants and relocate an additional 15 to 20 restaurants.

In addition to restaurant development and potential acquisitions, significant capital projects for the next 12 months are expected to include the completion of the 247,000 square foot commissary and corporate

office facility in Louisville, Kentucky. In mid-1999, the Louisville commissary operations and the majority of the team members in the corporate offices were relocated to the new facility, which is expected to be completed in early 2000. A full-service commissary was opened in Pittsburgh, Pennsylvania in January 2000, and we expect to complete the expansion and relocation of the Phoenix, Arizona distribution center to a full-service commissary in mid-2000.

Subsequent to year-end, we acquired an additional \$87.4 million of common stock under our share repurchase program. These purchases have primarily been funded with short-term bank financing. The Board of Directors has authorized up to \$150.0 million for the share repurchase program through 2000 year-end, and \$30.9 million remains available under this authorization. Also subsequent to year-end, we acquired PJNJ Foods, Inc., a franchisee of 19 Papa John's restaurants in New Jersey, for \$7.9 million (\$6.6 million in cash and \$1.3 million of assumed net liabilities).

Through December 1999, we earned approximately \$4.9 million of an expected \$13.0 million in incentives under the Kentucky Jobs Development Act in connection with the relocation of the corporate offices. We expect to earn the remaining \$8.1 million of such incentives through 2007.

Additionally, during 2000 we expect to fund up to \$2.5 million in additional loans under existing franchisee loan program commitments. Approximately \$11.7 million was outstanding under this program as of December 26, 1999. At this time, we do not expect to significantly expand the program beyond existing commitments.

Substantially all capital resources available at December 26, 1999 were expended in connection with the \$87.4 million share repurchase subsequent to year-end. Total bank financing of approximately \$83.0 million has been utilized to complete these subsequent repurchases. We expect to fund repayment of short-term bank financing, planned capital expenditures, acquisitions of franchised restaurants, disbursements under the franchise loan program and additional share repurchases for the next twelve months from operating cash flows and the \$67.0 million remaining borrowing capacity under a \$150.0 million, three-year, unsecured revolving line of credit agreement entered into in March 2000.

#### IMPACT OF YEAR 2000

In prior years, we discussed the nature and progress of our plans to become Year 2000-ready. In late 1999, we completed testing of our systems and made modifications as deemed necessary. As a result of our planning and implementation efforts, we experienced no significant disruptions in business critical information technology and non-information technology systems and believe these systems successfully responded to the Year 2000 date change. The costs incurred during 1999 in connection with necessary modifications of our systems were not material to our financial position. We are not aware of any material problems resulting from Year 2000 issues regarding our internal systems, the products and services of third parties, or the businesses operated by our franchisees. We will continue to monitor our business critical computer applications and those of our suppliers and franchisees throughout the year 2000 to ensure that any Year 2000 matters that may arise are addressed promptly.

#### IMPACT OF INFLATION

We do not believe inflation has materially affected earnings during the past three years. Substantial increases in costs, particularly labor, benefits, food and fuel costs, could have a significant impact on us.

## FORWARD LOOKING STATEMENTS

Certain information contained in this annual report, particularly information regarding future financial performance and plans and objectives of management, is forward looking. Certain factors could cause actual results to differ materially from those expressed in forward looking statements. These factors include, but are not limited to, our ability and the ability of our franchisees to obtain suitable locations and financing for new restaurant development; the hiring, training, and retention of management and other personnel; competition in the industry with respect to price, service, location, and food quality; an increase in food cost due to seasonal fluctuations, weather, and demand; changes in consumer tastes and demographic trends; changes in federal and state laws, such as increases in minimum wage; and risks inherent to international development, including operational or market risks associated with the planned conversion of Perfect Pizza restaurants to Papa John's in the United Kingdom.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We had no significant holdings of derivative financial or commodity instruments at December 26, 1999.

Our principal exposure to financial market risks in the past has been the impact that interest rate changes could have on the income from our investment portfolio. Going forward, our principal exposure is the impact that interest rate changes could have on the interest expense incurred on borrowings under our revolving credit agreement (see "Note 8" of "Notes to Consolidated Financial Statements"). All such borrowings (none at December 26, 1999) bear interest at a variable rate based on the prime rate, the London Interbank Offered Rate (LIBOR), or certain alternative short-term rates. A change in interest rates of 100 basis points would not significantly affect our net income. Furthermore, in connection with our \$150.0 million, three-year revolving credit agreement, we entered into a \$100.0 million, three-year interest rate collar effective March, 2000. The collar establishes a 6.36% floor and 9.50% ceiling on the LIBOR base rate on a no-fee basis. Substantially all of our business is transacted in U.S. dollars. Accordingly, foreign exchange rate fluctuations have not had a significant impact on us, and are not expected to during 2000.

Cheese, representing approximately 40% of our food cost, is subject to seasonal fluctuations, weather, demand and other factors that are beyond our control. Effective December 27, 1999, the commissary entered into a purchasing arrangement with a third-party entity formed at the direction of the Franchise Advisory Council for the sole purpose of reducing cheese price volatility. Under this arrangement, the commissary will purchase cheese at a fixed quarterly price based, in part, on historical average cheese prices. Gains and losses incurred by the selling entity will be passed to the commissary via adjustments to the selling price over time. Ultimately the commissary will purchase cheese at a price approximating the actual average market price, but with more predictability and less volatility than the previous purchasing method.



ITEM 8. 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 26, 1999	DECEMBER 27, 1998	DECEMBER 28, 1997
		(RESTATED - SEE NOTE)	(RESTATED - SEE NOTE)
REVENUES:			
Restaurant sales	\$ 395,091	\$ 344,089	\$ 262,272
Franchise royalties	41,270	32,126	23,875
Franchise and development fees	6,871	5,450	5,162
Commissary sales	309,015	255,083	184,407
Equipment and other sales	53,078	45,404	39,952
TOTAL REVENUES	805,325	682,152	515,668
COSTS AND EXPENSES:			
Restaurant expenses:			
Cost of sales	100,412	92,612	69,554
Salaries and benefits	106,851	92,372	71,124
Advertising and related costs	36,014	29,846	24,542
Occupancy costs	19,560	17,138	13,687
Other operating expenses	53,591	44,685	35,247
	316,428	276,653	214,154
Commissary, equipment and other expenses:			
Cost of sales	276,079	235,934	174,336
Salaries and benefits	23,794	16,981	13,091
Other operating expenses	27,809	22,560	18,181
	327,682	275,475	205,608
General and administrative expenses	54,386	53,008	38,841
Advertising litigation expense	6,104	-	-
Pre-opening and other general expenses	3,565	3,481	1,486
Depreciation and amortization	24,827	20,490	20,438
TOTAL COSTS AND EXPENSES	732,992	629,107	480,527
OPERATING INCOME	72,333	53,045	35,141
Investment income	3,384	4,100	4,196
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	75,717	57,145	39,337
Income tax expense	28,431	22,181	15,772
Income before cumulative effect of a change in accounting principle	47,286	34,964	23,565
Cumulative effect of accounting change, net of tax	-	(2,603)	-
NET INCOME	\$ 47,286	\$ 32,361	\$ 23,565
BASIC EARNINGS PER SHARE:			
Income before cumulative effect of a change in accounting principle	\$ 1.57	\$ 1.18	\$ .81
Cumulative effect of accounting change, net of tax	-	(.09)	-
Basic earnings per share	\$ 1.57	\$ 1.09	\$ .81
DILUTED EARNINGS PER SHARE:			
Income before cumulative effect of a change in accounting principle	\$ 1.52	\$ 1.15	\$ .79
Cumulative effect of accounting change, net of tax	-	(.09)	-
Diluted earnings per share	\$ 1.52	\$ 1.06	\$ .79
Basic weighted average shares outstanding	30,195	29,537	29,044
Diluted weighted average shares outstanding	31,080	30,455	29,720
Supplemental data:			
Revenues - affiliates	\$ 102,863	\$ 85,137	\$ 62,986
Other income - affiliates	314	570	514

Note: The Consolidated Statements of Income for the years ended December 27, 1998 and December 28, 1997 have been restated to reflect the acquisition of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see "Note 3" of "Notes to Consolidated Financial Statements").

SEE ACCOMPANYING NOTES.

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

(Dollars in thousands, except per share amounts)	DECEMBER 26, 1999	DECEMBER 27, 1998
(RESTATED - SEE NOTE)		
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,698	\$ 33,814
Accounts receivable	18,113	15,147
Accounts receivable-affiliates	3,302	2,273
Inventories	10,637	9,808
Prepaid expenses and other current assets	7,378	4,891
Deferred income taxes	2,977	2,090
<b>TOTAL CURRENT ASSETS</b>	<b>46,105</b>	<b>68,023</b>
Investments	22,086	47,355
Net property and equipment	227,813	172,872
Notes receivable-franchisees	8,153	4,249
Notes receivable-affiliates	3,590	4,741
Intangibles	47,669	9,397
Other assets	16,635	13,087
<b>TOTAL ASSETS</b>	<b>\$ 372,051</b>	<b>\$ 319,724</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 24,947	\$ 18,389
Accrued expenses	38,516	26,916
Current portion of debt	5,308	190
<b>TOTAL CURRENT LIABILITIES</b>	<b>68,771</b>	<b>45,495</b>
Unearned franchise and development fees	6,222	6,561
Long-term debt, net of current portion	925	8,230
Deferred income taxes	2,109	5,066
Other long-term liabilities	1,891	202
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock (\$.01 par value per share; authorized 5,000,000 shares, no shares issued)	-	-
Common stock (\$.01 par value per share; authorized 50,000,000 shares, issued 30,504,185 in 1999 and 29,866,832 in 1998)	305	298
Additional paid-in capital	189,920	166,209
Accumulated other comprehensive income (loss)	(390)	688
Retained earnings	134,492	87,456
Treasury stock (1,298,495 shares in 1999 and 36,572 shares in 1998, at cost)	(32,194)	(481)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>292,133</b>	<b>254,170</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 372,051</b>	<b>\$ 319,724</b>

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

SEE ACCOMPANYING NOTES.

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

(In thousands)	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
BALANCE AT DECEMBER 29, 1996 AS PREVIOUSLY REPORTED	\$ 288	\$ 143,978	\$ 977	\$35,882	\$ (482)	\$ 180,643
Restatement for acquisition (see Note)	1	1,499	-	(3,949)	-	(2,449)
BALANCE AT DECEMBER 29, 1996 AS RESTATED	289	145,477	977	31,933	(482)	178,194
Comprehensive income:						
Net income	-	-	-	23,565	-	23,565
Unrealized loss on investments, net of tax of \$424	-	-	(656)	-	-	(656)
Comprehensive income						22,909
Exercise of stock options	3	3,533	-	-	1	3,537
Tax benefit related to exercise of non-qualified stock options	-	2,339	-	-	-	2,339
Other	-	-	-	17	-	17
BALANCE AT DECEMBER 28, 1997	292	151,349	321	55,515	(481)	206,996
Comprehensive income:						
Net income	-	-	-	32,361	-	32,361
Unrealized gain on investments, net of tax of \$354	-	-	367	-	-	367
Comprehensive income						32,728
Exercise of stock options	5	11,668	-	-	-	11,673
Tax benefit related to exercise of non-qualified stock options	-	2,953	-	-	-	2,953
Other	1	239	-	(420)	-	(180)
BALANCE AT DECEMBER 27, 1998	298	166,209	688	87,456	(481)	254,170
Comprehensive income:						
Net income	-	-	-	47,286	-	47,286
Unrealized loss on investments, net of tax of \$357	-	-	(553)	-	-	(553)
Other	-	-	(525)	-	-	(525)
Comprehensive income						46,208
Exercise of stock options	7	14,452	-	-	-	14,459
Tax benefit related to exercise of non-qualified stock options	-	3,945	-	-	-	3,945
Deferred tax asset - pooling of interests business combination	-	5,245	-	-	-	5,245
Stock repurchase	-	-	-	-	(31,713)	(31,713)
Other	-	69	-	(250)	-	(181)
BALANCE AT DECEMBER 26, 1999	\$ 305	\$ 189,920	\$ (390)	\$134,492	\$(32,194)	\$ 292,133

Note: The Consolidated Statements of Stockholders' Equity for the years ended December 27, 1998 and December 28, 1997 have been restated to reflect the acquisition of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see "Note 3" of "Notes to Consolidated Financial Statements").

SEE ACCOMPANYING NOTES.

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

(In thousands)

	YEAR ENDED		
	DECEMBER 26, 1999	DECEMBER 27, 1998	DECEMBER 28, 1997
		(RESTATED - SEE NOTE)	(RESTATED - SEE NOTE)
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 47,286	\$ 32,361	\$ 23,565
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	25,156	21,009	21,141
Deferred income taxes	1,757	(1,443)	528
Other	2,580	903	(601)
Changes in operating assets and liabilities:			
Accounts receivable	(1,802)	(2,125)	(2,184)
Inventories	(275)	(551)	(2,292)
Deferred pre-opening costs	-	3,827	(5,823)
Prepaid expenses and other current assets	(2,343)	(2,382)	(883)
Other assets and liabilities	(1,574)	(1,324)	(911)
Accounts payable	4,784	2,265	2,243
Accrued expenses	10,406	7,632	5,962
Unearned franchise and development fees	(339)	1,873	1,195
Net cash provided by operating activities	85,636	62,045	41,940
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	(81,161)	(70,861)	(44,547)
Purchase of investments	(22,908)	(34,107)	(41,445)
Proceeds from sale or maturity of investments	46,632	44,289	46,696
Loans to franchisees	(6,614)	(4,834)	(8,848)
Loan repayments from franchisees	2,955	5,265	2,321
Deferred systems development costs	(1,399)	(1,208)	(1,989)
Acquisitions	(32,703)	(1,902)	(6,168)
Other	(19)	403	316
Net cash used in investing activities	(95,217)	(62,955)	(53,664)
<b>FINANCING ACTIVITIES</b>			
Payments on long-term debt	(9,815)	(6,450)	(3,995)
Proceeds from issuance of long-term debt	2,510	7,720	4,670
Proceeds from exercise of stock options	14,459	11,673	3,537
Tax benefit related to exercise of non-qualified stock options	3,945	2,953	2,339
Acquisition of treasury stock	(31,713)	-	-
Other	79	(7)	(27)
Net cash provided by (used in) financing activities	(20,535)	15,889	6,524
Net increase (decrease) in cash and cash equivalents	(30,116)	14,979	(5,200)
Cash and cash equivalents at beginning of year	33,814	18,835	24,035
Cash and cash equivalents at end of year	\$ 3,698	\$ 33,814	\$ 18,835

Note: The Consolidated Statements of Cash Flows for the years ended December 27, 1998 and December 28, 1997 have been restated to reflect the acquisition of Minnesota Pizza Company, LLC, a business combination accounted for as a pooling of interests (see "Note 3" of "Notes to Consolidated Financial Statements").

SEE ACCOMPANYING NOTES.

1. DESCRIPTION OF BUSINESS

Papa John's International, Inc. (referred to as the "Company," "Papa John's" or in the first person notations of "we," "us" and "our") operates and franchises pizza delivery and carry-out restaurants under the trademark "Papa John's," currently in 47 states, the District of Columbia, and five international markets. We also operate and franchise pizza delivery and carry-out restaurants under the trademark "Perfect Pizza" in the United Kingdom. Substantially all revenues are derived from retail sales of pizza to the general public by Company-owned restaurants, franchise royalties, sales of franchise and development rights, and sales to franchisees of food and paper products, restaurant equipment, printing and promotional items, risk management services, and information systems and related services used in their operations.

2. SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Papa John's and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

FISCAL YEAR

Our fiscal year ends on the last Sunday in December of each year. All fiscal years presented consist of 52 weeks.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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 we have performed our 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### ACCOUNTS RECEIVABLE

Substantially all accounts receivable are due from franchisees for purchases of food and paper products, restaurant equipment, printing and promotional items, risk management services, 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. We consider 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.

### INVESTMENTS

We determine the appropriate classification of investment securities at the time of purchase and reevaluate such designation as of each balance sheet date. All investment securities held at December 26, 1999, 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 and are included in comprehensive income. 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 40 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).

Depreciation expense was \$22.3 million in 1999, \$18.4 million in 1998 and \$13.9 million in 1997.

### INTANGIBLE ASSETS

Intangible assets principally represents costs in excess of net assets of companies acquired (i.e., goodwill). Goodwill is amortized on a straight-line basis ranging from 15 to 25 years. Accumulated amortization was \$3.6 million at December 26, 1999 and \$2.6 million at December 27, 1998.

### IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived and intangible assets are periodically reviewed for recoverability when impairment indicators are present. Recorded values that are not expected to be recovered through undiscounted future cash flows are written down to current fair value, which is generally determined from estimated discounted future net cash flows (assets held for use) or net realizable value (assets held for sale).

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### SYSTEMS DEVELOPMENT COSTS

We defer 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 \$1.4 million in 1999, \$1.2 million in 1998, and \$2.0 million in 1997. Unamortized deferred systems development costs were \$4.3 million at December 26, 1999 and December 27, 1998, and are reported in other assets in the accompanying consolidated balance sheets.

### ADVERTISING AND RELATED COSTS

Advertising and related costs include the costs of Company-owned restaurant activities such as mail coupons, door hangers and promotional items and contributions to the Papa John's Marketing Fund, Inc. (the "Marketing Fund") and local market cooperative advertising funds. 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 developing and conducting marketing and advertising for 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 our consolidated financial statements, except as described below beginning with the first quarter of 1998.

Effective December 29, 1997, we began recognizing Company-owned restaurant contributions to the Marketing Fund and to those local market cooperative advertising funds deemed to be controlled by us (collectively, the "Controlled Funds"), as advertising and related costs at the time the Controlled Funds actually incurred such expenses. Through December 28, 1997, Company-owned restaurant contributions to the Marketing Fund and local market cooperative advertising funds were expensed as incurred. The Controlled Funds generally incurred expenses as contributions were received; therefore, the impact of this change was not material.

### FOREIGN CURRENCY TRANSLATION

The local currency is the functional currency for our foreign subsidiary, Perfect Pizza. Earnings are translated into U.S. dollars using monthly average exchange rates, while balance sheet accounts are translated using year-end exchange rates. The resulting translation adjustments are included as a component of accumulated other comprehensive income.

### EARNINGS PER SHARE

The calculations of basic and diluted earnings per share before the cumulative effect of a change in accounting principle for the years ended December 26, 1999, December 27, 1998 and December 28, 1997 are as follows (in thousands, except per share data):

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	1999	1998	1997
-----			
Basic earnings per share:			
Income before cumulative effect of a change in accounting principle	\$ 47,286	\$ 34,964	\$ 23,565
Weighted average shares outstanding	30,195	29,537	29,044
-----			
Basic earnings per share	\$ 1.57	\$ 1.18	\$ 0.81
=====			
Diluted earnings per share:			
Income before cumulative effect of a change in accounting principle	\$ 47,286	\$ 34,964	\$ 23,565
Weighted average shares outstanding	30,195	29,537	29,044
Dilutive effect of outstanding common stock options	885	918	676
-----			
Diluted weighted average shares outstanding	31,080	30,455	29,720
-----			
Diluted earnings per share	\$ 1.52	\$ 1.15	\$ 0.79
=====			

Options to purchase common stock with an exercise price greater than the average market price were not included in the computation of the dilutive effect of common stock options because the effect would have been antidilutive. The number of antidilutive options was 986,000 in 1999, 213,000 in 1998, and 695,000 in 1997.

ACCOUNTING CHANGES

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

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities," which is required to be adopted in years beginning after June 15, 2000. Because of Papa John's minimal use of derivatives, management does not anticipate that its adoption of SFAS 133 will have a significant effect on our earnings or financial position.

PRIOR YEAR DATA

Certain prior year data has been reclassified to conform to the 1999 presentation.



### 3. BUSINESS COMBINATIONS

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

(In thousands)	YEAR ENDED DECEMBER 27, 1998		YEAR ENDED DECEMBER 28, 1997	
	Papa John's	Minnesota Pizza	Papa John's	Minnesota Pizza
Total revenues	\$787,347	\$19,196	\$601,341	\$11,119
Eliminations	(117,541)	(6,850)	(92,557)	(4,235)
Net combined revenue	669,806	12,346	508,784	6,884
Net income (loss)	35,165	(2,804)	26,853	(3,288)
Pro forma net income (loss)	35,165	(1,767)	26,853	(2,071)

The Minnesota Pizza pro forma net income (loss) includes an income tax benefit for the treatment of Minnesota Pizza as a C Corporation rather than a limited liability company taxed as a partnership, with an assumed effective income tax rate of 37%, assuming Minnesota Pizza would be able to record the tax benefit on such losses.

On August 23, 1999, we acquired Great American Pizza, Inc., a franchisee which operated 18 Papa John's restaurants in the Cleveland, Ohio market for total consideration of \$6.5 million, consisting of \$1.5 million in cash and a \$5.0 million short-term note payable due January 2000.

On November 29, 1999, we acquired Perfect Pizza Holdings Limited ("Perfect Pizza"), a Company located in the United Kingdom, for \$32.3 million in cash. The preliminary Perfect Pizza allocation for this acquisition resulted in goodwill of \$30.9 million, which is being amortized over 20 years. At December 26, 1999, Perfect Pizza operated and franchised 206 restaurants (12 Company-owned and 194 franchised).

During 1999, we acquired an additional 10 Papa John's restaurants from franchisees for \$4.5 million in cash.

On December 27, 1999, subsequent to year-end, we acquired PJJN Foods, Inc., a franchisee of 19 Papa John's restaurants in New Jersey, for \$7.9 million (\$6.6 million in cash and \$1.3 million of assumed net liabilities).

The business combinations in the previous four paragraphs were each accounted for by the purchase method of accounting, whereby operating results subsequent to the acquisition date are included in our financial statements.

Also see Note 12, Related Party Transactions, for a discussion of other business combinations involving related parties.

#### 4. INVESTMENTS

A summary of our available-for-sale securities as of December 26, 1999 and December 27, 1998 follows (in thousands):

December 26, 1999	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Municipal bonds	\$15,187	\$ -	\$ (189)	\$ 14,998
Mortgage-backed securities	83	8	-	91
Fixed income mutual funds	5,712	-	(346)	5,366
Equity securities	-	956	-	956
Other	442	-	-	442
Interest receivable	233	-	-	233
<b>Total</b>	<b>\$21,657</b>	<b>\$ 964</b>	<b>\$ (535)</b>	<b>\$ 22,086</b>

December 27, 1998	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Corporate debt securities	\$ 500	\$ -	\$ (1)	\$ 499
Municipal bonds	32,011	158	-	32,169
Mortgage-backed securities	239	8	-	247
Fixed income mutual funds	10,822	-	(375)	10,447
Equity securities	1,998	1,549	-	3,547
Interest receivable	446	-	-	446
<b>Total</b>	<b>\$46,016</b>	<b>\$1,715</b>	<b>\$ (376)</b>	<b>\$ 47,355</b>

The amortized cost and estimated fair value of securities at December 26, 1999, 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	\$ 7,490	\$ 7,412
Due after one year through three years	7,697	7,586
Mortgage-backed securities	83	91
Fixed income mutual funds	5,712	5,366
Equity securities	-	956
Other	442	442
Interest receivable	233	233
<b>Total</b>	<b>\$21,657</b>	<b>\$22,086</b>

5. NET PROPERTY AND EQUIPMENT

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

	1999	1998
Land	\$ 25,798	\$ 18,200
Buildings and improvements	66,494	18,871
Leasehold improvements	60,763	47,999
Equipment and other	121,414	91,148
Construction in progress	23,089	46,642
	297,558	222,860
Less accumulated depreciation and amortization	(69,745)	(49,988)
Net property and equipment	\$ 227,813	\$172,872

6. FRANCHISEE LOAN PROGRAM

During 1996, we established a program under which selected franchisees may borrow funds for use in the construction and development of their restaurants. Loans outstanding to franchisees were approximately \$11.7 million as of December 26, 1999 and \$9.0 million as of December 27, 1998. As of December 26, 1999, commitments to lend up to an additional \$2.5 million had been made. Such loans bear interest at fixed or floating rates (ranging from 5.5% to 12.0% at December 26, 1999), 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 was approximately \$762,000 in 1999, \$986,000 in 1998 and \$815,000 in 1997, and is reported in investment income in the accompanying consolidated statements of income. Approximately \$3.6 million of the loans outstanding as of December 26, 1999 and \$4.7 million as of December 27, 1998 were to franchisees in which we or certain of our directors or officers had an ownership interest.

7. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	1999	1998
Salaries, wages and bonuses	\$ 3,236	\$ 2,748
Taxes other than income	5,498	5,093
Insurance	4,451	3,733
Income taxes	9,205	5,027
Facility costs	1,335	3,494
Rent	1,360	1,081
Advertising litigation	4,083	-
Other	9,348	5,740
Total	\$ 38,516	\$ 26,916

8. DEBT AND CREDIT ARRANGEMENTS

(in thousands)	1999	1998
Economic development loan	\$ 1,130	\$ 1,320
Note payable from acquisition	5,103	-
Bank debt - Minnesota Pizza (pre-acquisition)	-	7,100
	6,233	8,420
Current portion of debt	(5,308)	(190)
Long-term debt	\$ 925	\$ 8,230

As of December 26, 1999, we had a \$20.0 million committed line of credit agreement expiring on June 30, 2000. Subsequent to year-end, in connection with the authorization of a share repurchase program (see Note 15), available credit was extended to \$100.0 million on an interim basis. Effective March 17, 2000, we entered into a new \$150.0 million unsecured revolving line of credit facility with an expiration date of March 17, 2003. Outstanding balances for this facility accrue interest at 50.0 to 87.5 basis points over LIBOR or other bank developed rates at our option. The committed fee on the unused balance ranges from 12.5 to 20.0 basis points. The increment over LIBOR and the commitment fee are determined quarterly based upon the ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization (EBITDA). On March 17, 2000, \$85.0 million was outstanding under this facility.

In connection with the new line of credit facility, Papa John's entered into a no-fee interest rate collar ("Collar") with a notional amount of \$100.0 million, a 30-day LIBOR rate range of 6.36% (floor) to 9.50% (ceiling) and an expiration date of March, 2003. The purpose of the Collar is to provide a hedge against the effects of rising interest rates. Papa John's will make payments under the terms of the Collar when the 30-day LIBOR rate is below the floor to raise the effective rate to 6.36%, and will receive payments when the 30-day LIBOR rate is above the ceiling, to lower the effective rate to 9.50%, thus assuring that Papa John's effective 30-day LIBOR rate is always within the above stated range. When the 30-day LIBOR rate is within the range, no payments are made or received under the Collar. Amounts payable or receivable under the Collar will be accounted for as an adjustment to interest expense.

9. CHEESE PRICING ARRANGEMENT

Papa John's Franchise Advisory Council has initiated a program that allows the cost of cheese to Papa John's restaurants to be established on a quarterly basis. An independent franchisee-owned corporation, BIBP Commodities, Inc. ("BIBP"), was established effective December 27, 1999 through which the program will be administered. BIBP will purchase cheese at the market price and sell it to our distribution subsidiary, PJ Food Service, Inc. (PJFS), at a fixed quarterly price based in part upon historical average market prices. PJFS in turn sells cheese to Papa John's restaurants (Company-owned and franchised) at a set quarterly price. Gains or losses incurred by BIBP due to differences in the actual market price of cheese purchased and the established quarterly sales price are factored into determining the price for the following quarter. We have agreed to provide a \$17.6 million loan facility to BIBP to fund cash deficits that may arise. No amounts were advanced under this facility as of December 26, 1999.

10. INCOME TAXES

A summary of the provision for income taxes (exclusive of the tax effect related to the cumulative effect of accounting change) follows (in thousands):

	1999	1998	1997
Current			
Federal	\$ 22,893	\$ 18,849	\$ 13,061
State and local	3,781	3,247	2,183
Deferred (federal and state)	1,757	85	528
Total	\$ 28,431	\$ 22,181	\$ 15,772

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

	1999	1998
Unearned development fees	\$ 2,324	\$ 2,387
Unrealized loss on investments	200	142
Accrued expenses	4,069	2,485
Acquired franchise rights	5,245	-
Other	5	304
Total deferred tax assets	11,843	5,318
Valuation allowance related to unrealized loss on investments	(131)	(142)
Net deferred tax asset	11,712	5,176
Deferred expenses	(3,696)	(1,976)
Accelerated depreciation	(5,599)	(5,101)
Unrealized gain on warrant	(341)	(588)
Other	(1,208)	(487)
Total deferred tax liabilities	(10,844)	(8,152)
Net deferred tax asset (liability)	\$ 868	\$ (2,976)

The reconciliation of income tax computed at the U.S. federal statutory rate to income tax expense (exclusive of the tax effect related to the cumulative effect of accounting change) for the years ended December 26, 1999, December 27, 1998 and December 28, 1997 is as follows (in thousands):

	1999	1998	1997
Tax at U.S. federal statutory rate	\$ 26,501	\$ 20,001	\$ 13,768
State and local income taxes	2,450	1,845	1,393
Tax exempt investment income	(551)	(761)	(783)
Losses on pooled entity	-	1,037	1,217
Other	31	59	177
Total	\$ 28,431	\$ 22,181	\$ 15,772

Income taxes paid were \$19.4 million in 1999, \$15.9 million in 1998 and \$11.0 million in 1997.

11. PJ AMERICA, INC. STOCK WARRANT

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

We 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 consolidated balance sheets, with unrealized gains, net of tax, reported within comprehensive income.

The fair value of the warrant was \$956,000 on December 26, 1999 and \$1.5 million on December 27, 1998, based upon the closing price per share of \$15.50 and \$18.13 for PJ America common stock on those respective dates, and is reported in investments in the accompanying consolidated balance sheets. 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 of our officers and/or directors are also officers and/or directors of PJ America.

12. RELATED PARTY TRANSACTIONS

Certain of our officers and directors own equity interests in entities that operate and/or have rights to develop franchised restaurants. Certain of these affiliated entities have 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. Following is a summary of transactions and balances with affiliated entities (in thousands):

	1999	1998	1997
Revenues from affiliates:			
Commissary sales	\$ 80,336	\$ 64,977	\$ 47,153
Equipment and other sales	10,423	10,721	8,187
Franchise royalties	10,530	8,067	6,265
Franchise and development fees	1,574	1,372	1,381
Total	\$102,863	\$ 85,137	\$ 62,986
Other income from affiliates	\$ 314	\$ 570	\$ 514
Accounts receivable-affiliates	\$ 3,302	\$ 2,273	\$ 2,454
Notes receivable-affiliates	\$ 3,590	\$ 4,741	\$ 7,997

We paid \$1.3 million in 1999, \$966,000 in 1998 and \$689,000 in 1997 for charter aircraft services provided by entities owned by certain directors and officers, including the Chief Executive Officer of Papa John's.

## 12. RELATED PARTY TRANSACTIONS (CONTINUED)

We advanced \$198,000 in 1999, \$183,000 in 1998 and \$197,000 in 1997, in premiums for split-dollar life insurance coverage on the Chief Executive Officer for the purpose of funding estate tax obligations. Papa John's and the officer share the cost of the premiums. The premiums advanced by us will be repaid out of the cash value or proceeds of the policies.

During the fourth quarter of 1999, we sold five restaurants to Capital Pizza, Inc., for total consideration of \$1.6 million (\$1.4 million in cash and \$200,000 as a note receivable) and acquired one restaurant from Capital Pizza, Inc. for total consideration of \$190,000, in which we forgave a note payable to us. Capital Pizza, Inc. is owned by certain of our officers, including our Vice Chairman and President.

During the fourth quarter of 1997, we acquired a 49% equity ownership interest in Mountain Pizza Group, L.L.C. ("MPG"), for \$150,000 in cash. In July 1998, we acquired the remaining 51% for \$565,000 in cash. In connection with the 1998 acquisition, we also assumed \$2.4 million in MPG debt. MPG, an entity which operated seven Papa John's restaurants in Denver, Colorado, was owned by our Vice Chairman and President. The operating results of MPG were accounted for by the equity method until the remaining 51% was acquired in 1998. Also, during the fourth quarter of 1997, we acquired three Papa John's restaurants near Denver, Colorado, for \$720,000 in cash. These restaurants were owned by our Chief Executive Officer and his wife.

During the second quarter of 1997, we acquired 16 Papa John's restaurants in North Carolina for \$5.0 million (consisting of \$4,960,000 in cash and a credit of \$40,000 towards future development fees). A majority ownership interest in the franchisee of the North Carolina restaurants was held by certain of our directors and officers, including our Chief Executive Officer.

The above acquisitions were accounted for by the purchase method of accounting, whereby operating results subsequent to the acquisition date are included in our financial statements.

## 13. LEASE COMMITMENTS

We lease 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. We also lease certain equipment under operating leases with terms ranging from three to seven years. Future minimum lease payments are as follows: 2000 - \$16.8 million; 2001 - \$14.6 million; 2002 - \$12.1 million; 2003 - \$10.2 million; 2004 - \$8.4 million and thereafter - \$30.7 million. Total rent expense was \$12.4 million in 1999, \$11.2 million in 1998, and \$8.5 million in 1997.

## 14. ADVERTISING LITIGATION

On August 12, 1998, Pizza Hut, Inc. filed suit against us in the United States District Court for the Northern District of Texas, claiming that our "Better Ingredients. Better Pizza." slogan constitutes false and deceptive advertising in violation of the Lanham Trademark Act. The trial began on October 25, 1999. On November 18, 1999, the jury returned a verdict that our "Better Ingredients. Better Pizza." slogan is false and deceptive. On January 3, 2000, the court announced its judgment, awarding Pizza Hut \$468,000 in damages and ordering us to cease all use of the "Better Ingredients. Better Pizza." slogan. Under the judge's order, we were to cease using the slogan in print and broadcast advertising by January 24, 2000, phase out printed

#### 14. ADVERTISING LITIGATION (CONTINUED)

promotional materials and other items containing the slogan (except signage) by March 3, 2000 and remove the slogan from restaurant signage by April 3, 2000. However, we filed an appeal of the verdict and the court's order and a motion for stay of the court's order pending outcome of the appeal. On January 21, 2000, the United States Court of Appeals for the Fifth Circuit granted a stay of the District Court judgment pending our appeal. Oral arguments related to the appeal are scheduled to begin in April 2000.

We estimated that the pre-tax costs of complying with the court's order and certain related costs could approximate \$12.0 to \$15.0 million, of which \$6.1 million was recorded as a pre-tax charge against 1999 earnings. If our appeal is successful, the timing, and possibly the amount, of costs to be incurred could be favorably impacted.

#### 15. SHARE REPURCHASE

The Papa John's Board of Directors has authorized the repurchase of up to \$150.0 million of common stock under a share repurchase program that began December 9, 1999, and runs through December 31, 2000. Funding for the share repurchase program will be provided through a combination of our existing cash and investments, \$150.0 million credit facility and operating cash flows.

Through December 26, 1999, a total of 1.3 million shares with an aggregate cost of \$31.7 million were repurchased under this program and placed in treasury. Subsequent to year-end through March 17, 2000, an additional 3.4 million shares with an aggregate cost of \$87.4 million had been repurchased.

#### 16. STOCKHOLDER PROTECTION RIGHTS AGREEMENT

On February 14, 2000, the Board of Directors of the Company adopted a Stockholder Protection Rights Agreement (the "Rights Plan"). Under the terms of the Rights Plan, one preferred stock purchase right was distributed as a dividend on each outstanding share of Papa John's common stock held of record as of the close of business on March 1, 2000. The rights generally will not become exercisable until a person or group acquires beneficial ownership of 15% or more of the Company's common stock in a transaction that is not approved in advance by the Board of Directors. The Company's Founder and CEO, John Schnatter, who currently owns more than 25% of the outstanding common stock will be excluded from operation of the Rights Plan unless (together with his affiliates and family members) he acquires more than 40% of the Company's common stock.

If the rights are triggered, then each right owned by a stockholder other than the unapproved acquirer entitles its holder to purchase shares of Company common stock at 50% of its market price. In addition, after the rights are triggered, if the Company is acquired by an unapproved acquirer in a merger or other business combination transaction, each right that has not previously been exercised will entitle its holder to purchase, at the right's current exercise price, common shares of such other entity having a value of twice the right's exercise price. The Company may redeem the rights for a nominal amount at any time prior to an event that causes the rights to become exercisable.



## 17. STOCK OPTIONS

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), we have elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related Interpretations in accounting for our 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 our employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

We award stock options under the Papa John's International, Inc. 1993 Stock Ownership Incentive Plan (the "1993 Plan"), the Papa John's International, Inc. 1993 Non-Employee Directors Stock Option Plan (the "Directors Plan") and the Papa John's International, Inc. 1999 Team Member Stock Ownership Plan (the "1999 Plan"). Shares of common stock authorized for issuance are 6,400,000 under the 1993 Plan, 370,000 under the Directors Plan and 1,000,000 under the 1999 Plan. Options granted under all plans generally expire ten years from the date of grant and vest over one to five year periods, except for certain options awarded under a previous multi-year operations compensation program that vested immediately upon grant.

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 we have accounted for our 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, which was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our 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 our 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. Our pro forma information follows, along with the indicated weighted average assumptions used:

	1999	1998	1997
Pro forma net income before cumulative effect of a change in accounting principle (in thousands)	\$ 39,349	\$ 26,457	\$ 16,815
Pro forma earnings per share:			
Basic	\$ 1.30	\$ .90	\$ .58
Diluted	\$ 1.27	\$ .87	\$ .57
Assumptions (weighted average):			
Risk-free interest rate	6.0%	4.8%	5.7%
Expected dividend yield	0.0%	0.0%	0.0%
Expected volatility	0.47	0.47	0.47
Expected life (in years)	4.0	4.0	3.6

The pro forma net income before cumulative effect of a change in accounting principle for 1998 and 1997 has been restated for the March 1999 acquisition of Minnesota Pizza (see Note 3).

17. STOCK OPTIONS (CONTINUED)

Because SFAS 123 is applicable only to options granted subsequent to December 25, 1994, our 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 1999, 1998 and 1997 is as follows (number of options in thousands):

	1999		1998		1997	
	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	5,782	\$ 28.54	5,197	\$25.28	3,532	\$20.98
Granted	1,216	26.68	1,535	37.90	2,259	29.30
Exercised	636	22.72	545	21.41	351	10.09
Cancelled	622	32.83	405	29.53	243	25.91
Outstanding-end of year	5,740	\$ 28.55	5,782	\$28.54	5,197	\$25.28
Exercisable-end of year	2,638	\$ 27.30	2,232	\$25.64	1,567	\$21.96
Weighted-average fair value of options granted during the year	\$ 9.22		\$ 13.43		\$ 10.22	

The number, weighted-average exercise price and weighted-average remaining contractual life of options outstanding as of December 26, 1999, and the number and weighted average exercise price of options exercisable as of December 26, 1999 follow (number of options in thousands):

	RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING LIFE
Outstanding options:	\$ 5.78 - \$9.99	71	\$ 6.36	3.60
	10.00 - 19.99	633	16.33	5.72
	20.00 - 29.99	2,427	25.37	8.15
	30.00 - 45.56	2,609	35.08	8.12
Total		5,740	\$ 28.55	7.81
Exercisable options:	\$ 5.78 - \$9.99	71	\$ 6.36	
	10.00 - 19.99	483	15.92	
	20.00 - 29.99	955	26.20	
	30.00 - 45.56	1,129	34.41	
Total		2,638	\$ 27.30	

Plan provisions provide that excess available shares under the 1993 Plan may be transferred to the 1999 Plan. As of December 26, 1999, 477,000 shares were available for future issuance under the 1993 and 1999 plans and 106,750 shares under the Directors Plan.

#### 18. DEFINED CONTRIBUTION BENEFIT PLAN

We have 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. Effective July 1, 1999, we began contributing up to 1.5% of a participating employee's earnings. Our contributions for 1999 were \$220,000 and will vest based upon a participants' service date. Administrative costs of the Plan are paid by us and are not significant.

#### 19. SEGMENT INFORMATION

We have defined three reportable segments: restaurants, commissaries, and franchising. The restaurant segment consists of the operations of all Company-owned restaurants and derives its revenues from retail sales of pizza, breadsticks, cheesesticks and soft drinks to the general public. The commissary segment consists of the operations of our regional dough production and product distribution centers and derives its revenues from the sale and distribution of food and paper products to Company-owned and franchised restaurants. The franchising segment consists of our franchise sales and support activities and derives its revenues from sales of franchise and development rights and collection of royalties from our franchisees. All other business units that do not meet the quantitative thresholds for determining reportable segments consist of operations that derive revenues from the sale of restaurant equipment, printing and promotional items, risk management services, and information systems and related services used in restaurant operations principally to Company-owned and franchised restaurants.

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

Our reportable segments are business units that provide different products or services. Separate management of each segment is required because each business unit is subject to different operational issues and strategies. Through December 26, 1999, substantially all revenues for each business segment were derived from business activities conducted with customers located in the United States. No single external customer accounted for 10% or more of our consolidated revenues.

19. SEGMENT INFORMATION (CONTINUED)

Segment information is as follows:

(in thousands)	1999	1998 (1)	1997 (1)
<b>REVENUES FROM EXTERNAL CUSTOMERS:</b>			
Restaurants	\$ 395,091	\$ 344,089	\$ 262,272
Commissaries	309,015	255,083	184,407
Franchising	48,141	37,576	29,037
All others	53,078	45,404	39,952
<b>TOTAL REVENUES FROM EXTERNAL CUSTOMERS</b>	<b>\$ 805,325</b>	<b>\$ 682,152</b>	<b>\$ 515,668</b>
<b>INTERSEGMENT REVENUES:</b>			
Commissaries	\$ 118,507	\$ 108,218	\$ 81,223
Franchising	139	128	107
All others	15,431	15,570	14,869
<b>TOTAL INTERSEGMENT REVENUES</b>	<b>\$ 134,077</b>	<b>\$ 123,916</b>	<b>\$ 96,199</b>
<b>DEPRECIATION AND AMORTIZATION:</b>			
Restaurants	\$ 13,900	\$ 12,001	\$ 8,940
Commissaries	4,192	3,296	3,199
Franchising	177	44	26
All others	693	839	783
Unallocated corporate expenses	5,865	4,310	7,490
<b>TOTAL DEPRECIATION AND AMORTIZATION</b>	<b>\$ 24,827</b>	<b>\$ 20,490</b>	<b>\$ 20,438</b>
<b>INCOME BEFORE INCOME TAXES:</b>			
Restaurants	\$ 15,014	\$ 9,549	\$ 2,636
Commissaries	22,078	17,893	14,260
Franchising	42,252	32,143	24,689
All others	5,185	5,033	3,422
Unallocated corporate expenses	(8,577)	(7,191)	(5,405)
Elimination of intersegment profits	(235)	(282)	(265)
<b>TOTAL INCOME BEFORE INCOME TAXES</b>	<b>\$ 75,717</b>	<b>\$ 57,145(2)</b>	<b>\$ 39,337</b>
<b>FIXED ASSETS:</b>			
Restaurants	\$ 145,176	\$124,390	\$ 95,095
Commissaries	56,715	42,503	27,673
All others	5,153	4,368	4,110
Unallocated corporate assets	90,514	51,599	22,292
Accumulated depreciation and amortization	(69,745)	(49,988)	(33,561)
<b>NET FIXED ASSETS</b>	<b>\$ 227,813</b>	<b>\$172,872</b>	<b>\$ 115,609</b>
<b>EXPENDITURES FOR FIXED ASSETS:</b>			
Restaurants	\$ 24,822	\$ 30,401	\$ 30,480
Commissaries	15,296	14,873	7,877
All others	777	290	269
Corporate	40,266	25,297	5,921
<b>TOTAL EXPENDITURES FOR FIXED ASSETS</b>	<b>\$ 81,161</b>	<b>\$ 70,861</b>	<b>\$ 44,547</b>

(1) Restated for the March 1999 acquisition of Minnesota Pizza (see Note 3).

(2) Excludes the cumulative effect of a change in accounting principle.

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

QUARTER	1ST		2ND		3RD		4TH	
	1999	1998	1999	1998	1999	1998	1999	1998
Total revenues:								
As previously reported	\$187,351	\$152,928	\$200,384	\$162,273	\$202,080	\$166,428	\$215,510	\$188,177
As restated	187,351	155,493	200,384	165,204	202,080	169,432	215,510	192,023
Operating income:								
As previously reported	17,500	12,024	18,898	13,418	18,955	14,234	16,980	15,841
As restated	17,500	11,374	18,898	12,935	18,955	13,342	16,980	15,394
Income before cumulative effect of a change in accounting principle:								
As previously reported	11,383	8,243	12,334	9,197	12,366	9,675	11,203	10,653
As restated	11,383	7,509	12,334	8,631	12,366	8,699	11,203	10,125
Net income:								
As previously reported	11,383	5,640	12,334	9,197	12,366	9,675	11,203	10,653
As restated	11,383	4,906	12,334	8,631	12,366	8,699	11,203	10,125
Basic earnings per share:								
Income before cumulative effect of a change in accounting principle								
As previously reported	\$ .38	\$ .28	\$ .41	\$ .31	\$ .41	\$ .33	\$ .37	\$ .36
As restated	.38	.26	.41	.29	.41	.29	.37	.34
Net income:								
As previously reported	.38	.19	.41	.31	.41	.33	.37	.36
As restated	.38	.17	.41	.29	.41	.29	.37	.34
Diluted earnings per share:								
Income before cumulative effect of a change in accounting principle								
As previously reported	\$ .37	\$ .28	\$ .40	\$ .30	\$ .40	\$ .32	\$ .36	\$ .35
As restated	.37	.25	.40	.28	.40	.29	.36	.33
Net income:								
As previously reported	.37	.19	.40	.30	.40	.32	.36	.35
As restated	.37	.16	.40	.28	.40	.29	.36	.33

All quarterly information above is presented in 13 week periods. Quarterly amounts for 1998 previously reported have been restated to reflect the March 1999 acquisition of Minnesota Pizza, a business combination accounted for as a pooling of interests (see Note 3).

## REPORT OF MANAGEMENT

The consolidated financial statements appearing in this Annual Report have been prepared by management, which is responsible for their preparation, integrity and fair presentation. The statements have been prepared in accordance with generally accepted accounting principles in the United States and necessarily include some amounts that are based on management's best estimates and judgments.

Management is responsible for the system of internal controls over financial reporting at Papa John's International, Inc. and its subsidiaries, a system designed to provide reasonable assurance regarding the preparation of reliable published financial statements. This system is augmented by written policies and procedures and the selection and training of qualified personnel. Management believes that its system of internal controls over financial reporting provides reasonable assurance that the financial records are reliable for preparing financial statements.

The Audit Committee of the Board of Directors meets with the independent auditors and management periodically to discuss internal controls over financial reporting and other auditing and financial reporting matters. The Committee reviews with the independent auditors the scope and results of the audit effort. The Committee also meets with the independent auditors without management present to ensure that the independent auditors have free access to the Committee. The independent auditors are recommended by the Audit Committee of the Board of Directors and selected by the Board of Directors. Based upon their audit of the consolidated financial statements, the independent auditors, Ernst & Young LLP, have issued their Report of Independent Auditors, which follows.

## 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 as of December 26, 1999 and December 27, 1998, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 26, 1999. 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 auditing standards generally accepted in the United States. 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 26, 1999 and December 27, 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 26, 1999, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, effective for fiscal year 1998, the Company adopted SOP 98-5, "Reporting on the Costs of Start-Up Activities."

/s/ Ernst & Young LLP

Louisville, Kentucky  
March 17, 2000

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

None.

PART III

ITEMS 10, 11, 12 AND 13. DIRECTORS AND 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 the Registrant," is omitted because we are filing a definitive proxy statement pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Report which includes the required information. Such information is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, 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 26, 1999, December 27, 1998 and December 28, 1997  
Consolidated Balance Sheets as of December 26, 1999 and December 27, 1998  
Consolidated Statements of Stockholders' Equity for the years ended December 26, 1999, December 27, 1998 and December 28, 1997  
Consolidated Statements of Cash Flows for the years ended December 26, 1999, December 27, 1998 and December 28, 1997  
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 Our Amended and Restated Certificate of Incorporation. Exhibit 3.1 to our Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.

- 3.2 Our Restated By-Laws. Exhibit 3.2 to our Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.
- 3.3 Certificate of Amendment of Amended and Restated Certificate of Incorporation of Papa John's International, Inc. Exhibit 3 to our Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1997, is incorporated herein by reference.
- 4.1 Specimen Common Stock Certificate. Exhibit 4.1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1995 (Commission File No. 0-21660) is incorporated herein by reference.
- 4.2 Amended and Restated Certificate of Incorporation and Restated By-Laws (See 3.1, 3.2 and 3.3 above) is incorporated herein by reference.
- \*10.1 Consulting Agreement dated March 29, 1991, between Papa John's and Richard F. Sherman. Exhibit 10.4 to our Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.
- \*10.2 1996 Papa John's International, Inc. Executive Option Program. Exhibit 10.26 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1995 is incorporated herein by reference.
- \*10.3 Papa John's International, Inc. 1993 Stock Ownership Incentive Plan. Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended September 29, 1996 is incorporated herein by reference.



- \*10.4 Amendment to Papa John's International, Inc. 1993 Stock Ownership Incentive Plan. Exhibit 10 to our quarterly report on Form 10-Q for the quarter ended June 29, 1997 is incorporated herein by reference.
- \*10.5 Amendment to Papa John's International, Inc. 1993 Stock Ownership Incentive Plan. Exhibit 10 to our quarterly report on Form 10-Q for the quarter ended June 28, 1998 is incorporated herein by reference.
- \*10.6 Amendment to Papa John's International, Inc. 1993 Stock Ownership Incentive Plan. Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended June 27, 1999 is incorporated herein by reference.
- \*10.7 Papa John's International, Inc. 1993 Stock Option Plan for Non-Employee Directors. Exhibit 10.3 to our quarterly report on Form 10-Q for the quarter ended September 29, 1996 is incorporated herein by reference.
- \*10.8 Amendment to Papa John's International, Inc. 1993 Non-Employee Directors Stock Option Plan. Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended June 27, 1999 is incorporated herein by reference.
- \*10.9 Papa John's International, Inc. 1999 Team Member Stock Ownership Plan, Amended and Restated as of October 20, 1999.
- 10.10 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 our quarterly report on Form 10-Q for the quarter ended March 27, 1994 is incorporated herein by reference.

- 10.11 Lease dated November 9, 1990, including amendments thereto, between Papa John's and Crow-Kessler, a Texas limited partnership, relating to our commissary and distribution facility in Louisville, Kentucky. Exhibit 10.6 to our Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.
- 10.12 Amendment II to Lease dated November 9, 1990 between the Company and Crow-Kessler, a Texas limited partnership, relating to our commissary and distribution facility in Louisville, Kentucky. Exhibit 10.32 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.
- 10.13 Amendment III to Lease dated November 9, 1990 between Papa John's and Crow-Kessler, a Texas limited partnership, relating to our commissary and distribution facility in Louisville, Kentucky. Exhibit 10.37 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.
- 10.14 Lease dated May 14, 1993, between PJ Food Service, Inc. and Sample Properties relating to our commissary facility in Raleigh, North Carolina. Exhibit 10.16 to our Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.
- 10.15 Lease dated November 1, 1993, between PJ Food Service, Inc. and Jackson Developers, LLC, a Missouri limited liability company, relating to our commissary and distribution facility in Jackson, Mississippi. Exhibit 10.18 to our Registration Statement on Form S-1 (Registration No. 33-73530) is incorporated herein by reference.
- 10.16 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 our Annual Report on Form 10-K for the fiscal year ended December 31, 1995 is incorporated herein by reference.
- 10.17 Lease dated September 30, 1996, between PJ Food Service, Inc. and Opus Southwest Corporation relating to our commissary and distribution facility opened in Tempe, Arizona. Exhibit 10.27 to our annual report on Form 10-K for the fiscal year ended December 29, 1996 is incorporated herein by reference.

- 10.18 Sublease dated January 16, 1997, between PJ Food Service, Inc. and Distribution Unlimited, Inc. relating to the Company's commissary and distribution facility opened in Rotterdam, New York. Exhibit 10.26 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.
- 10.19 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 opened in Des Moines, Iowa. Exhibit 10.29 to our annual report on Form 10-K for the fiscal year ended December 29, 1996 is incorporated herein by reference.
- 10.20 Lease dated November 27, 1997 by and between Papa John's and SF Property Investments, LLC, an Oregon limited liability corporation, relating to our commissary and distribution facility in Portland, Oregon. Exhibit 10.31 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.
- 10.21 First Lease Modification Agreement to Lease dated May 14, 1993 between PJ Food Service, Inc., and Sample Properties relating to our commissary and distribution facility in Raleigh, North Carolina. Exhibit 10.34 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.
- 10.22 Lease dated December 6, 1998, between PJ Food Service, Inc. and The Buncher Company relating to our commissary and distribution facility to be opened in Pittsburgh, Pennsylvania. Exhibit 10.38 to our annual report on Form 10-K for the Fiscal Year ended December 27, 1998, is incorporated herein by reference.
- 10.23 Acquisition Agreement dated March 29, 1999, with the Minnesota Pizza Company. Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended March 28, 1999 is incorporated herein by reference.
- 10.24 Agreement for the Sale and Purchase of the Entire Issued Share Capital of Perfect Pizza Holdings Limited Between Geoffrey Street and Others and Papa John's (UK) Limited and Papa John's International, Inc. dated November 29, 1999.

- 10.25 Credit Agreement by and among Papa John's International, Inc. and The Banks Party Hereto and Bank One, Indiana, NA. As Syndication Agent and PNC Bank, National Association, As Lender Arranger and Administrative Agent dated as of March 17, 2000.
- 10.26 Letter between Papa John's International, Inc. and Bank One, Indiana, N.A. governed by the International Swaps and Derivatives Association, Inc. Master Agreement dated February 22, 2000.
- 10.27 Stockholder Protection Rights Agreement dated February 14, 2000, by and between Papa John's International, Inc. and National City Bank, as Rights Agent (including the form of Certificate of Designation of Preferences and Rights and the form of Rights Certificate). Exhibit 4 of our Form 8-A dated February 16, 2000 is incorporated herein by reference.
- 21 Subsidiaries of the Company:
- (a) PJ Food Service, Inc., a Kentucky corporation
  - (b) Papa John's USA, Inc., a Kentucky corporation
  - (c) Papa John's Support Services, 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
  - (g) Papa John's (U.K.) Ltd., a United Kingdom corporation
  - (h) Perfect Pizza Ltd., a United Kingdom corporation
- 23 Consent of Ernst & Young LLP
- 27.1 Financial Data Schedule for year ended December 26, 1999, which is submitted electronically to the Securities and Exchange Commission for information only and not deemed to be filed with the Commission.
- 27.2 Restated Financial Data Schedule for year ended December 28, 1997, which is submitted electronically to the Securities and Exchange Commission for information only and is not deemed to be filed with the Commission.
- 99.1 Cautionary Statements.

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 \*Compensatory plan required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

(b) Reports on Form 8-K

1. We filed a Current Report on Form 8-K dated December 10, 1999 attaching a press release dated December 9, 1999 announcing revised fourth quarter 1999 comparable sales estimates and a \$50 million stock repurchase authorization.
2. We filed a Current Report on Form 8-K dated December 10, 1999 attaching a press release dated November 29, 1999 announcing a 205-unit acquisition in the United Kingdom.

(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 23, 2000

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.

SIGNATURE	TITLE	DATE
/s/ John H. Schnatter ----- John H. Schnatter	Founder, Chairman of the Board, Chief Executive Officer, and Director (Principal Executive Officer)	March 23, 2000
/s/ Blaine E. Hurst ----- Blaine E. Hurst	Vice Chairman, President and Director	March 23, 2000
/s/ Charles W. Schnatter ----- Charles W. Schnatter	Senior Vice President, General Counsel and Secretary and Director	March 23, 2000
/s/ O. Wayne Gaunce ----- O. Wayne Gaunce	Director	March 23, 2000
/s/ Jack A. Laughery ----- Jack A. Laughery	Director	March 23, 2000
/S/ Michael W. Pierce ----- Michael W. Pierce	Director	March 23, 2000
/S/ Wade S. Oney ----- Wade S. Oney	Director	March 23, 2000

SIGNATURE	TITLE	DATE
----- /s/ Richard F. Sherman ----- Richard F. Sherman	Director	March 23, 2000
----- /s/ E. Drucilla Milby ----- E. Drucilla Milby	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	March 23, 2000
----- /s/ J. David Flanery ----- J. David Flanery	Vice President and Corporate Controller (Principal Accounting Officer)	March 23, 2000

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT	SEQUENTIALLY NUMBERED PAGE
*10.9	Papa John's International, Inc. 1999 Team Member Stock Ownership Plan Amended and Restated as of October 20, 1999.	
10.24	Agreement for the Sale and Purchase of the Entire Issued Share Capital of Perfect Pizza Holdings Limited Between Geoffrey Street and Others and Papa John's (UK) Limited and Papa John's International, Inc. dated November 29, 1999.	
10.25	Credit Agreement by and among Papa John's International, Inc. and The Banks Party Hereto and Bank One, Indiana, NA, As Syndication Agent and PNC Bank, National Association, As Lender Arranger and Administrative Agent dated as of March 17, 2000.	
10.26	Letter between Papa John's International, Inc. and Bank One, Indiana, N.A. governed by the International Swaps and Derivatives Association, Inc. Master Agreement dated February 22, 2000.	
21	Subsidiaries of the Company	
23	Consent of Ernst & Young LLP	
27.1	Financial Data Schedule for the year ended December 26, 1999, which is submitted electronically to the Securities and Exchange Commission for information only and is not deemed to be filed with the Commission.	
27.2	Restated Financial Data Schedule for the year ended December 28, 1997, which is submitted electronically to the Securities and Exchange Commission for information only and is not deemed to be filed with the Commission.	
99.1	Cautionary Statements	

PAPA JOHN'S INTERNATIONAL, INC.  
1999 TEAM MEMBER STOCK OWNERSHIP PLAN

AMENDED AND RESTATED AS OF OCTOBER 20, 1999

ARTICLE 1. PURPOSE

The purpose of the 1999 Team Member Stock Ownership Plan (the "Plan") is to enhance the ability of Papa John's International, Inc. and its subsidiaries to secure and retain the services of persons eligible to participate in the Plan and to provide incentives for such persons to exert maximum efforts for the success of the Company.

ARTICLE 2. DEFINITIONS AND CONSTRUCTION

2.1 DEFINITIONS. As used in the Plan, terms defined parenthetically immediately after their use shall have the respective meanings provided by such definitions, and the terms set forth below shall have the following meanings (in either case, such meanings shall apply equally to both the singular and plural forms of the terms defined):

(a) "Award" shall mean, individually or collectively, a grant under the Plan of Options, Restricted Stock or Performance Units.

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Cause" shall mean (i) the failure by a Participant to render services to the Company, which failure amounts to gross neglect or gross insubordination, (ii) the commission by a Participant of an act of fraud or embezzlement against the Company, or (iii) a Participant being convicted of a felony, or failing to contest a felony prosecution.

(d) A "Change in Control" shall mean (i) the acquisition by any person after the date hereof of beneficial ownership of 50% or more of the voting power of the Company's outstanding voting stock, (ii) three or more of the current members of the Board ceasing to be members of the Board (unless any replacement director is elected by a vote of either at least 75% of the remaining directors, or of at least 75% of the shares entitled to vote on such replacement) or (iii) approval by the stockholders of the Company of (a) a merger or consolidation of the Company with another corporation if the stockholders of the Company immediately before such vote will not, as a result of such merger or consolidation, own more than 50% of the voting stock of the corporation resulting from such merger or consolidation, or (b) a complete liquidation of the Company or sale of all, or substantially all, of the assets of the Company. Notwithstanding



the foregoing, a Change in Control shall not occur solely because 50% or more of the voting stock of the Company is acquired by (i) a trust which is part of an employee benefit plan maintained by the Company or its Subsidiaries or (ii) a corporation which, immediately following such acquisition, is owned directly or indirectly by the stockholders of the Company in the same proportion as their ownership of stock in the Company immediately prior to such acquisition.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.

(f) "Committee" shall mean the committee described in Section 3.1.

(g) "Common Stock" shall mean shares of the Company's common stock, par value \$.01 per share.

(h) "Company" shall mean Papa John's International, Inc., a Delaware corporation.

(i) "Disability" shall mean a physical or mental infirmity which the Committee determines impairs the Participant's ability to perform substantially his or her duties for a period of 180 consecutive days.

(j) "Effective Date" shall mean February 25, 1999, the date the Plan was adopted by the Board.

(k) "Employee" shall mean an individual who is a full-time or part-time employee of the Company or a Subsidiary.

(l) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(m) "Fair Market Value" of a share of Common Stock shall mean, as of any applicable date, the closing sale price of the Common Stock on the NASDAQ National Market System or any national or regional stock exchange on which the Common Stock is then traded. If no such reported sale of the Common Stock shall have occurred on such date, Fair Market Value shall mean the closing sale price of the Common Stock on the next preceding date on which there was a reported sale. If the Common Stock is not listed on the NASDAQ National Market System or a national or regional stock exchange, the Fair Market Value of a share of Common Stock as of a particular date shall be determined by such method as shall be determined by the Committee.

(n) "ISOs" shall have the meaning given such term in Section 6.1.

(o) "NQSOS" shall have the meaning given such term in Section 6.1.

(p) "Option" shall mean an option to purchase shares of Common Stock granted pursuant to Article 6.

(q) "Option Agreement" shall mean an agreement evidencing the grant of an Option as described in Section 6.2.

(r) "Option Exercise Price" shall mean the purchase price per share of Common Stock subject to an Option, which shall not be less than the Fair Market Value on the date of grant.

(s) "Participant" shall mean any Employee or any consultant or advisor providing services to the Company or a Subsidiary selected by the Committee to receive an Award under the Plan.

(t) "Performance Goals" shall have the meaning given such term in Section 8.4.

(u) "Performance Period" shall have the meaning given such term in Section 8.3.

(v) "Performance Unit" shall mean the right to receive a payment from the Company upon the achievement of specified Performance Goals as set forth in a Performance Unit Agreement.

(w) "Performance Unit Agreement" shall mean an agreement evidencing a Performance Unit Award, as described in Section 8.2.

(x) "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d).

(y) "Plan" shall mean this Papa John's International, Inc. 1999 Team Member Stock Ownership Plan as the same may be amended from time to time.

(z) "Restriction Period" shall mean the period determined by the Committee during which the transfer of shares of Common Stock is limited in some way or such shares are otherwise restricted or subject to forfeiture as provided in Article 7.

(aa) "Restricted Stock" shall mean shares of Common Stock granted pursuant to Article 7 as to which the restrictions have not lapsed.

(ab) "Restricted Stock Agreement" shall mean an agreement evidencing a Restricted Stock Award, as described in Section 7.2.

(ac) "Retirement" shall mean retirement by a Participant in accordance with the terms of the Company's retirement or pension plans, if any, or, if the Company has no such plans, then retirement after reaching age 65.

(ad) "Subsidiary" shall mean, with respect to any company, any corporation or other Person of which a majority of its voting power, equity securities, or equity interest is owned, directly or indirectly, by such company.

2.2 GENDER AND NUMBER. Unless otherwise indicated by the context, reference to the masculine gender shall include the feminine gender, the plural shall include the singular and the singular shall include the plural.

2.3 SEVERABILITY. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

### ARTICLE 3. ADMINISTRATION

3.1 THE COMMITTEE. The Plan shall be administered by the Compensation Committee of the Board, or by any other committee (the "Committee") appointed by the Board consisting of two or more directors of the Company. It is intended that each Committee member shall be a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act and an "outside director" within the meaning of Section 162(m) of the Code. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board.

3.2 AUTHORITY OF THE COMMITTEE. Subject to the provisions of the Plan, the Committee shall have full authority to:

- (a) select Participants to whom Awards are granted;
- (b) determine the size, type and frequency of Awards granted under the Plan;
- (c) determine the terms and conditions of Awards, including any restrictions, conditions or forfeiture provisions relating to the Award, which need not be identical;
- (d) determine whether and the extent to which Performance Goals have been met;
- (e) determine whether and when a Participant's status as an Employee, consultant, or advisor has terminated for purposes of the Plan;
- (f) cancel or modify, with the consent of the Participant, outstanding Awards and grant new Awards in substitution therefor, provided, however, that (without limitation of the

provisions of Section 4.1 with respect to lapsed, expired, terminated or forfeited Awards) the Committee may not, without approval of the Company's stockholders, reduce the Option Exercise Price of a previously granted Award, or effect such a reduction through the cancellation and replacement or regrant of any Award.

(g) accelerate the exercisability of, and accelerate or waive any or all the restrictions and conditions applicable to, any Award, for any reason;

(h) extend the duration of an Option exercise period or term of an Award;

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

(j) establish, amend and rescind rules and regulations for the Plan's administration; and

(k) amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan.

The Committee shall have sole discretion to make all other determinations which may be necessary or advisable for the administration of the Plan. To the extent permitted by law and Rule 16b-3 promulgated under the Exchange Act, the Committee may delegate its authority. Notwithstanding the foregoing, the Committee may not delegate its responsibilities hereunder if such delegation would jeopardize compliance with the "outside directors" requirement or any other applicable requirement under Section 162(m) of the Code.

3.3 DECISIONS BINDING. All determinations and decisions made by the Committee pursuant to the provisions of the Plan, and all related orders or resolutions of the Board, shall be final, conclusive and binding upon all persons, including the Company, its stockholders, Employees, Participants and their estates and beneficiaries.

3.4 SECTION 16 COMPLIANCE; BIFURCATION OF PLAN. It is the intention of the Company that the Plan and the administration of the Plan comply in all respects with Section 16(b) of the Exchange Act and the rules and regulations promulgated thereunder. If any Plan provision, or any aspect of the administration of the Plan, is found not to be in compliance with Section 16(b) of the Exchange Act, the provision or administration shall be deemed null and void, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3 promulgated under the Exchange Act. Notwithstanding anything in the Plan to the contrary, the Board or the Committee, in its discretion, may bifurcate the Plan so as to restrict, limit or condition the use of any provision of the Plan to Participants who are subject to Section 16 of the Exchange Act without so restricting, limiting or conditioning the Plan with respect to other Participants.

ARTICLE 4. SHARES AVAILABLE UNDER THE PLAN

4.1 NUMBER OF SHARES. Subject to adjustment as provided in Section 4.3, the number of shares of Common Stock reserved for issuance under the Plan is 1,000,000 shares. Shares as to which options or other Awards granted under the Plan lapse, expire, terminate, are forfeited or are canceled shall again become available for Awards under the Plan. In addition, any shares of Common Stock reserved for issuance under the Company's 1993 Stock Ownership Incentive Plan ("1993 Plan") in excess of the number of shares as to which options or other benefits are awarded thereunder, plus any shares as to which options or other benefits granted under the 1993 Plan may lapse, expire, terminate or be canceled, shall also be reserved and available for issuance or reissuance under the Plan. Any Common Stock issued under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares.

4.2 SHARES OF RESTRICTED STOCK AVAILABLE UNDER THE PLAN. Subject to adjustment as provided in Section 4.3, the number of shares of Common Stock which may be the subject of Awards granted in the form of Restricted Stock is limited to 100,000 shares.

4.3 ADJUSTMENTS IN AUTHORIZED SHARES AND OUTSTANDING AWARDS. In the event of any change in the corporate structure of the Company affecting the Common Stock, including a merger, reorganization, consolidation, recapitalization, reclassification, split-up, spin-off, separation, liquidation, stock dividend, stock split, reverse stock split, share repurchase, share combination, share exchange, issuance of warrants or debentures, the Committee may substitute or adjust the total number and class of shares of Common Stock or other stock or securities which may be issued under the Plan, and the number, class and price of shares subject to outstanding Awards, as it, in its discretion, determines to be appropriate and equitable to prevent dilution or enlargement of the rights of Participants and to preserve, without exceeding, the value of any outstanding Awards; provided, however, that the number of shares subject to any Award shall always be a whole number. In the case of ISOs, such adjustment shall be made so as not to result in a "modification" within the meaning of Section 424(h) of the Code.

#### ARTICLE 5. ELIGIBILITY AND PARTICIPATION

All Employees of the Company and its Subsidiaries and consultants or other advisors providing services to the Company or a Subsidiary are eligible to receive Awards under the Plan. In selecting Employees, consultants or advisors to receive Awards under the Plan, as well as in determining the number of shares subject to, and the other terms and conditions applicable to, each Award, the Committee shall take into consideration such factors as it deems relevant in promoting the purposes of the Plan, including the duties and responsibilities of such persons, their present and potential contribution to the success of the Company and their anticipated number of years of active service or contribution remaining with the Company or a Subsidiary.

#### ARTICLE 6. STOCK OPTIONS

6.1 GRANT OF OPTIONS. Subject to the terms and provisions of the Plan, the Committee may grant Options to Participants at any time and from time to time, in the form of options which are intended to qualify as incentive stock options within the meaning of Section 422 of the Code ("ISOs"), Options which are not intended to so qualify ("NQSOs") or a combination thereof. Notwithstanding the foregoing, ISOs may only be granted to Employees of the Company and its subsidiaries (within the meaning of Section 424(f) of the Code). The maximum number of shares in respect of which Options may be granted to a Participant during any calendar year shall be 250,000 shares.

6.2 OPTION AGREEMENT. Each Option shall be evidenced by an Option Agreement that shall specify the Option Exercise Price, the duration of the Option, the number of shares to which the Option relates, forfeiture provisions as deemed appropriate by the Committee and such other provisions as the Committee may determine or which are required by the Plan. The Option Agreement shall also specify whether the Option is intended to be an ISO or a NQSO and shall include provisions applicable to the particular type of Option granted.

6.3 DURATION OF OPTIONS. Subject to the provisions of Section 6.7, each Option shall expire at such time as is determined by the Committee at the time of grant; provided, however, that no Option shall at the time of grant be exercisable later than the tenth anniversary of its grant.

6.4 EXERCISE OF OPTIONS. Options shall be exercisable at such times and be subject to such restrictions and conditions, including forfeiture provisions, as the Committee shall approve at the time of grant, which need not be the same for each grant or for each Participant. Options shall be exercised by delivery to the Company of a written notice of exercise, setting forth the number of shares with respect to which the Option is to be exercised and accompanied by full payment of the Option Exercise Price and all applicable withholding taxes.

6.5 PAYMENT OF OPTION EXERCISE PRICE. The Option Exercise Price for shares of Common Stock as to which an Option is exercised shall be paid to the Company in full at the time of exercise either (a) in cash in the form of currency or other cash equivalent acceptable to the Company, (b) by tendering Common Stock having a Fair Market Value (at the close of business on the date the Company receives the notice of exercise) equal to the Option Exercise Price, (c) any other reasonable consideration that the Committee may deem appropriate or (d) by a combination of the forms of consideration described in (a), (b) and (c) of this Section. The Committee may permit the cashless exercise of Options as described in Regulation T promulgated by the Federal Reserve Board, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

6.6 VESTING UPON CHANGE IN CONTROL. Upon a Change in Control, any then outstanding Options held by Participants shall become fully vested and immediately exercisable.

6.7 TERMINATION OF EMPLOYMENT. If the Participant's status as an Employee, consultant or advisor is terminated for Cause, all then outstanding Options of such Participant, whether or

not exercisable, shall terminate immediately. If the Participant's status as an Employee, consultant or advisor is terminated for any reason other than for Cause, death, Disability or Retirement, to the extent then outstanding Options of such Participant are exercisable and subject to the provisions of the relevant Option Agreement, such Options may be exercised by such Participant or his personal representative at any time prior to the earlier of (a) the expiration date of the Options or (b) the date which is 60 days after the date of such termination of employment. In the event of the Retirement of a Participant, to the extent then outstanding Options of such Participant are exercisable, such Options may be exercised by the Participant (c) in the case of NQSOs, within one year after the date of Retirement and (d) in the case of ISOs, within 90 days after Retirement; provided, however, that no such Options may be exercised on a date subsequent to their expiration. In the event of the death or Disability of a Participant while employed by the Company or a Subsidiary or while the Participant is serving as a consultant or advisor to the Company or a Subsidiary, all then outstanding Options of such Participant shall become fully vested and immediately exercisable, and may be exercised at any time within one year after the date of death or determination of Disability; provided however that no such Options may be exercised on a date subsequent to their expiration. Options may be exercised as provided in this Section (a) in the event of the death of a Participant, by the person or persons to whom rights pass by will or by the laws of descent and distribution, or if appropriate, the legal representative of the decedent's estate and (b) in the event of the Disability of a Participant, by the Participant, or if such Participant is incapacitated, by the Participant's legal representative.

#### ARTICLE 7. RESTRICTED STOCK

7.1 GRANT OF RESTRICTED STOCK. Subject to the terms and provisions of the Plan, the Committee may grant shares of Restricted Stock to Participants at any time and from time to time and upon such terms and conditions as it may determine. The purchase price for shares of Restricted Stock shall be determined by the Committee, but shall not be less than the par value of the Common Stock, except in the case of treasury shares, for which no payment need be required.

7.2 RESTRICTED STOCK AGREEMENT. Each Restricted Stock grant shall be evidenced by a Restricted Stock Agreement which shall specify the Restriction Period, the number of shares of Restricted Stock granted and such other provisions as the Committee may determine and which are required by the Plan.

7.3 NON-TRANSFERABILITY OF RESTRICTED STOCK. Except as provided in this Article 7 or the applicable Restricted Stock Agreement, shares of Restricted Stock may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated until the end of the applicable Restriction Period as specified in the Restricted Stock Agreement and the satisfaction of any other conditions determined at the time of grant specified in the Restricted Stock Agreement. Except as provided in Section 7.9, however, in no event may any Restricted Stock become vested in a Participant subject to Section 16(b) of the Exchange Act prior to six months following the date of its grant.

7.4 OTHER RESTRICTIONS. The Committee shall impose such other restrictions on shares of Restricted Stock as it may deem advisable, including, without limitation, restrictions based upon the achievement of specific performance goals (relating to the Company, a Subsidiary or regional or other operating division of the Company), years of service and/or restrictions under applicable Federal or state securities laws. The Committee may provide that any share of Restricted Stock shall be held (together with a stock power executed in blank by the Participant) in custody by the Company until any or all restrictions thereon shall have lapsed.

7.5 FORFEITURE. The Committee shall determine and set forth in a Participant's Restricted Stock Agreement such events upon which a Participant's shares of Restricted Stock (or the proceeds of a sale thereof) shall be forfeitable, which may include, without limitation, the termination of a Participant's employment and certain other activities.

7.6 CERTIFICATE LEGEND. In addition to any legends placed on certificates pursuant to Section 7.4, each certificate representing shares of Restricted Stock shall bear the following legend:

"The sale or other transfer of the shares represented by this Certificate, whether voluntary, involuntary or by operation of law, is subject to certain restrictions on transfer as set forth in the Papa John's International, Inc. 1999 Team Member Stock Ownership Plan, and in the related Restricted Stock Agreement. A copy of the Plan and such Restricted Stock Agreement may be obtained from the Secretary of Papa John's International, Inc."

7.7 REMOVAL OF RESTRICTIONS. Except as otherwise provided in this Article 7 or the Restricted Stock Agreement, shares of Restricted Stock shall become freely transferable by the Participant and no longer subject to forfeiture after the last day of the Restriction Period. Once the shares of Restricted Stock are released from their restrictions (including forfeiture provisions), the Participant shall be entitled to have the legend required by Section 7.6 removed from the Participant's share certificate, which certificate shall thereafter represent freely transferable and nonforfeitable shares of Common Stock free from any and all restrictions under the Plan.

7.8 VOTING RIGHTS; DIVIDENDS AND OTHER DISTRIBUTIONS. Unless the Committee exercises its discretion as provided in Section 7.10, during the Restriction Period, Participants holding shares of Restricted Stock may exercise full voting rights, and shall be entitled to receive all dividends and other distributions paid with respect to such Restricted Stock. If any dividends or distributions are paid in Common Stock, such Common Stock shall be subject to the same restrictions as the shares of Restricted Stock with respect to which they were paid.

7.9 LAPSE OF RESTRICTIONS UPON CHANGE IN CONTROL. Upon a Change in Control, any restrictions and other conditions pertaining to then outstanding shares of Restricted Stock held by



Participants, including, but not limited to, vesting requirements, shall lapse and such shares shall thereafter be immediately transferable and nonforfeitable.

7.10 TREATMENT OF DIVIDENDS. At the time shares of Restricted Stock are granted to a Participant, the Committee may, in its discretion, determine that the payment of dividends, or a specified portion thereof, declared or paid on such shares shall be deferred until the lapse of the restrictions with respect to such shares, such deferred dividends to be held by the Company for the account of the Participant. In the event of such deferral, there may be credited at the end of each year (or portion thereof) interest on the amount of the account during the year at a rate per annum as the Committee, in its discretion, may determine. Deferred dividends, together with interest accrued thereon, if any, shall be (a) paid to the Participant upon the lapse of restrictions on the shares of Restricted Stock as to which the dividends related or (ii) forfeited to the Company upon the forfeiture of such shares by the Participant.

7.11 TERMINATION OF EMPLOYMENT. If the Participant's status as an Employee, consultant or advisor is terminated for any reason other than death or Disability prior to the expiration of the Restriction Period applicable to any shares of Restricted Stock then held by the Participant, such shares shall thereupon be forfeited immediately by the Participant and returned to the Company, and the Participant shall only receive the amount, if any, paid by the Participant for such Restricted Stock. If the Participant's status as an Employee, consultant or advisor is terminated as a result of death or Disability prior to the expiration of the Restriction Period applicable to any shares of Restricted Stock then held by the Participant, any restrictions and other conditions pertaining to such shares then held by the Participant, including, but not limited to, vesting requirements, shall immediately lapse and such shares shall thereafter be immediately transferable and nonforfeitable. Notwithstanding anything in the Plan to the contrary, the Committee may determine, in its sole discretion, in the case of any termination of a Participant's status as an Employee, consultant or advisor other than for Cause, that the restrictions on some or all of the shares of Restricted Stock awarded to a Participant shall immediately lapse and, to the extent the Committee deems appropriate, such shares shall thereafter be immediately transferable and nonforfeitable.

#### ARTICLE 8. PERFORMANCE UNITS

8.1 GRANT OF PERFORMANCE UNITS. The Committee may, from time to time and upon such terms and conditions as it may determine, grant Performance Units which will become payable to a Participant upon achievement of specified Performance Goals. The maximum payment that can be made pursuant to Performance Units granted to any one Participant in any calendar year shall be \$1,000,000.

8.2 PERFORMANCE UNIT AGREEMENT. Each Performance Unit grant shall be evidenced by a Performance Unit Agreement that shall specify the Performance Goals, the Performance Period and the number of Performance Units to which it pertains.

8.3 PERFORMANCE PERIOD. The period of performance ("Performance Period") with respect to each Performance Unit shall be such period of time, which shall not be less than one year, nor more than five years, as determined by the Committee, for the measurement of the extent to which Performance Goals are attained. The Performance Period may commence prior to the date of grant of the Performance Unit to which it relates, provided that at such time the attainment of the Performance Goal is substantially uncertain and not more than 25% of the Performance Period has expired.

8.4 PERFORMANCE GOALS. The goals ("Performance Goals") that are to be achieved with respect to each Performance Unit shall be those objectives established by the Committee as it deems appropriate, and which may relate to the net income, growth in net income, earnings per share, growth of earnings per share, return on equity or return on capital, of the Company, or any other performance objectives relating to the Company, a Subsidiary or regional or other operating unit of the Company, or the individual Participant. Each Performance Unit Agreement shall specify a minimum acceptable level of achievement with respect to the Performance Goals below which no payment will be made and shall set forth a formula for determining the payment to be made if performance is at or above such minimum based upon a range of performance levels relating to the Performance Goals. The Committee shall certify that the Performance Goals for Awards of Performance Units under the Plan have been satisfied prior to the determination and payment of any such incentive in accordance with the Plan.

8.5 ADJUSTMENT OF PERFORMANCE GOALS. The Committee may adjust Performance Goals and the related minimum acceptable level of achievement if, in the sole judgment of the Committee, events or transactions occur subsequent to the date of grant which are unrelated to the performance of the Participant and which the Committee expects to have a substantial effect on the ability of the Participant to attain the Performance Goals. If a Participant is promoted, demoted or transferred to a Subsidiary or different operating division of the Company during a Performance Period, then, to the extent that the Committee determines the Performance Goals or Performance Period are no longer appropriate, the Committee may, but shall not be required to, adjust, change or eliminate the Performance Goals or the applicable Performance Period as it deems appropriate in order to make them appropriate and comparable to the initial Performance Goals or Performance Period. Notwithstanding the foregoing, the Committee shall not be entitled to adjust, change or eliminate any Performance Goals or Performance Period if the exercise of such discretion would cause the related compensation to fail to qualify as performance-based compensation within the meaning of Section 162(m) of the Code.

8.6 TERMINATION OF EMPLOYMENT. If the employment of a Participant shall terminate prior to the expiration of the Performance Period for any reason other than for death, Disability or Retirement, the Performance Units then held by the Participant shall terminate. In the case of termination of employment by reason of death, Disability or Retirement of a Participant prior to the expiration of the Performance Period, any then outstanding Performance Units of such Participant shall be payable in an amount equal to the maximum amount payable under the Performance Unit multiplied by a percentage equal to the percentage that would have been

earned under the terms of the Performance Unit Agreement assuming that the rate at which the Performance Goals have been achieved as of the date of such termination of employment would have continued until the end of the Performance Period; provided, however, that if no maximum amount payable is specified in the Performance Unit Agreement, the amount payable shall be such amount as the Committee shall determine is reasonable.

8.7 PAYMENT UPON CHANGE IN CONTROL. Upon a Change in Control, any then outstanding Performance Units shall become fully vested and immediately payable in an amount which is equal to the greater of (a) the maximum amount payable under the Performance Unit multiplied by a percentage equal to the percentage that would have been earned under the terms of the Performance Unit Agreement assuming that the rate at which the Performance Goals have been achieved as of the date of such Change in Control would have continued until the end of the Performance Period or (b) the maximum amount payable under the Performance Unit multiplied by the percentage of the Performance Period completed by the Participant at the time of the Change in Control; provided, however, that if no maximum amount payable is specified in the Performance Unit Agreement, the amount payable shall be such amount as the Committee shall determine is reasonable.

8.8 PAYMENT OF PERFORMANCE UNITS. Subject to such terms and conditions as the Committee may impose, and unless otherwise provided in the Performance Unit Agreement, Performance Units shall be payable within 90 days following the end of the Performance Period during which the Participant attained at least the minimum acceptable level of achievement under the Performance Goals, or 90 days following a Change in Control, as applicable. The Committee, in its discretion, may determine at the time of payment required in connection with a Performance Unit whether such payment shall be made (a) solely in cash or (b) up to 50% in shares of Common Stock (valued at their Fair Market Value as of the close of business on the date preceding the date of payment) with the balance in cash; provided, however, that if a Performance Unit becomes payable upon a Change in Control, the Performance Unit shall be paid solely in cash.

8.9 DESIGNATION OF BENEFICIARY. Each Participant may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom the right to receive payments under a Performance Unit is to be paid in case of the Participant's death before receiving any or all such payments. Each such designation shall revoke all prior designations by the Participant, shall be in a form prescribed by the Company and shall be effective only when filed by the Participant in writing with the Committee during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

#### ARTICLE 9. AMENDMENT, MODIFICATION AND TERMINATION

9.1 TERMINATION DATE. The Plan shall terminate on the earliest to occur of (a) the tenth anniversary of the Effective Date, (b) the date when all shares of Common Stock available under the Plan shall have been acquired and the payment of all benefits in connection with Performance Unit Awards has been made or (c) such other date as the Board may determine in accordance with Section 9.2.

9.2 AMENDMENT, MODIFICATION AND TERMINATION. The Board may, at any time, amend, suspend, modify or terminate the Plan provided that (a) no amendment shall be made without stockholder approval if such approval is necessary to satisfy any applicable tax or regulatory law or regulation and the Board determines it is appropriate to seek stockholder approval, and (b) upon or following the occurrence of a Change in Control no amendment may adversely affect the rights of any Person in connection with an Award previously granted. The Committee may amend the terms of any Award, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without such Participant's consent. Each Option and certain Performance Units granted under the Plan are intended to be performance-based compensation within the meaning of Section 162(m) of the Code. The Committee shall not be entitled to exercise any discretion otherwise authorized hereunder with respect to such Options or Performance Units if the ability to exercise such discretion or the exercise of such discretion itself would cause the compensation attributable to such Options or Performance Units to fail to qualify as performance-based compensation.

9.3 AWARDS PREVIOUSLY GRANTED. No amendment, modification or termination of the Plan shall in any manner adversely affect any outstanding Award without the written consent of the Participant holding such Award.

ARTICLE 10. NON-TRANSFERABILITY

A Participant's rights under this Plan may not be assigned, pledged or otherwise transferred other than by will or the laws of descent and distribution, except that upon a Participant's death, the Participant's rights to payment pursuant to a Performance Unit may be transferred to a beneficiary designated in accordance with Section 8.9. Notwithstanding anything herein to the contrary, in the case of NQSOs, the Committee may, in its sole discretion, by appropriate provisions in the Participant's Option Agreement, permit the Participant to transfer all or a portion of the Option, without consideration, to (i) the Participant's spouse or lineal descendants ("Family Members"), (ii) a trust for the exclusive benefit of Family Members, (iii) a charitable remainder trust of which the Participant and/or Family Members are the exclusive beneficiaries (other than the charitable beneficiary), or (iv) a partnership or a limited liability company in which the Participant and Family Members are the sole partners or members, as applicable. In the event that any Option is transferred by a Participant in accordance with the provisions of the immediately preceding sentence, then subsequent transfers of the Option by the transferee shall be prohibited. For purposes of the Option Agreement and the Plan, the term "Optionee" shall be deemed to refer to the transferee wherever applicable, and the provisions of Section 6.7 regarding termination of employment shall refer to the Participant, not the transferee, but the transferee shall be permitted to exercise the Option during the period provided for in Section 6.7 and the Participant's Option Agreement following the Participant's termination of employment.

ARTICLE 11. NO GRANTING OF EMPLOYMENT RIGHTS

Neither the Plan, nor any action taken under the Plan, shall be construed as giving any person the right to become a Participant, nor shall participation in, or any grant of an Award under, the Plan be construed as giving a Participant any right with respect to continuance of employment or service by or to the Company. The Company expressly reserves the right to terminate, whether by dismissal, discharge or otherwise, a Participant's employment or consulting or other business relationship at any time, with or without Cause, except as may otherwise be expressly provided by any written agreement between the Company and the Participant.

ARTICLE 12. WITHHOLDING

12.1 TAX WITHHOLDING. A Participant shall remit to the Company an amount sufficient to satisfy Federal, state and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any grant, exercise or lapse of restrictions made under, or occurring as a result of, the Plan.

12.2 SHARE WITHHOLDING. If the Company has a withholding obligation upon the issuance of Common Stock under the Plan, a Participant may, subject to the discretion of the Committee, elect to satisfy the withholding requirement, in whole or in part, by having the Company

withhold shares of Common Stock having a Fair Market Value on the date the withholding tax is to be determined equal to the amount required to be withheld under applicable law. Notwithstanding the foregoing, the Committee may, by the adoption of rules or otherwise, modify the provisions of this Section 12.2 or impose such other restrictions or limitations on such elections as may be necessary to insure that such elections will be exempt transactions under Section 16(b) of the Exchange Act.

#### ARTICLE 13. INDEMNIFICATION

No member of the Board or the Committee, nor any officer or Employee acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made with respect to the Plan, and all members of the Board, the Committee and each and any officer or Employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination or interpretation.

#### ARTICLE 14. SUCCESSORS

All obligations of the Company with respect to Awards granted under the Plan shall be binding on any successor to the Company, whether the existence of such successor is a result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business or assets of the Company.

#### ARTICLE 15. GOVERNING LAW

The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware without regard to its conflict of laws rules; provided, however, that with respect to ISOs, the Plan and all agreements under the Plan shall be construed so that they qualify as incentive stock options within the meaning of Section 422 of the Code.

\* \* \*

DATED 29 NOVEMBER 1999

- (1) GEOFFREY STREET AND OTHERS
- (2) PAPA JOHN'S (UK) LIMITED
- (3) PAPA JOHN'S INTERNATIONAL, INC.

AGREEMENT  
FOR THE SALE AND PURCHASE OF THE  
ENTIRE ISSUED SHARE CAPITAL OF  
PERFECT PIZZA HOLDINGS LIMITED

EVERSHEDS  
SOLICITORS

Senator House, 85 Queen Victoria Street  
London EC4V 4JL  
Tel: 0171 919 4500 Fax: 0171 919 4919

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"A ORDINARY SHARES"	The 408,300 A ordinary shares of 10 pence each in the Company registered in the name of Geoffrey Street, further details of whom appear in SCHEDULE 1
"B ORDINARY SHARES"	The 46,000 B ordinary shares of 10 pence each in the Company registered in the name of the Trustees
"BUSINESS DAY"	Any day (other than Saturday or Sunday) on which clearing banks in the City of London are open for a full range of banking transactions
"THE CASH COLLATERAL DEPOSIT"	The deposit by the Purchase with National Westminster Bank plc, to be held in a designated deposit account, of the sum of L1,622,960, such monies constituting collateral security to such bank in respect of the Loan Note Guarantee
"C ORDINARY SHARES"	The 206,000 C ordinary shares of 10 pence each in the Company registered in the name of Nicholas Miller, further details of whom appear in SCHEDULE 1
"THE COMPANY"	Perfect Pizza Holdings Limited, registered number 03331853 whose registered office is at Perfect Pizza House, The Forum, Hanworth Lane, Chertsey, Surrey KT169JX
"COMPLETION"	Completion of the sale and purchase in accordance with CLAUSE 7
"THE CONSIDERATION"	The consideration for the sale of the Shares as stated in CLAUSE 3.1
"THE CUMULATIVE PARTICIPATING PREFERRED SHARES"	The 139,314 cumulative participating preferred ordinary shares of 10 pence each in the capital of the Company registered in the name of Barrington House Nominees Limited as set out in column (2) of SCHEDULE 1
"THE CUMULATIVE REDEEMABLE"	The 2,500,000 8% cumulative redeemable

PREFERENCE SHARES"	preference shares of 50 pence each in the capital of the Company registered in the name of Barrington House Nominees Limited as bare nominee for Wren Investments and Eagle Star as referred to in Recital A
"D ORDINARY SHARES"	The 67,000 D ordinary shares of 10 pence each in the Company registered in the name of Christopher Dyson, further details of whom appear in SCHEDULE 1
"THE DISCLOSURE LETTER"	The letter having the same date as this Agreement from the Warrantors to the Purchaser qualifying the Warranties
"THE DIVIDENDS"	The Preference Dividends and the Stock Dividend
"E ORDINARY SHARES"	The 79,700 E ordinary shares of 10 pence each in the Company registered in the name of Alan Cotterill, further details of whom appear in SCHEDULE 1
"EAGLE STAR"	Eagle Star Insurance Limited further details of which are set out in SCHEDULE 1
"ESCROW ACCOUNT"	The escrow account to be established jointly between the Purchaser's Solicitors and the Vendors' Solicitors pursuant to CLAUSE 3 and SCHEDULE 6
"F ORDINARY SHARES"	The 27,500 F ordinary shares of 10 pence each in the Company registered in the name of Martin Clayton, further details of whom appear in SCHEDULE 1
"FINAL SALARY SCHEME"	The Perfect Pizza Limited Pension Scheme established with effect from January 1996

"FURTHER LOAN NOTES"	The L93,316 floating rate guaranteed loan notes 2005 of the Purchaser to be constituted by the Further Loan Note Instrument
"FURTHER LOAN NOTE INSTRUMENT"	The loan note instrument in the agreed terms to be executed by the Purchaser creating the Further Loan Notes
"GPP"	The Perfect Pizza Group Personal Pension Plan established with Royal & Sun Alliance with effect from 6 April 1998
"THE GROUP"	Together the Company and each other company details of which are set out in SCHEDULE 2
"GROUP MEMBER"	Any company which is a member of the Group
"THE LOAN NOTES"	The L1,529,644 floating rate guaranteed loan notes 2005 of the Purchaser to be constituted by the Loan Note Instrument
"THE LOAN NOTE GUARANTEE"	The guarantee in respect of the Loan Notes and the Further Loan Notes in the agreed terms executed by National Westminster Bank plc guaranteeing the Loan Notes and delivered at Completion
"THE LOAN NOTE INSTRUMENT"	The loan note instrument in the agreed terms to be executed by the Purchaser creating the Loan Notes
"MRS STREET"	Mrs. Renee Street, further details of whom are set out in SCHEDULE 1
"THE ORDINARY SHARES"	The Original Ordinary Shares, the A Ordinary Shares, the B Ordinary Shares, the C Ordinary Shares, the D Ordinary Shares, the E Ordinary Shares and the F Ordinary Shares
"THE ORIGINAL ORDINARY SHARES"	The 71,550 ordinary shares of 10 pence each in the capital of the Company registered in the names of the Warrantors and Mrs Street as set out in column

(2) of SCHEDULE 1

"THE PENSION SCHEMES"	The Final Salary Scheme, the Perfect Pizza Limited Life Assurance Scheme and the GPP. References to "the Pension Scheme" shall where the context admits mean each of them
"THE PREFERENCE DIVIDENDS"	The aggregate of L116,712.33 paid to Barrington House Nominees Limited on 29 November 1999 in respect of the period from 1 April 1999 to 29 November 1999
"THE PURCHASER'S SOLICITORS"	Eversheds of Senator House, 85 Queen Victoria Street, London EC4V 4JL
"RESTRICTED BUSINESS"	The selling of, or licensing or franchising of third parties to sell, pizza on a dine-in, take-away or delivery basis
"RETENTION FUND"	The sums to be paid into the Escrow Account pursuant to CLAUSE 3.3.3 and to be applied pursuant to SCHEDULE 6
"THE SCOTT'S ACQUISITION AGREEMENT"	The agreement between Scott's Hospitality Limited, the Company and Perfect Pizza Limited dated 7 July 1997 in relation to the acquisition by the Company of the entire issued share capital of Perfect Pizza Limited
"THE SHARES"	The entire issued share capital of the Company comprising the Ordinary Shares, the Cumulative Redeemable Preference Shares and the Cumulative Participating Preferred Shares
"THE STOCK DIVIDEND"	The dividend of L75,105 with scrip dividend alternative declared by the Company on 17 November 1999
"THE TRUSTEES"	Geoffrey Street and Mrs Street (as trustees of the Street Family Settlement)

"THE VENDORS' SOLICITORS"	Berwin Leighton Solicitors of Adelaide House, London Bridge, London EC4R 9HA
"THE WARRANTIES"	The warranties set out or referred to in CLAUSE 4, SCHEDULE 4 and PART 3 of SCHEDULE 5
"THE WARRANTORS"	The Vendors, excluding Barrington House Nominees Limited, the Trustees (in their capacity as trustees) and Mrs Street
"THE WARRANTY INSURANCE"	The insurance policy (in the agreed terms) taken out by the Warrantors with HSBC Insurance Brokers Limited, with the Purchaser and its Affiliates (in accordance with the terms of the Warranty Insurance) named as loss payee(s) thereunder, providing insurance cover against claims of up to L10 million
"WREN INVESTMENTS"	Wren Investments Limited, further details of which are set out in SCHEDULE 1

- 1.2 references to any statute or statutory provisions will, unless the context otherwise requires, be construed as including references to any subsequent statute or the corresponding statute or provisions of any subsequent statute in force at any time prior to Completion directly or indirectly amending, consolidating, extending, replacing or re-enacting the same, and will include any orders, regulations, instruments or other subordinate legislation made under the relevant statute or statutory provisions which are in force prior to Completion;
- 1.3 references to persons will be construed so as to include bodies corporate, unincorporated associations and partnerships;
- 1.4 references to a document being "in the agreed terms" will be construed as references to that document in the form agreed and initialled by or on behalf of the Vendors and the Purchaser;
- 1.5 all covenants, agreements, undertakings, indemnities and warranties on the part of two or more persons are given or made by such persons severally and not jointly and severally unless the contrary is expressly stated;
- 1.6 references to a "customer" or "customers" shall be deemed to include a reference to a franchisee or franchisees;
- 1.7 the only Warranties in relation to matters referred to in PARAGRAPH 38 of SCHEDULE 4 shall be those contained in such PARAGRAPH 38;

- 1.8 references to clauses and Schedules are to clauses of an Schedules to this Agreement, and references to paragraphs are to paragraphs in the Schedule in which such references appear;
- 1.9 the Schedules form part of this Agreement and will have the same force and effect as if expressly set out in the body of this Agreement; and
- 1.10 the headings and the clauses of this Agreement and to the paragraphs of the Schedules (save for the headings in SCHEDULES 1 and 3) will not affect its construction.

## 2. SALE AND PURCHASE

- 2.1 Each of the Vendors will sell with full title guarantee, and the Purchaser will buy, the number of Shares specified opposite that Vendor's name in SCHEDULE 1.
- 2.2 Each of the Shares will be sold and bought free of any claim, charge, lien, encumbrance, equity or third party right, and with all rights attached or accruing to it including any rights to any dividends or other distributions declared, made or paid after the execution of this Agreement.
- 2.3 Each of the Vendors waives all rights of pre-emption over any of the Shares conferred by the articles of association of the Company or otherwise.
- 2.4 The Purchaser will not be obliged to complete the purchase of any of the Shares unless the purchase of all the Shares is completed simultaneously.

## 3. CONSIDERATION

- 3.1 The Consideration for the sale of the Shares shall be the sum of L19,892,063 subject to adjustment pursuant to SCHEDULE 7.
- 3.2 The Consideration shall be applied as between the shares as follows:
- 3.2.1 L2,500,000 shall be paid to the Barrington House Nominees Limited in respect of the purchase of the Cumulative Redeemable Preference Shares (the "Preference Share Consideration"); and
- 3.2.2 the balance (the "Ordinary Share Consideration") shall be paid (subject to the said adjustment):
- 3.2.2.1 as to L10,435,238 in respect of the purchase of the Cumulative Redeemable participating Preferred Shares; and
- 3.2.2.2 as to L6,956,825 in respect of the purchase of the Ordinary Shares in accordance with CLAUSE 3.3
- 3.3 The Ordinary Share Consideration shall be paid as follows:
- 3.3.1 by payment of cash to the Vendors at Completion of the aggregate sum of L14,862,419 to be applied amongst the Vendors in the amounts set opposite their respective names in column (3) of SCHEDULE 1;

- 3.3.2 by the issue and allotment of L1,529,644 of Loan Notes to the Vendors at Completion in the amounts set opposite their respective names in column (4) of SCHEDULE 1:
- 3.3.3 by payment of L906,684 in cash to the Vendors' Solicitors (who are hereby irrevocable instructed to pay such sum to the Escrow Account to be established with Barclays Bank PLC, Pall Mall Business Centre, 1 Pall Mall East, London SW1Y 5AX), such amount to be adjusted and released from the Escrow Account and be paid to the Vendors (subject to SCHEDULE 7) in the proportions set opposite their respective names in column (5) of SCHEDULE 1 as determined by SCHEDULE 7.
- 3.3.4 by the issue and allotment of L93,316 of Further Loan Notes to the Vendors at Completion in the amounts set opposite their respective names in column (6) of SCHEDULE 1, such Further Loan Notes to be cancellable pursuant to SCHEDULE 7.
- 3.4 The Consideration payable in cash to the Vendors on Completion or in accordance with the provisions set out in SCHEDULES 6 AND 7 shall be paid by way of a CHAPS transfer from a clearing bank to the client account of the Vendors' Solicitors with Barclays Bank Plc, Pall Mall Business Centre, 1 Pall Mall East, London SW1Y 5AX, sort code 20-65-82, account number \_\_\_\_\_ or by such other method as may be agreed between the parties.
- 3.5 The Vendors' Solicitors are authorised to receive the Consideration payable in cash on behalf of the Vendors and payment to them will be a good and sufficient discharge to the Purchaser and the Purchaser will not be further concerned as to the application of the moneys so paid.
4. WARRANTIES
- 4.1 Each of the Warrantors:
- 4.1.1 subject to the remaining provisions of this CLAUSE 4, severally warrants to the Purchaser that, save as fairly and accurately disclosed in the Disclosure Letter, the Warranties are true as at the date of this Agreement;
- 4.1.2 undertakes to disclose to the Purchaser as soon as reasonably practicable after becoming aware of the same (so that the implications of the issue are readily apparent from such knowledge) anything which comes to the notice of such Warrantor which is a breach of any of the Warranties; and
- 4.1.3 undertakes that, in the event of any claim being made against any of them whether under the Warranties or otherwise in connection with the sale of the Shares to the Purchaser, they will not save in the case of fraud or wilful non-disclosure in relation to a claim against a director or an employee, make any claim against any Group Member, or against any director or employee of any Group Member, on which or on whom any of them may have relied before agreeing to any term of this Agreement or authorising any statement in the Disclosure Letter, but so that this undertaking will not preclude any Warrantor from claiming against any other Warrantor under



any right of contribution or indemnity to which such Warrantor may be entitled.

- 4.2 Each of the Warranties will be construed as a separate Warranty and will not be limited or restricted by reference to, or inference from, the terms of any other Warranty or any other term of this Agreement.
- 4.3 In this Agreement, unless otherwise specified, where any Warranty refers to the knowledge, information, belief or awareness of the Warrantors (or similar expression), each Warrantor will be deemed to have such knowledge, information, belief or awareness as such Warrantor would have obtained had such Warrantor made reasonable and careful enquiries of Andrew Stride (in relation to matters relating to insurance and purchasing) into the subject matter of that Warranty and the knowledge, information, belief and awareness of any one of the Warrantors shall be imputed to the remaining Warrantors.
- 4.4 In this CLAUSE 4.4 and CLAUSE 4.5 "claim" means any claim which would (disregarding the provisions of this CLAUSE 4.4) be capable of being made against the Warrantors (or any of them) for breach of the Warranties (save those contained in Part 3 of SCHEDULE 5) or under Parts 2 or 3 of SCHEDULE 5 at any time after the execution of this Agreement. Notwithstanding the foregoing provisions of CLAUSE 4:
- 4.4.1 subject to CLAUSE 4.4.7, in the event of any liability for a claim being established, each Warrantor shall only be liable for such proportion of the liability as is equal to the proportion that the Shares sold by the relevant Warrantors (Shares sold by the Trustees being deemed to be sold by Geoff Street for these purposes) bears to the total number of Shares sold by all the Warrantors (Shares sold by the Trustees being deemed to be sold by Geoff Street for these purposes), and he shall not be liable for the proportions of the other Warrantors;
- 4.4.2 the aggregate liability of each of the Warrantors (including for these purposes any sums recovered under the Warranty Insurance) in respect of all claims will be limited to L10,000,000;
- 4.4.3 the aggregate liability of each of the Warrantors (but so as not to include for these purposes any sums recovered under the Warranty Insurance) in respect of all claims will be limited to the consideration received by such Warrantor (or the Trustees in the case of Geoff Street) pursuant to this Agreement (Shares sold by the Trustees being deemed to be sold by Geoff Street for these purposes);
- 4.4.4 save in the event of fraud or wilful non-disclosure, no liability shall arise in respect of any individual claim for less than L5,000 and unless and until the aggregate amount of all such claims (taking no account of any for less than L5,000) exceeds L50,000 in which event the Warrantors shall be liable only for the amount by which such liability exceeds L50,000;
- 4.4.5 the Warrantors will have no liability in respect of any claim to the extent that the Purchaser is compensated therefor by virtue of being loss payee under the Warranty Insurance Provided always that where the relevant

insurers under the Warranty Insurance have accepted the obligation to make payment in relation to all parts of a particular claim against the Warrantor and the Purchaser and the relevant insurers have agreed as to the quantum for which the insurers will be liable and the insurers make payment under the Warranty Insurance for such agreed sum, the Purchaser will not be entitled to recover any further sum in respect of such claim from the relevant Warrantor;

4.4.6 the Warrantors will be under no liability to make any payment in respect of any claim unless written particulars of the claim (giving details of the specific matter in respect of which such claim is made together with a reasonable estimate of the amount of liability under such claim) are given to the Warrantors by the Purchaser:

4.4.6.1 in the case of the Warranties contained in SCHEDULE 4 by 31 March 2002;

4.4.6.2 in the case of the Warranties contained in PART 3 OF SCHEDULE 5, or under PART 2 OF SCHEDULE 5, within six years from the end of the Group's current accounting period;

Provided that no Warrantor shall be relieved of liability in the event that a claim is made prior to the relevant date referred to above in this CLAUSE 4.4.6 but is determined after such date to be excluded from coverage under the Warranty Insurance;

4.4.7 for the avoidance of doubt the Warrantors shall have no liability in respect of a claim in the event that paragraph 5 of Schedule 7 applies;

4.4.8 for the avoidance of doubt any Warrantor or Warrantors in respect of whose pro rata responsibility or liability to meet a claim an exclusion contained within the Warranty Insurance applies such that the whole or part of such claim against such Warrantor is not recoverable under the Warranty Insurance shall be liable hereunder to meet such unrecovered part of the claim;

4.4.9 for the avoidance of doubt, the Warranties shall not apply in relation to the Final Salary Scheme to the extent that the Purchaser would otherwise have a claim against the Warrantors as a result of the pension deficit in the Final Salary Scheme at the date of this Agreement;

4.4.10 in the event that all or part of a claim is excluded from recovery under the Warranty Insurance as a result of the fraud or dishonesty of or deliberate or dishonest withholding of information by two or more Warrantors, such Warrantors shall be jointly and severally liable for any such sums not so recovered.

4.5 In relation to claims:

- 4.5.1 if any potential claim shall arise by reason of a liability of the Company which is contingent only, then the Warrantors shall not be under any obligation to make any payment in respect of such claim until such time as the contingent liability ceases to be contingent and becomes actual, provided always that the provisions of clause 4.4.6 shall not prejudice any rights of the Purchaser if the claim in relation to the liability at such time as it remains contingent was made within the relevant time period referred to therein;
- 4.5.2 no liability shall arise to the Warrantors and the Purchaser shall not have any claim whatsoever against the Warrantors in respect of any breach of any of the Warranties:
- 4.5.2.1 if and to the extent that such breach or claim occurs or is increased as a result of any legislation not in force at the date of this Agreement which takes effect retrospectively or occurs as a result of any increase in the rates of taxation in force at the date hereof or occurs as a consequence of a change in the interpretation of the law after the date hereof in any jurisdiction inside and/or outside the United Kingdom;
- 4.5.2.2 if and to the extent that such breach or claim would not have arisen but for any voluntary act, omission, transaction or arrangement after completion by the Purchaser, the Company or any subsidiary or holding company (as those expressions are defined in section 736 of the Companies Act 1985) of the Purchaser otherwise than where the Purchaser, Company or any such subsidiary or holding company has been acting reasonably in the ordinary course of business of the Company as presently carried on;
- 4.5.2.3 where the Purchaser or the Company is entitled to recover from some other person (other than under the Warranty Insurance) any sum in respect of any matter or event which could give or has given rise to a claim, the person so entitled shall, subject to being indemnified by the Warrantors against any costs that such person shall reasonably incur, use reasonable endeavours to recover that sum (and shall, subject as aforesaid, take such actions to do so as reasonably requested by the Warrantors provided always that the Purchaser or the Company shall not be so required to do so if such action is reasonably likely to prejudice materially the goodwill of the business of the Group taken as a whole) but shall not be obliged to do so before making a claim, and any sum recovered will reduce the amount of the claim (and, in the event of the recovery being delayed until after the claim has been satisfied by the Warrantors, shall be paid to the Warrantors, after deduction of all reasonable costs and expenses of the recovery) to the extent not already indemnified (so that payment in respect thereof has been received) by the Warrantors;

- 4.5.2.4 to the extent that specific provision or reserve in respect thereof has been made in the Accounts (as defined in SCHEDULE 4);
  - 4.5.2.5 if and to the extent that such liability arises as a result of changes (effected by the Purchaser or the Company after Completion) in the accounting bases or taxation policy upon which the Company or the Purchaser value their respective assets or liabilities; and
  - 4.5.2.6 in respect of any claim under PART 3 OF SCHEDULE 5, to the extent the provisions of paragraph 4 (other than paragraph 4.1.1.2) of SCHEDULE 5 apply.
- 4.6 The Purchaser shall not be entitled to recover damages in respect of any claim for breach of the Warranties or in respect of any claim under the provisions of PART 2 OF SCHEDULE 5 or otherwise obtain reimbursement or restitution more than once to the extent and in respect of the same damage suffered.
- 4.7 For the avoidance of doubt nothing in this CLAUSE 4 shall in any way restrict or limit the general obligation at law of the Purchaser to mitigate any loss or damage which it may suffer in consequence of any breach by the Warrantors of the terms of this Agreement.
- 4.8 The Purchaser confirms:
- 4.8.1 that it has not relied on any warranty, covenant or undertaking of the Warrantors or any other person, save for any warranty, covenant or undertaking expressly set out or referred to in this Agreement or the Disclosure Letter nor has it relied on any representation of the Warrantors or any other party, provided that nothing in this clause shall exclude the liability of any parties for fraudulent misrepresentation or wilful concealment; and
  - 4.8.2 that, accordingly, it waives any right to damages or any other remedy for any warranty, covenant or undertaking of the Warrantors or any other party to this Agreement not expressly set out or referred to in this Agreement or the Disclosure Letter or any representation of the Warrantors or any other such party unless such warranty, covenant, undertaking or representation was made fraudulently or by way of wilful concealment.
- 4.9 No breach or breaches of any of the Warranties or the provisions of PART 2 OF SCHEDULE 5 shall give rise to any right of the Purchaser to rescind or terminate this Agreement following Completion or render the Warrantors liable for any consequential loss.
- 4.10 Any amount paid by the Warrantors in respect of any breach of any of the Warranties or under the provisions of PART 2 OF SCHEDULE 5 shall be treated as a reduction in the Consideration.
- 4.11 For the avoidance of doubt, the Warrantors shall not be entitled to make any agreement with the insurers as to the quantum of liability under a claim without the Purchaser's consent. If any payment is due to be made by the Warrantors in respect

of any claim make under the Warranties or under the provisions of PART 2 OF SCHEDULE 5 but the insurers under the Warranty Insurance have disputed their liability to make a payment under the Warranty Insurance, no payment shall be due in respect of that liability by the Warrantors until any dispute in relation to the liability of the insurers to make a payment under the Warranty Insurance has been finally resolved, provided always that the provisions of CLAUSE 4.4.6 shall not prejudice any right of the Purchaser if the initial claim in respect of which such dispute has arisen was made within the relevant time period referred to therein. The Purchaser shall seek to recover under the Warranty Insurance in respect of any claim (and shall pursue all rights thereunder) before taking any action to recover sums in respect thereof from any individual Warrantor.

- 4.12 With respect to any amount which the Purchaser may claim against the Warrantors on account of a breach or alleged breach of any of the Warranties or other claim under this Agreement, the Purchaser shall not, subject to the following provision of this subclause 4.12, be entitled to set off the same against any payment due under any of the Loan Notes or Further Loan Notes. If, however, any payment is due from a Warrantor to the Purchaser howsoever incurred under this CLAUSE 4, which is not recovered under the Warranty Insurance, in the event that payment is not made by such Warrantor in full within 56 days of due payment by such Warrantor being determined, the Purchaser shall be entitled to set off (by notice in writing to the relevant Warrantor) the payment so due against the capital and accrued interest under any Loan Notes or Further Loan Notes then registered in the name of such Warrantor (or any transferee of Loan Notes or Further Loan Notes issued to such Warrantor at Completion (a "transferee")) up to a maximum amount of the amount outstanding to such Warrantor (or such transferee) under his (or his transferee's) Loan Notes and Further Loan Notes. In the event of any sum being so set off, the Loan Notes or Further Loan Notes in question shall be cancelled to the extent of the claim against the holder(s) (or original holder) thereof. At any time during such period of 56 days (and thereafter for so long as the sum remains unpaid and the Loan Notes or Further Loan Notes, as the case may be, have not been so cancelled), the Purchaser shall be entitled to serve a written notice (a "Holding Notice") on the Warrantor (with a copy sent to National Westminster Bank PLC) in respect of an equal amount of the Loan Notes and/or Further Loan Notes held by or originally issued to the Warrantor in respect of which it would (in the event of non-payment) be entitled to set off such claim as described above. No redemption of such Loan Notes and/or Further Loan Notes (or payment of interest thereon) shall be made by a Warrantor following service of a Holding Notice until the payment of such claim in full. In the event of any service of a notice upon a Warrantor under this CLAUSE 4.12, a copy of such notice shall also be served upon any relevant transferee. For the purposes of this CLAUSE 4.12, the relevant notice must be served on the Warrantor himself and accordingly the provisions of CLAUSE 10.3.2 shall not apply thereto. Such Holding Notice shall apply until the earlier of the date of settlement of the relevant sum outstanding and the date that the relevant Loan Notes and/or Further Loan Notes are cancelled in satisfaction of the liability.
- 4.13 Notwithstanding any other provision of CLAUSES 4.4.1 TO 4.4.7 (inclusive) of this Agreement, the provisions of CLAUSE 4.4 shall not apply to exclude or limit the liability of one of the Vendors to the extent that any claim arises by reason of any fraud or dishonest or wilful misstatement or omission by or on behalf of that Vendor.

5. CAPACITY AND SHARES

- 5.1 Each party severally warrants to each other party that it has full power and authority to enter into and perform this Agreement (and any other agreement or arrangement required to be entered into by it in connection with this Agreement) and that the execution, delivery and performance by it of this Agreement and each such other agreement and arrangement will not:
- 5.1.1 result in a breach of, or constitute a default under, any agreement or arrangement to which it is a party or by which it is bound; or
  - 5.1.2 result in a breach of any order, judgement or decree of any court, governmental agency or regulatory body to which it is a party or by which it is bound.
- 5.2 Each of the Warrantors severally warrants to the Purchaser that:
- 5.2.1 the number of Shares set opposite his own name in column (2) of SCHEDULE 1 are legally and beneficially owned by him and are free from all liens, charges and encumbrances or interests in favour of or claims made by any other person and such Shares are fully paid, have been properly and validly allotted and, together with the Shares set opposite the names of the other Vendors in column (2) of SCHEDULE 1, represent the entire allotted and issued share capital of the Company;
  - 5.2.2 other than this Agreement, there is no agreement, arrangement or obligation requiring the creation, allotment, issue, sale, transfer, redemption or repayment of, or the grant to a person of the right (conditional or not) to require the allotment, issue, sale, transfer, redemption or repayment of, any share in the capital of the Company or any other Group Member (including an option or right of pre-emption or conversion);
  - 5.2.3 save as disclosed in the Disclosure Letter and in respect of accrued salaries and any contract of employment, no indebtedness (actual or contingent) is outstanding and no contract or arrangement exists between any Group Member and such Warrantor (or any person connected with such Warrantor); and
  - 5.2.4 save as disclosed in the Disclosure Letter and in respect of accrued salaries and any contract of employment, such Warrantor is not entitled to any claim of any nature against any Group Member or any of their respective officers, employees, agents, advisers, customers or suppliers and he has not assigned to any third party the benefit of any such claim to which he was previously entitled.
- 5.3 Each of the Warrantors warrants to the Purchaser that, save as disclosed in the Disclosure Letter, neither he, nor so far as he is aware, any person connected with him has any interest, direct or indirect, in any business which competes with any business now carried on by any Group Member.

- 5.4 The Purchaser warrants to the Vendors that the Loan Notes and Further Loan Notes will be allotted and issued credited as fully paid free from all liens, charges, encumbrances, equities and claims whatsoever and ranking pari passu in all respects inter se respectively.
- 5.5 Each of Barrington House Nominees Limited and Mrs Street severally warrants to the Purchaser that:
- 5.5.1 the number of Shares set opposite its own name in column (2) of SCHEDULE 1 are legally owned by it or her and that they have all authorities and powers necessary to and hereby sell all such shares free from all liens, charges and encumbrances or interests in favour of or claims made by any other person; and
- 5.5.2 it or she is not entitled to any claim of any nature against any Group Member or any of their respective officers and it or she has not assigned to any third party the benefit of any such claim to which it was previously entitled.
- 5.6 The Trustees hereby warrant to the Purchaser that:
- 5.6.1 the number of B Ordinary Shares set opposite their name in column (2) of SCHEDULE 1 are legally owned by them in their capacity as trustees of the Street Family Settlement and that they have all authorities and powers necessary to and hereby sell all such B Ordinary Shares free from all liens, charges and encumbrances or interests in favour of or claims made by any other person; and
- 5.6.2 they are not entitled to any claim of any nature against any Group Member or any of their respective officers and they have not assigned to any third party the benefit of any such claim to which they were previously entitled.

6. RESTRICTIVE COVENANTS

- 6.1 For the purpose of assuring to the Purchaser the full benefit of each Group Member and in consideration for the Purchaser agreeing to buy the Shares on the terms of this Agreement, each of the Warrantors undertakes to the Purchaser that (save as may be required to carry out his duties under any service or consultancy agreement with the Purchaser, the Company or any Group Member) such Warrantor will not, without the prior written consent of the Purchaser, whether directly or indirectly and whether alone or in conjunction with, or on behalf of, any other person and whether as principal, shareholder, director, employee, agent, consultant, partner or otherwise:
- 6.1.1 subject to the proviso to this CLAUSE 6.1, for a period of five years immediately following Completion in the United Kingdom, canvass, solicit or approach, or cause to be canvassed, solicited or approached, for orders any person who at any time during the twelve months immediately preceding the date of Completion is or was:
- 6.1.1.1 negotiating with any Group Member for the supply by any Group Member of goods or services; or

- 6.1.1.2 a client or customer of any Group Member; or
  - 6.1.1.3 in the habit of dealing with any Group Member,
  - 6.1.1.4 where the orders relate to a Restricted Business.
- 6.1.2 subject to the proviso to this CLAUSE 6.1, for a period of five years immediately following Completion, deal or contract, in the United Kingdom, with any person who at any time during the twelve months immediately preceding the date of Completion is or was:
- 6.1.2.1 negotiating with any Group Member for the supply by any Group Member of goods or services; or
  - 6.1.2.2 a client or customer of any Group Member; or
  - 6.1.2.3 in the habit of dealing with any Group Member,
- where the dealing or contracting relates to a Restricted Business;
- 6.1.3 for a period of five years immediately following Completion, interfere, or seek to interfere, with the continuance of supplies to any Group Member from any supplier who is a current supplier of goods and/or services to that Group Member if such interference causes or would cause that supplier to cease supplying, or materially reduce its supply of, those goods and/or services;
- 6.1.4 for a period of five years immediately following Completion, solicit or entice, or endeavour to solicit or entice, away from any Group Member, or employ, any person employed in a managerial, supervisory, technical or sales capacity by, or who is or was a consultant to, or a franchisee of any Group Member at Completion;
- 6.1.5 within the United Kingdom for a period of five years immediately following Completion, be engaged, concerned or interested in, or provide technical, commercial or professional advice to, any Restricted Business provided that this restriction does not apply to prevent any of the Warrantors from holding shares or other securities in any company which are quoted, listed or otherwise dealt in on a recognised stock exchange or other securities market and which confer not more than 3 per cent of the votes which could be cast at a general meeting of such company; or
- 6.1.6 use in connection with any business any name which includes the name of any Group Member or any colourable imitation of it;

Provided always that, in the case of Geoffrey Street and Nicholas Miller, a Restricted Business shall be constituted by (i) a business involving pizza delivery (a "Delivery Business") or (ii) one involving dealings with pizzas on a dine-in and/or take-away basis where such activities account for more than 20 per cent of the aggregate food and beverage turnover of the relevant business (a "Dine-In or Takeaway Business") and Provided further that the references in CLAUSES 6.1.1, 6.1.2 AND 6.1.5 to five years



shall be deemed, in the case of Geoffrey Street and Nicholas Miller, to be references to 4 years in respect of a Delivery Business and 2 years in respect of a Dine-In or Takeaway Business.

6.2 Each of the Warrantors acknowledges that such Warrantor has information in respect of the business and financing of Group Members and their dealings, transactions, affairs, plans and proposals, all of which information is, or may be, secret or confidential and important to such Group Members. In this CLAUSE 6 such information is called "Confidential Information" and includes, without limitation, confidential or secret information relating to each Group Member's trade secrets, know-how, ideas, business methods, finances, prices, business plans, marketing plans, development plan, manpower plans, sales targets, sales statistics, customer lists, customer relationships, computer systems and computer software. Each of the Warrantors further acknowledges that the disclosure of Confidential Information (whether directly or indirectly) to actual or potential competitors of a Group Member would place that Group Member at a competitive disadvantage and would do damage (whether financial or otherwise) to its business. Each of the Warrantors accordingly agrees to enter into the restrictions contained in CLAUSE 6.3.

6.3 Each of the Warrantors undertakes that (save as may be required to carry out his duties under any service or consultancy agreement with the Purchaser, the Company or any Group Member) such Warrantor will not at any time after Completion:

6.3.1 disclose to any person except to those authorised by the relevant Group Member to know;

6.3.2 use for the Warrantor's own purposes or for any purposes other than those of the relevant Group Member; or

6.3.3 through any failure to exercise all due care and diligence cause any unauthorised disclosure of,

any Confidential Information of a Group Member, provided that these restrictions on each Warrantor will cease to apply to information which (otherwise than through the default of such Warrantor) becomes available to the public generally.

6.4 The parties agree that each of the undertakings set out in this CLAUSE 6 is separate and severable and enforceable accordingly and if any one or more of such undertakings or part of an undertaking is held to be against the public interest or unlawful or in any way an unreasonable restraint of trade, the remaining undertakings or remaining part of the undertakings will continue in full force and effect and will bind each of the Warrantors.

## 7. COMPLETION

The sale and purchase of the Shares will be completed at the offices of the Vendors' Solicitors immediately after the execution of this Agreement when:

7.1 the Vendors will produce and deliver to the Purchaser:

7.1.1 duly executed transfers of the Shares in favour of the Purchaser together with all relevant share certificates (or in the case of any lost certificate an

indemnity reasonably satisfactory to the Purchaser in relation to it) and together also with such waivers and consents as the Purchaser may reasonably require to enable the Purchaser and its nominee(s) to be registered as the holders of the Shares;

- 7.1.2 transfers of or declarations of trust over all shares in any Group Member not held in the name of the Company or another Group Member duly executed in favour of the Purchaser (or as it will direct) together with share certificates in respect of all the issued shares of each Group Member other than the Company (or in the case of any lost certificate an indemnity satisfactory to the Purchaser in relation to it);
- 7.1.3 written resignations from Mr Paul Marson-Smith, Mr Geoffrey Street and Mr Nicholas Miller as directors of each Group Member to which they have been appointed as directors, such resignations being in the agreed terms;
- 7.1.4 the certificate of incorporation, any certificate(s) of incorporation on change of name, the common seal and the statutory books and registers (all entered up to date) of each Group Member;
- 7.1.5 evidence reasonably satisfactory to the Purchaser that any additional or deferred consideration due by the Company under the Scott's Acquisition Agreement has been paid in full;
- 7.1.6 all cheque books in current use of each Group Member;
- 7.1.7 bank statements in respect of each account of each Group Member as at the close of business on the day being 2 Business Days prior to Completion, together with a statement of outstanding cheques as at that date and drawn since that date but prior to Completion prepared by the Warrantors to show the position at Completion (listing unrepresented cheques drawn or received by the relevant Group Member and standing orders payable since the date of such bank statements);
- 7.1.8 all mortgages or charges over the Shares or the assets (including in respect of assignments of keyman policies) of any Group Member (or any of them) duly vacated or (if the mortgages or charges also relate to other property) duly executed releases of the Shares or the assets of any Group Member (or any of them) from such mortgages or charges together with letters of non-crystallisation in relation to such charges, in each case in the agreed terms;
- 7.1.9 (on the part of Mr Geoffrey Street and Mr Nicholas Miller) property (if any) of each Group Member which is in the possession or under their control other than board papers issued to them in their capacity as directors of the Company (but subject always to CLAUSE 6.2);
- 7.1.10 a deed of release, executed by all parties thereto of all obligations under the investment agreement entered into between, inter alia, certain of the Warrantors and the Company on 7 July 1997;

- 7.2 each Vendor will repay, and will procure that any spouse or child of such Vendor or any company ("controlled company") of which such Vendor (and/or any such spouse or child) has control (as defined in section 840 Income and Corporation Taxes Act 1988) will repay, all amounts owed by him, her or it to any Group Member, whether due for payment or not;
- 7.3 the Vendors will procure that duly convened meetings are held at which:
- 7.3.1 the transfers referred to in CLAUSE 7.1 (subject to stamping if not previously effected) are approved for registration in the books of the relevant Group Members;
- 7.3.2 persons nominated by the Purchaser are appointed as additional directors of specified Group Members (subject to any maximum number of directors imposed by the relevant articles of association), and any person nominated by the Purchaser is appointed as secretary of specified Group Members; and
- 7.3.3 the variation letters referred to in CLAUSE 7.4 are approved;
- 7.4 the Vendors will procure that Anthony Sherriff, Christopher Dyson and Alan Cotterill and the Company enter into variation letters in the agreed terms in respect of their terms of employment with the Company and Anthony Sherriff shall execute the stock option agreement referred to in CLAUSE 7.8;
- 7.5 the Purchaser will pay in accordance with CLAUSE 3 that part of the Consideration which is payable to the Vendors on Completion and as regards the Retention Fund the Purchaser and the Vendors shall take all such steps and give all such written instructions as are necessary or desirable to give effect to CLAUSE 3.3.3 and the provisions of SCHEDULE 6;
- 7.6 the Purchaser will allot and issue the Loan Notes, deliver to the relevant Vendors certificates for their respective entitlements of Loan Notes and enter their names in the register of holders of the Loan Notes and deliver a certified copy of the Loan Note Instrument, the Loan Note Guarantee and the board resolution approving the adoption of the Loan Note Instrument and the guarantee of and the creation of the Loan Notes;
- 7.7 the Purchaser will allot and issue the Further Loan Notes and will deliver to the relevant Vendors certificates for their respective entitlements of Further Loan Notes and will enter their names in the register of holders of the Further Loan Notes and deliver a certified copy of the Further Loan Notes Instrument, and the relevant board resolution;
- 7.8 the Purchaser shall deliver (and if not on Completion within 10 days of Completion) the stock option agreement in the agreed terms duly executed by the Guarantor granting to Anthony Sherriff options over 25,000 common stock of par value US\$0.01 in the capital of the Guarantor; and
- 7.9 the Purchaser shall make the Cash Collateral Deposit.

8 GUARANTEE

In consideration of the Vendors agreeing to enter into this Agreement with the Purchaser, the Guarantor as primary obligor guarantees (and is executing the Agreement solely to provide such guarantee) the due performance of the Purchaser's obligations under this Agreement and undertakes with the Vendors that:

- 8.1 if the Purchaser shall in any respect fail to implement any of its obligations hereunder or commit any breach of such obligations then the Guarantor will on demand effect such acts on behalf of the Purchaser in order to rectify such breach of the obligations and shall pay to the Vendors all monies due but not paid by the Purchaser; and
- 8.2 although as between the Purchaser and the Guarantor the Guarantor is a guarantor only, as between the Guarantor and the Vendors (and each of them) the Guarantor shall be deemed to be a principal obligor and not just a surety and accordingly shall not be released or discharged, nor shall its liability hereunder be prejudiced, by any forbearance or indulgence shown by the Vendors or any of them to the Purchaser whether as to payment, time, performance or otherwise any variation of the terms of this Agreement, any other agreement entered into by the Purchaser to which it is not a party, the Purchaser becoming insolvent, the enforceability or invalidity of the Purchaser's obligations under this Agreement, or (without limitation) any other thing except an express release or variation in writing from the Vendors of the Guarantor's liability.

9. ANNOUNCEMENTS AND COSTS

- 9.1 After Completion no announcement concerning the transactions contemplated by this Agreement or any matter ancillary to it and no disclosure of the terms of this Agreement will (save as required by law or the regulations of the NASDAQ Stock Exchange or any other competent regulatory body) be made by the parties except with the prior written approval of the other parties, being the approval of Tony Sherriff and Chris Dyson (in each case for so long as he continues to be employed by a Group Member) in respect and on behalf of the Vendors, in each case such consent not to be unreasonably withheld or delayed, it being noted that if any such announcement does not prejudice the interests of the Vendors the same should be permitted as aforesaid.
- 9.2 Each party to this Agreement will bear such party's own costs and expenses relating to the preparation and completion of this Agreement, except where otherwise expressly stated or as agreed between the parties.

10. NOTICES

- 10.1 Any demand, notice or other communication given or made under or in connection with this Agreement will be in writing.
- 10.2 Any such demand, notice or other communication will, if otherwise given or made in accordance with this CLAUSE 10, be deemed to have been duly given or made as follows:
- 10.2.1 if sent by recorded delivery post, or the relevant record date after the date of posting; or

10.2.2 if delivered by hand, upon delivery at the address provided for in this CLAUSE 10; or

10.2.3 if sent by facsimile, on the day of transmission provided that a confirmatory copy is, on the same Business Day that the facsimile is transmitted, sent by pre-paid first class post in the manner provided for in this CLAUSE 10,

provided however that, if it is delivered by hand or sent by facsimile on a day which is not a Business Day or after 4pm on a Business Day, it will instead be deemed to have been given or made on the next Business Day.

10.3 Any such demand, notice or other communication will, in the case of service by post or delivery by hand, be addressed (subject as provided in this CLAUSE 10) to the recipient at the recipient's address stated in this Agreement or at such other address within the United Kingdom as may from time to time be notified in writing by the recipient to the sender as being the recipient's address for service, provided that:

10.3.1 in the case of a company it may instead (at the option of the sender) be addressed to its registered office for the time being; and

10.3.2 if given or made to any one of the Warrantors with a copy to the Vendors' Solicitors (ref: PTIN/S1586(1)) and to the Company Secretary, Gresham Trust p.l.c., One South Place, London EC2M 2GT, it will be treated as validly given or made to all of the Vendors.

10.4 Any such demand, notice or other communication will, in the case of service by facsimile, be sent to the recipient or to any person service on whom (in accordance with the foregoing provisions of this CLAUSE 10) is deemed to be service on the recipient, using a facsimile number then used by the recipient or (as the case may be) such other person at an address which (in accordance with such provisions) could have been used for service by post.

10.5 The Guarantor irrevocably appoints the Purchaser's Solicitors (ref: MTI/FVS) as its agent to accept, on its behalf, service of proceedings issued out of the English courts in any proceedings arising out of this Agreement. Failure by the agent to notify the Guarantor of service shall not affect the validity of service or a judgement based on it.

10.6 If the agent appointed under CLAUSE 10.5 ceases to be able to act as agent or to have an address in England, the Guarantor will appoint a substitute agent acceptable to the Vendors. If the Guarantor fails to appoint a substitute agent within 28 days of the agent ceasing to be able to act, the Vendors may serve proceedings on the Guarantor by written notice to the registered office of the Company.

## 11. GENERAL

11.1 This Agreement will be binding on and will enure for the benefit of each party's successors, assigns and personal representatives (as the case may be).

11.2 Except insofar as the same have been fully performed at Completion, each of the agreements, covenants, obligations, warranties, indemnities and undertakings contained in this Agreement will continue in full force and effect notwithstanding Completion.

- 11.3 The parties agree that they will do all such acts and things and execute all such documents as may be required on or subsequent to Completion to vest in the Purchaser legal and beneficial ownership of the Shares in accordance with this Agreement and otherwise to give effect to its terms.
- 11.4 Failure or delay by any party in exercising any right or remedy under this Agreement will not in any circumstances operate as a waiver of it, nor will any single or partial exercise of any right or remedy in any circumstances preclude any other or further exercise of it or the exercise of any other right or remedy.
- 11.5 Any waiver of any breach of, or any default under, any of the terms of this Agreement will not be deemed a waiver of any subsequent breach or default and will in no way affect the other terms of this Agreement. In the event that more than one Warrantor is liable hereunder in relation to a particular matter, the Purchaser shall take all such steps as are reasonably available to it to recover any sums so due by each of such Warrantors and not from one or some only of such Warrantors.
- 11.6 The rights and remedies expressly provided for by this Agreement will not exclude any rights or remedies provided by law.
- 11.7 This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, each of which so executed and delivered will be an original, but all the counterparts will together constitute one and the same agreement.
- 11.8 The Purchaser shall be entitled to assign the benefit of any right or entitlement under the Warranties or Schedule 5 to any Affiliate (for so long as the Affiliate in question continues to constitute an Affiliate) but otherwise shall not be entitled to so assign the same.
- 11.9 The formation, existence, construction, performance, validity and all aspects whatsoever of this Agreement or of any term of this Agreement shall be governed by English law. The English Courts shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Agreement.

Note: The schedules referred to in this agreement have been excluded from this filing.

SIGNED by )  
MARTIN CLAYTON ) /s/ Anthony C. Sherriff (As Attorney)  
in the presence of: )

Witness signature: /s/ Eliot Kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR

SIGNED by )  
ALAN COTTERILL ) /s/ Anthony C. Sherriff (As Attorney)  
in the presence of: )

Witness signature: /s/ Eliot Kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR

SIGNED by )  
NICHOLAS MILLER ) /s/ Nicholas Miller  
in the presence of: )

Witness signature: /s/ Eliot Kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR

SIGNED by )  
ANTHONY SHERRIFF ) /s/ Anthony C. Sherriff  
in the presence of: )

Witness signature: /s/ Eliot Kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR



SIGNED by )  
GEOFFREY STREET ) /s/ Geoffrey G. Street  
in the presence of: )

Witness signature: /s/ Eliot Kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR

SIGNED by )  
RENEE STREET ) /s/ Geoffrey G. Street (As Attorney)  
in the presence of: )

Witness signature: /s/ Eliot Kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR

SIGNED by )  
GORDON MCINTYRE ) /s/ Anthony C. Sherriff (As Attorney)  
in the presence of: )

Witness signature: /s/ Eliot Kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR

SIGNED by GEOFFREY STREET )  
AND RENEE STREET AS ) /s/ Nicholas Miller (As Attorney)  
TRUSTEES OF STREET FAMILY ) /s/ Geoffrey G. Street  
SETTLEMENT )  
in the presence of: )

Witness signature: /s/ Eliot Kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR

SIGNED by )  
PETER SAUNDERS ) /s/ Anthony C. Sherriff (As Attorney)  
in the presence of: )

Witness signature: /s/ Eliot Kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR

SIGNED by )  
CHRISTOPHER DYSON ) /s/ Christopher C. Dyson  
in the presence of: )

Witness signature: /s/ Eliot Kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR

SIGNED by CHARLES SCHNATTER )  
duly authorised to sign for )  
and on behalf of )  
PAPA JOHN'S (UK) LIMITED ) /s/ Charles W. Schnatter (As Attorney)  
in the presence of: )

Witness signature: /s/ Eliot Kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR

SIGNED by )  
duly authorised to sign for )  
and on behalf of nn )  
BARRINGTON HOUSE NOMINEES ) /s/ James Barbour Smith  
LIMITED )  
in the presence of: )

Witness signature: /s/ Eliot Kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR

SIGNED by CHARLES SCHNATTER )  
duly authorised to sign for )  
and on behalf of )  
PAPA JOHN'S INTERNATIONAL, INC. ) /s/ Charles W. Schnatter (As Attorney)  
in the presence of: )

Witness signature: /s/ Eliot kate

Name: ELIOT KATE

Address: Berwin Leighton, Adelaide House, London EC4

Occupation: TRAINEE SOLICITOR

CREDIT AGREEMENT

by and among

PAPA JOHN'S INTERNATIONAL, INC.

and

THE BANKS PARTY HERETO

and

BANK ONE, INDIANA, NA, As Syndication Agent

and

PNC BANK, NATIONAL ASSOCIATION, As Lead Arranger and Administrative Agent

Dated as of March 17, 2000

LIST OF SCHEDULES AND EXHIBITS

SCHEDULES

SCHEDULE 1.1(B)	-	COMMITMENTS OF BANKS AND ADDRESSES FOR NOTICES
SCHEDULE 1.1(E)	-	EXISTING LETTERS OF CREDIT
SCHEDULE 1.1(P)	-	PERMITTED LIENS
SCHEDULE 5.1.1	-	QUALIFICATIONS TO DO BUSINESS
SCHEDULE 5.1.2	-	CAPITALIZATION
SCHEDULE 5.1.3	-	SUBSIDIARIES
SCHEDULE 5.1.13	-	CONSENTS AND APPROVALS
SCHEDULE 5.1.20	-	EMPLOYEE BENEFIT PLAN DISCLOSURES
SCHEDULE 5.1.22	-	ENVIRONMENTAL DISCLOSURES
SCHEDULE 7.2.1	-	PERMITTED INDEBTEDNESS
SCHEDULE 7.2.4	-	RESTRICTED INVESTMENTS IN EXCLUDED SUBSIDIARIES EXISTING ON THE CLOSING DATE

EXHIBITS

EXHIBIT 1.1(A)	-	ASSIGNMENT AND ASSUMPTION AGREEMENT
EXHIBIT 1.1(B)	-	BANK JOINDER
EXHIBIT 1.1(G)(1)	-	GUARANTOR JOINDER
EXHIBIT 1.1(G)(2)	-	GUARANTY AGREEMENT
EXHIBIT 1.1(I)	-	INTERCOMPANY SUBORDINATION AGREEMENT
EXHIBIT 1.1(N)	-	REVOLVING CREDIT NOTE
EXHIBIT 2.4	-	LOAN REQUEST
EXHIBIT 6.1.4	-	OPINION OF COUNSEL
EXHIBIT 7.2.6	-	ACQUISITION COMPLIANCE CERTIFICATE
EXHIBIT 7.3.3	-	QUARTERLY COMPLIANCE CERTIFICATE

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is dated as of March 17, 2000 and is made by and among PAPA JOHN'S INTERNATIONAL, INC., a Delaware corporation (the "Borrower"), each of the Guarantors (as hereinafter defined), the BANKS (as hereinafter defined), and PNC BANK, NATIONAL ASSOCIATION, in its capacity as administrative agent for the Banks under this Agreement (hereinafter referred to in such capacity as the "Administrative Agent"), and BANK ONE, INDIANA, NA, in its capacity as the syndication agent for the Banks under this Agreement.

WITNESSETH:

WHEREAS, the Borrower has requested the Banks to provide a revolving credit facility to the Borrower in an aggregate principal amount not to exceed \$150,000,000, as the same may be increased hereafter; and

WHEREAS, the revolving credit facility shall be used for general corporate purposes and to repurchase the Borrower's common stock; and

WHEREAS, the Banks are willing to provide such credit upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

1. CERTAIN DEFINITIONS

1.1 CERTAIN DEFINITIONS.

In addition to words and terms defined elsewhere in this Agreement, the following words and terms shall have the following meanings, respectively, unless the context hereof clearly requires otherwise:

AFFILIATE as to any Person shall mean any other Person (i) which directly or indirectly controls, is controlled by, or is under common control with such Person, (ii) which beneficially owns or holds 5% or more of any class of the voting or other equity interests of such Person, or (iii) 5% or more of any class of voting interests or other equity interests of which is beneficially owned or held, directly or indirectly, by such Person. Control, as used in this definition, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting



securities, by contract or otherwise, including the power to elect a majority of the directors or trustees of a corporation or trust, as the case may be.

ADMINISTRATIVE AGENT shall mean PNC Bank, National Association, and its successors and assigns.

ADMINISTRATIVE AGENT'S FEE shall have the meaning assigned to that term in Section 9.15.

ADMINISTRATIVE AGENT'S LETTER shall have the meaning assigned to that term in Section 9.15.

AGREEMENT shall mean this Credit Agreement, as the same may be supplemented or amended from time to time, including all schedules and exhibits.

ANNUAL STATEMENTS shall have the meaning assigned to that term in Section 5.1.9((i)).

APPLICABLE COMMITMENT FEE RATE shall mean the percentage rate per annum based on the Leverage Ratio then in effect according to the pricing grid on SCHEDULE 1.1(A) below the heading "Commitment Fee." The Applicable Commitment Fee Rate shall be computed in accordance with the parameters set forth on Schedule 1.1(A).

APPLICABLE MARGIN shall mean, as applicable:

(A) the percentage spread to be added to Base Rate under the Base Rate Option based on the Leverage Ratio then in effect according to the pricing grid on SCHEDULE 1.1(A) below the heading "Base Rate Spread",

(B) the percentage spread to be added to Euro-Rate under the Euro-Rate Option based on the Leverage Ratio then in effect according to the pricing grid on SCHEDULE 1.1(A) below the heading "Euro-Rate Spread", or

The Applicable Margin shall be computed in accordance with the parameters set forth on Schedule 1.1(A).

ASSIGNMENT AND ASSUMPTION AGREEMENT shall mean an Assignment and Assumption Agreement by and among a Purchasing Bank, a Transferor Bank and the Administrative Agent, as Administrative Agent and on behalf of the remaining Banks, substantially in the form of EXHIBIT 1.1(A).

AUTHORIZED OFFICER shall mean those individuals, designated by written notice to the Administrative Agent from the Borrower, authorized to execute notices, reports and other documents on behalf of the Loan Parties required hereunder. The Borrower may amend

such list of individuals from time to time by giving written notice of such amendment to the Administrative Agent.

BANKS shall mean the financial institutions named on SCHEDULE 1.1(B) and their respective successors and assigns as permitted hereunder, each of which is referred to herein as a Bank.

BASE NET WORTH shall mean the sum of \$260,000,000.

PLUS

(i) 50% of consolidated net income of the Borrower and its Subsidiaries for each fiscal quarter in which net income was earned (as opposed to a net loss) during the period from December 27,1999 through the date of determination

LESS

(ii) the aggregate consideration paid by the Borrower during the period from December 27,1999 through the date of determination in connection with the purchase by the Borrower of its capital stock.

BASE RATE shall mean the greater of (i) the interest rate per annum announced from time to time by the Administrative Agent at its Principal Office as its then prime rate, which rate may not be the lowest rate then being charged commercial borrowers by the Administrative Agent, or (ii) the Federal Funds Effective Rate plus 1/2% per annum.

BASE RATE OPTION shall mean the option of the Borrower to have Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1((i)).

BANK JOINDER shall mean that form of Joinder pursuant to which a New Commitment Provider shall provide Commitments hereunder and, if it is a New Lender, join this Credit Agreement Exhibit 1.1(B).

BENEFIT ARRANGEMENT shall mean at any time an "employee benefit plan," within the meaning of Section 3(3) of ERISA, which is neither a Plan nor a Multiemployer Plan and which is maintained, sponsored or otherwise contributed to by any member of the ERISA Group.

BIBP COMMODITIES GUARANTY shall mean that certain Guaranty of the Borrower in favor of PNC Bank guarantying the obligations of BIBP Commodities, Inc. ("BIBP") under any short-term loans made by PNC to BIBP, which Guaranty is limited to a maximum principal amount of \$5,000,000.

BORROWER shall mean Papa John's International, Inc., a corporation organized and existing under the laws of the State of Delaware.

BORROWING DATE shall mean, with respect to any Loan, the date for the making thereof or the renewal or conversion thereof at or to the same or a different Interest Rate Option, which shall be a Business Day.

BORROWING TRANCHE shall mean specified portions of Loans outstanding as follows: (i) any Loans to which a Euro-Rate Option applies which become subject to the same Interest Rate Option under the same Loan Request by the Borrower and which have the same Interest Period shall constitute one Borrowing Tranche, and (ii) all Loans to which a Base Rate Option applies shall constitute one Borrowing Tranche.

BUSINESS DAY shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed for business in Pittsburgh, Pennsylvania and if the applicable Business Day relates to any Loan to which the Euro-Rate Option applies, such day must also be a day on which dealings are carried on in the London interbank market.

CLOSING DATE shall mean the Business Day on which the first Loan shall be made, which shall be March 17, 2000.

COMMERCIAL LETTER OF CREDIT shall mean any Letter of Credit which is a commercial letter of credit issued in respect of the purchase of goods or services by one or more of the Loan Parties in the ordinary course of their business.

COMMITMENT shall mean, as to any Bank at any time, the amount initially set forth opposite its name on SCHEDULE 1.1(B) in the column labeled "Amount of Commitment for Loans," and thereafter on Schedule I to the most recent Assignment and Assumption Agreement, and COMMITMENTS shall mean the aggregate Commitments of all of the Banks.

COMMITMENT FEE shall have the meaning assigned to that term in Section 2.3.

COMPLIANCE CERTIFICATE shall have the meaning assigned to such term in Section 7.3.3.

CONSOLIDATED NET WORTH shall mean as of any date of determination total stockholders' equity of the Borrower and its Subsidiaries as of such date determined and consolidated in accordance with GAAP.

CONTAMINATION shall mean the presence or release or threat of release of Regulated Substances in, on, under or emanating to or from the Property, which pursuant to Environmental Laws requires notification or reporting to an Official Body, or which pursuant to Environmental Laws requires the investigation, cleanup, removal, remediation, containment, abatement of or other response action or which otherwise constitutes a violation of Environmental Laws.

DOLLAR, DOLLARS, U.S. DOLLARS and the symbol \$ shall mean lawful money of the United States of America.

DRAWING DATE shall have the meaning assigned to that term in Section 2.9.3.2.

EBITDA for any period of determination shall mean (i) the sum of net income, depreciation, amortization, other non-cash charges to net income, interest expense and income tax expense minus (ii) non-cash credits to net income, in each case of the Borrower and its Subsidiaries for such period determined and consolidated in accordance with GAAP.

ENVIRONMENTAL COMPLAINT shall mean any written complaint by any Person or Official Body setting forth a cause of action for personal injury or property damage, natural resource damage, contribution or indemnity for response costs, civil or administrative penalties, criminal fines or penalties, or declaratory or equitable relief arising under any Environmental Laws or any order, notice of violation, citation, subpoena, request for information or other written notice or demand of any type issued by an Official Body pursuant to any Environmental Laws.

ENVIRONMENTAL LAWS shall mean all federal, state, local and foreign Laws and any consent decrees, settlement agreements, judgments, orders, directives, policies or programs issued by or entered into with an Official Body pertaining or relating to: (i) pollution or pollution control; (ii) protection of human health or the environment; (iii) employee safety in the workplace; (iv) the presence, use, management, generation, manufacture, processing, extraction, treatment, recycling, refining, reclamation, labeling, transport, storage, collection, distribution, disposal or release or threat of release of Regulated Substances; (v) the presence of Contamination; (vi) the protection of endangered or threatened species; and (vii) the protection of Environmentally Sensitive Areas.

ENVIRONMENTALLY SENSITIVE AREA shall mean (i) any wetland as defined by applicable Environmental Laws; (ii) any area designated as a coastal zone pursuant to applicable Laws, including Environmental Laws; (iii) any area of historic or archeological significance or scenic area as defined or designated by applicable Laws, including Environmental Laws; (iv) habitats of endangered species or threatened species as designated by applicable Laws, including Environmental Laws; or (v) a floodplain or other flood hazard area as defined pursuant to any applicable Laws.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

ERISA GROUP shall mean, at any time, the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under

common control and all other entities which, together with the Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

EURO-RATE shall mean, with respect to the Loans comprising any Borrowing Tranche to which the Euro-Rate Option applies for any Interest Period, the interest rate per annum determined by the Administrative Agent by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/100th of 1% per annum) (i) the rate of interest determined by the Administrative Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the average of the London interbank offered rates for U.S. Dollars quoted by the British Bankers' Association as set forth on Dow Jones Markets Service (formerly known as Telerate) (or appropriate successor or, if the British Bankers' Association or its successor ceases to provide such quotes, a comparable replacement determined by the Administrative Agent) display page 3750 (or such other display page on the Dow Jones Markets Service system as may replace display page 3750) two (2) Business Days prior to the first day of such Interest Period for an amount comparable to such Borrowing Tranche and having a borrowing date and a maturity comparable to such Interest Period by (ii) a number equal to 1.00 minus the Euro-Rate Reserve Percentage. The Euro-Rate may also be expressed by the following formula:

$$\text{Euro-Rate} = \frac{\text{Average of London interbank offered rates quoted by BBA or appropriate successor as shown on Dow Jones Markets Service display page 3750}}{1.00 - \text{Euro-Rate Reserve Percentage}}$$

The Euro-Rate shall be adjusted with respect to any Loan to which the Euro-Rate Option applies that is outstanding on the effective date of any change in the Euro-Rate Reserve Percentage as of such effective date. The Administrative Agent shall give prompt notice to the Borrower of the Euro-Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

EURO-RATE OPTION shall mean the option of the Borrower to have Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(ii).

EURO-RATE RESERVE PERCENTAGE shall mean as of any day the maximum percentage in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities").

EVENT OF DEFAULT shall mean any of the events described in Section 8.1 and referred to therein as an "Event of Default."

EXCLUDED DOMESTIC SUBSIDIARY SHALL MEAN THOSE FOUR SUBSIDIARIES OF THE BORROWER IDENTIFIED AS EXCLUDED DOMESTIC SUBSIDIARIES ON SCHEDULE 5.1.3.

EXCLUDED SUBSIDIARY shall mean any Subsidiary of the Borrower which is not a Loan Party.

EXISTING LETTERS OF CREDIT shall mean the letters of credit listed on SCHEDULE 1(E). The Existing Letters of Credit shall be Letters of Credit under this Agreement on and after the Closing Date and the Banks shall participate in such Letters of Credit pursuant to Section 2.9.

EXPIRATION DATE shall mean, with respect to the Commitments, March 17, 2003.

FEDERAL FUNDS EFFECTIVE RATE for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the date of this Agreement; PROVIDED, if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the "Federal Funds Effective Rate" for such day shall be the Federal Funds Effective Rate for the last day on which such rate was announced.

FINANCIAL PROJECTIONS shall have the meaning assigned to that term in Section 5.1.9(ii).

FOREIGN SUBSIDIARY shall mean any Subsidiary of the Borrower which is organized under the Laws of a country other than the United States of America.

GAAP shall mean generally accepted accounting principles as are in effect from time to time, subject to the provisions of Section 1.3, and applied on a consistent basis both as to classification of items and amounts.

GOVERNMENTAL ACTS shall have the meaning assigned to that term in Section 2.9.8.

GUARANTOR shall mean each of the parties to this Agreement which is designated as a "Guarantor" on the signature page hereof and each other Person which joins this Agreement as a Guarantor after the date hereof pursuant to Section 10.18. Each of the Subsidiaries of the Borrower shall join this Agreement as a Guarantor except that each Foreign Subsidiary and each Excluded Domestic Subsidiary shall not be required to join this Agreement as a Guarantor.

GUARANTOR JOINDER shall mean a joinder by a Person as a Guarantor under this Agreement, the Guaranty Agreement and the other Loan Documents in the form of EXHIBIT 1.1(G)(1).

GUARANTY of any Person shall mean any obligation of such Person guaranteeing or in effect guaranteeing any liability or obligation of any other Person in any manner, whether directly or indirectly, including any agreement to indemnify or hold harmless any other Person, any performance bond or other suretyship arrangement and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business.

GUARANTY AGREEMENT shall mean the Guaranty and Suretyship Agreement in substantially the form of EXHIBIT 1.1(G)(2) executed and delivered by each of the Guarantors to the Administrative Agent for the benefit of the Banks.

HISTORICAL STATEMENTS shall have the meaning assigned to that term in Section 5.1.9(i).

INDEBTEDNESS shall mean, as to any Person at any time, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of: (i) borrowed money, excluding the Jeffersontown IRB, so long as (i) the Jeffersontown IRB is owned by Capital Delivery, Inc., (ii) Capital Delivery Inc. shall be a wholly-owned Subsidiary of the Borrower, and (iii) the principal amount thereof does not exceed \$70,200,000, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement obligations (contingent or otherwise) under any letter of credit, currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management device, (iv) any other transaction (including forward sale or purchase agreements, capitalized leases and conditional sales agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including trade payables and accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness and which are not more than thirty (30) days past due), or (v) any Guaranty of Indebtedness for borrowed money, excluding the BIBP Commodities Guaranty.

INELIGIBLE SECURITY shall mean any security which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

INSOLVENCY PROCEEDING shall mean, with respect to any Person, (a) a case, action or proceeding with respect to such Person (i) before any court or any other Official Body under any bankruptcy, insolvency, reorganization or other similar Law now or hereafter in effect, or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or otherwise relating to the liquidation,

dissolution, winding-up or relief of such Person, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of such Person's creditors generally or any substantial portion of its creditors; undertaken under any Law.

INTERCOMPANY SUBORDINATION AGREEMENT shall mean a Subordination Agreement among the Loan Parties in the form attached hereto as EXHIBIT 1.1(I).

INTEREST COVERAGE RATIO shall be computed as of the end of each quarter for the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP for the four (4) quarters then ended and shall be the ratio of (i) EBITDA plus rental expense, plus preopening expenses relating to restaurants, less capital expenditures, to (ii) interest expense, rental expense and preopening expenses relating to restaurants.

INTEREST PERIOD shall mean the period of time selected by the Borrower in connection with (and to apply to) any election permitted hereunder by the Borrower to have Loans bear interest under the Euro-Rate Option. Subject to the last sentence of this definition, such period shall be one, two, three or six Months if Borrower selects the Euro-Rate Option. Such Interest Period shall commence on the effective date of such Interest Rate Option, which shall be (i) the Borrowing Date if the Borrower is requesting new Loans, or (ii) the date of renewal of or conversion to the Euro-Rate Option if the Borrower is renewing or converting to the Euro-Rate Option applicable to outstanding Loans. Notwithstanding the second sentence hereof: (A) any Interest Period which would otherwise end on a date which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (B) the Borrower shall not select, convert to or renew an Interest Period for any portion of the Loans that would end after the Expiration Date.

INTEREST RATE OPTION shall mean any Euro-Rate Option or Base Rate Option.

INTERIM STATEMENTS shall have the meaning assigned to that term in Section 5.1.9((i)).

INTERNAL REVENUE CODE shall mean the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

JEFFERSONTOWN IRB shall mean that certain \$7,500,000 Industrial Revenue Bond issued by the City of Jeffersontown, Kentucky on December 27, 1997 and the \$62,700,000 Industrial Revenue Bond issued by the City of Jeffersontown, Kentucky on November 9, 1999. The \$70,200,000 Industrial Revenue Bond is secured by the transfer of the \$70,200,000 of property located 2002 Papa John's Boulevard to the City of Jeffersontown.



LABOR CONTRACTS shall mean all employment agreements, employment contracts, collective bargaining agreements and other agreements among any Loan Party or Subsidiary of a Loan Party and its employees.

LAW shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

LETTER OF CREDIT shall have the meaning assigned to that term in Section 2.9.1.

LETTER OF CREDIT BORROWING shall have the meaning assigned to such term in Section 2.9.3.4.

LETTER OF CREDIT FEE shall have the meaning assigned to that term in Section 2.9.2.

LETTERS OF CREDIT OUTSTANDING shall mean at any time the sum of (i) the aggregate undrawn face amount of outstanding Letters of Credit and (ii) the aggregate amount of all unpaid and outstanding Reimbursement Obligations and Letter of Credit Borrowings.

LEVERAGE RATIO shall mean as of any date of determination, the ratio of consolidated Indebtedness of the Loan Parties as of such date to EBITDA for the four quarters ending on such date (or the immediately four fiscal quarters if such date is not a fiscal quarter end).

LIEN shall mean any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

LLC INTERESTS shall have the meaning given to such term in Section 5.1.3.

LOAN DOCUMENTS shall mean this Agreement, the Administrative Agent's Letter, the Guaranty Agreement, the Intercompany Subordination Agreement, the Notes, and any other instruments, certificates or documents delivered or contemplated to be delivered hereunder or thereunder or in connection herewith or therewith, as the same may be supplemented or amended from time to time in accordance herewith or therewith, and LOAN DOCUMENT shall mean any of the Loan Documents.

LOAN PARTIES shall mean the Borrower and the Guarantors.

LOAN REQUEST shall have the meaning given to such term in Section 2.4.

LOANS shall mean collectively and LOAN shall mean separately all Loans or any Loan made by the Banks or one of the Banks to the Borrower pursuant to Section 2.1 or 2.9.3.

MATERIAL ADVERSE CHANGE shall mean any set of circumstances or events which (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Agreement or any other Loan Document, (b) is or could reasonably be expected to be material and adverse to the business, properties, assets, financial condition, results of operations or prospects of the Loan Parties taken as a whole, (c) impairs materially or could reasonably be expected to impair materially the ability of the Loan Parties taken as a whole to duly and punctually pay or perform its Indebtedness, or (d) impairs materially or could reasonably be expected to impair materially the ability of the Administrative Agent or any of the Banks, to the extent permitted, to enforce their legal remedies pursuant to this Agreement or any other Loan Document.

MONTH, with respect to an Interest Period under the Euro-Rate Option, shall mean the interval between the days in consecutive calendar months numerically corresponding to the first day of such Interest Period. If any Euro-Rate Interest Period begins on a day of a calendar month for which there is no numerically corresponding day in the month in which such Interest Period is to end, the final month of such Interest Period shall be deemed to end on the last Business Day of such final month.

MULTIEMPLOYER PLAN shall mean any employee benefit plan which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which the Borrower or any member of the ERISA Group is then making or accruing an obligation to make contributions or, within the preceding five Plan years, has made or had an obligation to make such contributions.

MULTIPLE EMPLOYER PLAN shall mean a Plan which has two or more contributing sponsors (including the Borrower or any member of the ERISA Group) at least two of whom are not under common control, as such a plan is described in Sections 4063 and 4064 of ERISA.

NOTES shall mean collectively and NOTE shall mean separately all the Notes of the Borrower in the form of EXHIBIT 1.1(N) evidencing the Loans together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

NOTICES shall have the meaning assigned to that term in Section 10.6.

OBLIGATION shall mean any obligation or liability of any of the Loan Parties to the Administrative Agent or any of the Banks, howsoever created, arising or evidenced,

whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, under or in connection with this Agreement, the Notes, the Letters of Credit, the Administrative Agent's Letter or any other Loan Document.

OFFICIAL BODY shall mean any national, federal, state, local or other government or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

PARTICIPATION ADVANCE shall mean, with respect to any Bank, such Bank's payment in respect of its participation in a Letter of Credit Borrowing according to its Ratable Share pursuant to Section 2.9.3.4.

PARTNERSHIP INTERESTS shall have the meaning given to such term in Section 5.1.3.

PBGC shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor.

PERMITTED ACQUISITIONS shall have the meaning assigned to such term in Section 7.2.6.

PERMITTED INVESTMENTS shall mean:

(i) direct obligations of the United States of America or any agency or instrumentality thereof or obligations backed by the full faith and credit of the United States of America maturing in twelve (12) months or less from the date of acquisition;

(ii) commercial paper maturing in 180 days or less rated not lower than A-1, by Standard & Poor's or P-1 by Moody's Investors Service, Inc. on the date of acquisition;

(iii) demand deposits, time deposits or certificates of deposit maturing within one year in commercial banks whose obligations are rated A-1, A or the equivalent or better by Standard & Poor's on the date of acquisition, and

(iv) bond funds with investments in short and intermediate term investment grade debt obligations with portfolio maturity of not more than three years

(v) PJ America stock warrant for purchase of 225,000 shares of common stock at a purchase price of \$11.25 per share, exercisable in whole or in part any time within five years of October 25, 1996 (the closing date of the Borrower's initial public offering).

PERMITTED LIENS shall mean:

(i) Liens for taxes, assessments, or similar charges, incurred in the ordinary course of business and which are not yet due and payable;

(ii) Pledges or deposits made in the ordinary course of business to secure payment of workmen's compensation, or to participate in any fund in connection with workmen's compensation, unemployment insurance, old-age pensions or other social security programs;

(iii) Liens of mechanics, materialmen, warehousemen, carriers, or other like Liens, securing obligations incurred in the ordinary course of business that are not yet due and payable and Liens of landlords securing obligations to pay lease payments that are not yet due and payable or in default;

(iv) Good-faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance or other similar bonds required in the ordinary course of business;

(v) Encumbrances consisting of zoning restrictions, easements or other restrictions on the use of real property, none of which materially impairs the use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use;

(vi) Liens, security interests and mortgages in favor of the Administrative Agent for the benefit of the Banks;

(vii) Liens on property leased by any Loan Party or Subsidiary of a Loan Party under capital and operating leases securing obligations of such Loan Party or Subsidiary to the lessor under such leases;

(viii) Any Lien existing on the date of this Agreement and described on SCHEDULE 1.1(P), PROVIDED that the principal amount secured thereby is not hereafter increased, and no additional assets become subject to such Lien;

(ix) Purchase Money Security Interests, PROVIDED that the aggregate amount of loans and deferred payments secured by such Purchase Money Security Interests shall not exceed \$10,000,000 (excluding for the purpose of this computation any loans or deferred payments secured by Liens described on SCHEDULE 1.1(P)); and

(x) The following, (A) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed or (B) if a final judgment is entered and such judgment is discharged within thirty (30) days of entry, and in either case

they do not in the aggregate, materially impair the ability of any Loan Party to perform its Obligations hereunder or under the other Loan Documents:

(1) Claims or Liens for taxes, assessments or charges due and payable and subject to interest or penalty, PROVIDED that the applicable Loan Party maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such taxes, assessments or charges forthwith upon the commencement of proceedings to foreclose any such Lien;

(2) Claims, Liens or encumbrances upon, and defects of title to, real or personal property, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits;

(3) Claims or Liens of mechanics, materialmen, warehousemen, carriers, or other statutory nonconsensual Liens; or

(4) Liens resulting from final judgments or orders described in Section 8.1.6.

PERSON shall mean any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, joint venture, government or political subdivision or agency thereof, or any other entity.

PLAN shall mean at any time an employee pension benefit plan (including a Multiple Employer Plan, but not a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained by any entity which was at such time a member of the ERISA Group for employees of any entity which was at such time a member of the ERISA Group.

PNC BANK shall mean PNC Bank, National Association, its successors and assigns.

POTENTIAL DEFAULT shall mean any event or condition which with notice, passage of time or a determination by the Administrative Agent or the Required Banks, or any combination of the foregoing, would constitute an Event of Default.

PRINCIPAL OFFICE shall mean the main banking office of the Administrative Agent in Pittsburgh, Pennsylvania.

PROHIBITED TRANSACTION shall mean any prohibited transaction as defined in Section 4975 of the Internal Revenue Code or Section 406 of ERISA for which neither an individual nor a class exemption has been issued by the United States Department of Labor.

PROPERTY shall mean all real property, both owned and leased, of any Loan Party or Subsidiary of a Loan Party.

PURCHASE MONEY SECURITY INTEREST shall mean Liens upon tangible personal property securing loans to any Loan Party or Subsidiary of a Loan Party or deferred payments by such Loan Party or Subsidiary for the purchase of such tangible personal property.

PURCHASING BANK shall mean a Bank which becomes a party to this Agreement by executing an Assignment and Assumption Agreement.

RATABLE SHARE shall mean the proportion that a Bank's Commitment bears to the Commitments of all of the Banks.

REGULATED SUBSTANCES shall mean, without limitation, any substance, material or waste, regardless of its form or nature, defined under Environmental Laws as a "hazardous substance," "pollutant," "pollution," "contaminant," "hazardous or toxic substance," "extremely hazardous substance," "toxic chemical," "toxic substance," "toxic waste," "hazardous waste," "special handling waste," "industrial waste," "residual waste," "solid waste," "municipal waste," "mixed waste," "infectious waste," "chemotherapeutic waste," "medical waste," or "regulated substance" or any other material, substance or waste, regardless of its form or nature, which otherwise is regulated by Environmental Laws.

REGULATION U shall mean Regulation U, T or X as promulgated by the Board of Governors of the Federal Reserve System, as amended from time to time.

REIMBURSEMENT OBLIGATION shall have the meaning assigned to such term in Section 2.9.3.2.

REPORTABLE EVENT shall mean a reportable event described in Section 4043 of ERISA and regulations thereunder with respect to a Plan or Multiemployer Plan.

REQUIRED BANKS shall mean

(i) if there are no Loans, Reimbursement Obligations or Letter of Credit Borrowings outstanding, Banks whose Commitments aggregate at least 51% of the Commitments of all of the Banks, or

(ii) if there are Loans, Reimbursement Obligations, or Letter of Credit Borrowings outstanding, any Bank or group of Banks if the sum of the Loans, Reimbursement Obligations and Letter of Credit Borrowings of such Banks then outstanding aggregates at least 51% of the total principal amount of all of the Loans, Reimbursement Obligations and Letter of Credit Borrowings then outstanding. Reimbursement Obligations and Letter of Credit Borrowings shall be deemed, for purposes of this definition, to be in favor of the Administrative Agent and not a participating Bank if such Bank has not made its Participation

Advance in respect thereof and shall be deemed to be in favor of such Bank to the extent of its Participation Advance if it has made its Participation Advance in respect thereof.

REQUIRED ENVIRONMENTAL NOTICES shall mean all notices, reports, plans, forms or other filings which pursuant to Environmental Laws, Required Environmental Permits or at the request or direction of an Official Body either must be submitted to an Official Body or which otherwise must be maintained.

REQUIRED ENVIRONMENTAL PERMITS shall mean all permits, licenses, bonds, consents, programs, approvals or authorizations required under Environmental Laws to own, occupy or maintain the Property or which otherwise are required for the operations and business activities of the Borrower or Guarantors.

RESTRICTED INVESTMENTS shall mean all of the following with respect to any Person, including any Excluded Subsidiary or other Person: (i) investments or contributions by any of the Loan Parties directly or indirectly in or to the capital of or other payments to or for the benefit of such Person, (ii) loans by any of the Loan Parties directly or indirectly to such Person, (iii) guaranties by any of the Loan Parties directly or indirectly of the obligations of such Person, or (iv) other obligations, contingent or otherwise, of any of the Loan Parties to or for the benefit of such Person.

REVOLVING FACILITY USAGE shall mean at any time the sum of the Loans outstanding and the Letters of Credit Outstanding.

SECTION 20 SUBSIDIARY shall mean the Subsidiary of the bank holding company controlling any Bank, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

SHARES shall have the meaning assigned to that term in Section 5.1.2.

STANDARD & POOR'S shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

STANDBY LETTER OF CREDIT shall mean a Letter of Credit issued to support obligations of one or more of the Loan Parties, contingent or otherwise, which finance the working capital and business needs of the Loan Parties incurred in the ordinary course of business.

SUBSIDIARY of any Person at any time shall mean (i) any corporation or trust of which 50% or more (by number of shares or number of votes) of the outstanding capital stock or shares of beneficial interest normally entitled to vote for the election of one or more directors or trustees (regardless of any contingency which does or may suspend or dilute the voting rights) is at such time owned directly or indirectly by such Person or one or more of such Person's Subsidiaries, (ii) any partnership of which such Person is a general partner or of which 50% or more of the partnership interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries, (iii) any limited liability company of which such Person is a member or of which

50% or more (by number of shares or number of votes) of the outstanding capital stock or shares of beneficial interest normally entitled to vote for the election of one or more directors or trustees (regardless of any contingency which does or may suspend or dilute the voting rights) is at such time owned directly or indirectly by such Person or one or more of such Person's Subsidiaries, (ii) any partnership of which such Person is a general partner or of which 50% or more of the partnership interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries, (iii) any limited liability company of which such Person is a member or of which 50% or more of the limited liability company interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries or (iv) any corporation, trust, partnership, limited liability company or other entity which is controlled or capable of being controlled by such Person or one or more of such Person's Subsidiaries.

SUBSIDIARY SHARES shall have the meaning assigned to that term in Section 5.1.3.

SYNDICATION AGENT shall mean Bank One, Indiana, NA, and its successors and assigns. The Syndication Agent shall have no rights duties or obligations in such capacity under this agreement or the other Loan Documents.

TRANSFEROR BANK shall mean the selling Bank pursuant to an Assignment and Assumption Agreement.

## 1.2 CONSTRUCTION.

Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents:

### 1.2.1. NUMBER; INCLUSION.

references to the plural include the singular, the plural, the part and the whole; "or" has the inclusive meaning represented by the phrase "and/or," and "including" has the meaning represented by the phrase "including without limitation";

### 1.2.2. DETERMINATION.

references to "determination" of or by the Administrative Agent or the Banks shall be deemed to include good-faith estimates by the Administrative Agent or the Banks (in the case of quantitative determinations) and good-faith beliefs by the Administrative Agent or the Banks (in the case of qualitative determinations) and such determination shall be conclusive absent manifest error;

### 1.2.3. ADMINISTRATIVE AGENT'S DISCRETION AND CONSENT.

whenever the Administrative Agent or the Banks are granted the right herein to act in its or their sole discretion or to grant or withhold consent such right shall be exercised in good faith;



1.2.4. DOCUMENTS TAKEN AS A WHOLE.

the words "hereof," "herein," "hereunder," "hereto" and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole and not to any particular provision of this Agreement or such other Loan Document;

1.2.5. HEADINGS.

the section and other headings contained in this Agreement or such other Loan Document and the Table of Contents (if any), preceding this Agreement or such other Loan Document are for reference purposes only and shall not control or affect the construction of this Agreement or such other Loan Document or the interpretation thereof in any respect;

1.2.6. IMPLIED REFERENCES TO THIS AGREEMENT.

article, section, subsection, clause, schedule and exhibit references are to this Agreement or other Loan Document, as the case may be, unless otherwise specified;

1.2.7. PERSONS.

reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement or such other Loan Document, as the case may be, and reference to a Person in a particular capacity excludes such Person in any other capacity;

1.2.8. MODIFICATIONS TO DOCUMENTS.

reference to any agreement (including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto), document or instrument means such agreement, document or instrument as amended, modified, replaced, substituted for, superseded or restated;

1.2.9. FROM, TO AND THROUGH.

relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding," and "through" means "through and including"; and

1.2.10. SHALL; WILL.

references to "shall" and "will" are intended to have the same meaning.

### 1.3 ACCOUNTING PRINCIPLES.

Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP; PROVIDED, HOWEVER, that all accounting terms used in Section 7.2 [Negative Covenants] (and all defined terms used in the definition of any accounting term used in Section 7.2 shall have the meaning given to such terms (and defined terms) under GAAP as in effect on the date hereof applied on a basis consistent with those used in preparing the Annual Statements referred to in Section 5.1.9((i)) [Historical Statements]. In the event of any change after the date hereof in GAAP, and if such change would result in the inability to determine compliance with the financial covenants set forth in Section 7.2 based upon the Borrower's regularly prepared financial statements by reason of the preceding sentence, then the parties hereto agree to endeavor, in good faith, to agree upon an amendment to this Agreement that would adjust such financial covenants in a manner that would not affect the substance thereof, but would allow compliance therewith to be determined in accordance with the Borrower's financial statements at that time.

## 2. REVOLVING CREDIT FACILITY

### 2.1 REVOLVING CREDIT COMMITMENTS.

Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Bank severally agrees to make Loans to the Borrower at any time or from time to time on or after the date hereof to the Expiration Date provided that after giving effect to such Loan the aggregate amount of Loans from such Bank shall not exceed such Bank's Commitment minus such Bank's Ratable Share of the Letters of Credit Outstanding. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.1.

### 2.2 NATURE OF BANKS' OBLIGATIONS WITH RESPECT TO LOANS.

Each Bank shall be obligated to participate in each request for Loans pursuant to Section 2.4 [Loan Requests] in accordance with its Ratable Share. The aggregate of each Bank's Loans outstanding hereunder to the Borrower at any time shall never exceed its Commitment minus its Ratable Share of the Letters of Credit Outstanding. The obligations of each Bank hereunder are several. The failure of any Bank to perform its obligations hereunder shall not affect the Obligations of the Borrower to any other party nor shall any other party be liable for the failure of such Bank to perform its obligations hereunder. The Banks shall have no obligation to make Loans hereunder on or after the Expiration Date.

### 2.3 COMMITMENT FEES.

Accruing from the date hereof until the Expiration Date, the Borrower agrees to pay to the Administrative Agent for the account of each Bank, as consideration for such Bank's Commitment hereunder, a nonrefundable commitment fee (the "Commitment Fee") equal to the Applicable Commitment Fee Rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) on the average daily difference between the amount of (i) such Bank's Commitment as the same may be constituted from time to time and (ii) the sum of such Bank's Loans outstanding plus its Ratable Share of Letters of Credit Outstanding. All Commitment Fees shall be payable in arrears on the first Business Day of each April, July, October and January after the date hereof and on the Expiration Date or upon acceleration of the Notes.

### 2.4 REVOLVING CREDIT FACILITY FEE.

The Borrower agrees to pay to the Administrative Agent for the account of each Bank, as consideration for such Bank's Revolving Credit Commitment, a nonrefundable facility fee equal to .05% of such Bank's Commitment, payable on the Closing Date.

### 2.5 LOAN REQUESTS.

Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request the Banks to make Loans, or renew or convert the Interest Rate Option applicable to existing Loans pursuant to Section 3.2 [Interest Periods], by delivering to the Administrative Agent, not later than 10:00 a.m., Pittsburgh time, (i) three (3) Business Days prior to the proposed Borrowing Date with respect to the making of Loans to which the Euro-Rate Option applies or the conversion to or the renewal of the Euro-Rate Option for any Loans; and (ii) one (1) Business Day prior to either the proposed Borrowing Date with respect to the making of a Loan to which the Base Rate Option applies or the last day of the preceding Interest Period with respect to the conversion to the Base Rate Option for any Loan, of a duly completed request therefor substantially in the form of EXHIBIT 2.5 or a request by telephone immediately confirmed in writing by letter, facsimile or telex in such form (each, a "Loan Request"), it being understood that the Administrative Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify (i) the proposed Borrowing Date; (ii) the aggregate amount of the proposed Loans comprising each Borrowing Tranche, which shall be in integral multiples of \$1,000,000 and not less than \$5,000,000 for each Borrowing Tranche to which the Euro-Rate Option applies and not less than the lesser of \$1,000,000 or the maximum amount available for Borrowing Tranches to which the Base Rate Option applies; (iii) whether the Euro-Rate Option or Base Rate Option shall apply to the proposed Loans comprising the applicable Borrowing Tranche; and (iv) in the case of a Borrowing Tranche to which the Euro-Rate Option applies, an appropriate Interest Period for the Loans comprising such Borrowing Tranche.

## 2.6 MAKING LOANS.

The Administrative Agent shall, promptly after receipt by it of a Loan Request pursuant to Section 2.5 [Loan Requests], notify the Banks of its receipt of such Loan Request specifying: (i) the proposed Borrowing Date and the time and method of disbursement of the Loans requested thereby; (ii) the amount and type of each such Loan and the applicable Interest Period (if any); and (iii) the apportionment among the Banks of such Loans as determined by the Administrative Agent in accordance with Section 2.2 [Nature of Banks' Obligations]. Each Bank shall remit the principal amount of each Loan to the Administrative Agent such that the Administrative Agent is able to, and the Administrative Agent shall, to the extent the Banks have made funds available to it for such purpose and subject to Section 6.2 [Each Additional Loan], fund such Loans to the Borrower in U.S. Dollars and immediately available funds at the Principal Office prior to 2:00 p.m., Pittsburgh time, on the applicable Borrowing Date, PROVIDED that if any Bank fails to remit such funds to the Administrative Agent in a timely manner, the Administrative Agent may elect in its sole discretion to fund with its own funds the Loans of such Bank on such Borrowing Date, and such Bank shall be subject to the repayment obligation in Section 9.16 [Availability of Funds].

## 2.7 NOTES.

The Obligation of the Borrower to repay the aggregate unpaid principal amount of the Loans made to it by each Bank, together with interest thereon, shall be evidenced by a Note dated the Closing Date payable to the order of such Bank in a face amount equal to the Commitment of such Bank.

## 2.8 USE OF PROCEEDS.

The proceeds of the Loans shall be used for general corporate purposes and to purchase the common stock of the Borrower and in accordance with Section 7.1.10 [Use of Proceeds].

## 2.9 LETTER OF CREDIT SUBFACILITY.

### 2.9.1. ISSUANCE OF LETTERS OF CREDIT.

Borrower may request the issuance of a letter of credit (each a "Letter of Credit" any Existing Letter of Credit also shall be a Letter of Credit under this Agreement) on behalf of itself or another Loan Party by delivering to the Administrative Agent a completed application and agreement for letters of credit in such form as the Administrative Agent may specify from time to time by no later than 10:00 a.m., Pittsburgh time, at least three (3) Business Days, or such shorter period as may be agreed to by the Administrative Agent, in advance of the proposed date of issuance. Each Letter of Credit shall be either a Standby Letter of Credit or a Commercial Letter of Credit. Subject to the terms and conditions hereof and in reliance on the

agreements of the other Banks set forth in this Section 2.9, the Administrative Agent will issue a Letter of Credit provided that each Letter of Credit shall (A) have a maximum maturity of twelve (12) months from the date of issuance, and (B) in no event expire later than ten (10) Business Days prior to the Expiration Date and providing that in no event shall (i) the Letters of Credit Outstanding exceed, at any one time, \$10,000,000 or (ii) the Revolving Facility Usage exceed, at any one time, the Commitments.

#### 2.9.2. LETTER OF CREDIT FEES.

The Borrower shall pay (i) to the Administrative Agent for the ratable account of the Banks a fee (the "Letter of Credit Fee") equal to the Applicable Margin applicable to Loans under the Euro-Rate Option per annum, and (ii) to the Administrative Agent for its own account a fronting fee as provided in the Administrative Agent's Letter, which fees shall be computed on the basis of a year of 360 days and actual days elapsed on the daily average Letters of Credit Outstanding and shall be payable quarterly in arrears commencing with the first Business Day of each April, July, October and January following issuance of each Letter of Credit and on the Expiration Date. The Borrower shall also pay to the Administrative Agent for the Administrative Agent's sole account the Administrative Agent's then in effect customary fees and administrative expenses payable with respect to the Letters of Credit as the Administrative Agent may generally charge or incur from time to time in connection with the issuance, maintenance, modification (if any), assignment or transfer (if any), negotiation, and administration of Letters of Credit.

#### 2.9.3. DISBURSEMENTS, REIMBURSEMENT.

2.9.3.1 Immediately upon the Issuance of each Letter of Credit, each Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Administrative Agent a participation in such Letter of Credit and each drawing thereunder in an amount equal to such Bank's Ratable Share of the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively.

2.9.3.2 In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, the Administrative Agent will promptly notify the Borrower. Provided that it shall have received such notice, the Borrower shall reimburse (such obligation to reimburse the Administrative Agent shall sometimes be referred to as a "Reimbursement Obligation") the Administrative Agent prior to 12:00 noon, Pittsburgh time on each date that an amount is paid by the Administrative Agent under any Letter of Credit (each such date, an "Drawing Date") in an amount equal to the amount so paid by the Administrative Agent. In the event the Borrower fails to reimburse the Administrative Agent for the full amount of any drawing under any Letter of Credit by 12:00 noon, Pittsburgh time, on the Drawing Date, the Administrative Agent will promptly notify each Bank thereof, and the Borrower shall be deemed to have requested that Loans be made by the Banks under the Base Rate Option to be disbursed on the Drawing Date under such Letter of Credit, subject to the amount of the

unutilized portion of the Commitment and subject to the conditions set forth in Section 6.2 [Each Additional Loan] other than any notice requirements. Any notice given by the Administrative Agent pursuant to this Section 2.9.3.2 may be oral if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

2.9.3.3 Each Bank shall upon any notice pursuant to Section 2.9.3.2 make available to the Administrative Agent an amount in immediately available funds equal to its Ratable Share of the amount of the drawing, whereupon the participating Banks shall (subject to Section 2.9.3.4) each be deemed to have made a Loan under the Base Rate Option to the Borrower in that amount. If any Bank so notified fails to make available to the Administrative Agent for the account of the Administrative Agent the amount of such Bank's Ratable Share of such amount by no later than 2:00 p.m., Pittsburgh time on the Drawing Date, then interest shall accrue on such Bank's obligation to make such payment, from the Drawing Date to the date on which such Bank makes such payment (i) at a rate per annum equal to the Federal Funds Effective Rate during the first three days following the Drawing Date and (ii) at a rate per annum equal to the rate applicable to Loans under the Base Rate Option on and after the fourth day following the Drawing Date. The Administrative Agent will promptly give notice of the occurrence of the Drawing Date, but failure of the Administrative Agent to give any such notice on the Drawing Date or in sufficient time to enable any Bank to effect such payment on such date shall not relieve such Bank from its obligation under this Section 2.9.3.3.

2.9.3.4 With respect to any unreimbursed drawing that is not converted into Loans under the Base Rate Option to the Borrower in whole or in part as contemplated by Section 2.9.3.2, because of the Borrower's failure to satisfy the conditions set forth in Section 6.2 [Each Additional Loan] other than any notice requirements or for any other reason, the Borrower shall be deemed to have incurred from the Administrative Agent a borrowing (each a "Letter of Credit Borrowing") in the amount of such drawing. Such Letter of Credit Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the rate per annum applicable to the Loans under the Base Rate Option. Each Bank's payment to the Administrative Agent pursuant to Section 2.9.3.3 shall be deemed to be a payment in respect of its participation in such Letter of Credit Borrowing and shall constitute a "Participation Advance" from such Bank in satisfaction of its participation obligation under this Section 2.9.3.

#### 2.9.4. REPAYMENT OF PARTICIPATION ADVANCES.

2.9.4.1 Upon (and only upon) receipt by the Administrative Agent for its account of immediately available funds from the Borrower (i) in reimbursement of any payment made by the Administrative Agent under the Letter of Credit with respect to which any Bank has made a Participation Advance to the Administrative Agent, or (ii) in payment of interest on such a payment made by the Administrative Agent under such a Letter of Credit, the Administrative Agent will pay to each Bank, in the same funds as those received by the

Administrative Agent, the amount of such Bank's Ratable Share of such funds, except the Administrative Agent shall retain the amount of the Ratable Share of such funds of any Bank that did not make a Participation Advance in respect of such payment by Administrative Agent.

2.9.4.2 If the Administrative Agent is required at any time to return to any Loan Party, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by any Loan Party to the Administrative Agent pursuant to Section 2.9.4.1 in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Bank shall, on demand of the Administrative Agent, forthwith return to the Administrative Agent the amount of its Ratable Share of any amounts so returned by the Administrative Agent plus interest thereon from the date such demand is made to the date such amounts are returned by such Bank to the Administrative Agent, at a rate per annum equal to the Federal Funds Effective Rate in effect from time to time.

#### 2.9.5. DOCUMENTATION.

Each Loan Party agrees to be bound by the terms of the Administrative Agent's application and agreement for letters of credit and the Administrative Agent's written regulations and customary practices relating to letters of credit, though such interpretation may be different from such Loan Party's own. In the event of a conflict between such application or agreement and this Agreement, this Agreement shall govern. It is understood and agreed that, except in the case of gross negligence or willful misconduct, the Administrative Agent shall not be liable for any error, negligence and/or mistakes, whether of omission or commission, in following any Loan Party's instructions or those contained in the Letters of Credit or any modifications, amendments or supplements thereto.

#### 2.9.6. DETERMINATIONS TO HONOR DRAWING REQUESTS.

In determining whether to honor any request for drawing under any Letter of Credit by the beneficiary thereof, the Administrative Agent shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit.

#### 2.9.7. NATURE OF PARTICIPATION AND REIMBURSEMENT OBLIGATIONS.

Each Bank's obligation in accordance with this Agreement to make the Loans or Participation Advances, as contemplated by Section 2.9.3, as a result of a drawing under a Letter of Credit, and the Obligations of the Borrower to reimburse the Administrative Agent upon a draw under a Letter of Credit, shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Section 2.9 under all circumstances, including the following circumstances:

(i) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against the Administrative Agent, the Borrower or any other Person for any reason whatsoever;

(ii) the failure of any Loan Party or any other Person to comply, in connection with a Letter of Credit Borrowing, with the conditions set forth in Section 2.1 [Commitments], 2.4 [Loan Requests], 2.6 [Making Loans] or 6.2 [Each Additional Loan] or as otherwise set forth in this Agreement for the making of a Loan, it being acknowledged that such conditions are not required for the making of a Letter of Credit Borrowing and the obligation of the Banks to make Participation Advances under Section 2.9.3;

(iii) any lack of validity or enforceability of any Letter of Credit;

(iv) the existence of any claim, set-off, defense or other right which any Loan Party or any Bank may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such transferee may be acting), the Administrative Agent or any Bank or any other Person or, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between any Loan Party or Subsidiaries of a Loan Party and the beneficiary for which any Letter of Credit was procured);

(v) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect even if the Administrative Agent has been notified thereof;

(vi) payment by the Administrative Agent under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;

(vii) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of any Loan Party or Subsidiaries of a Loan Party;

(viii) any breach of this Agreement or any other Loan Document by any party thereto;

(ix) the occurrence or continuance of an Insolvency Proceeding with respect to any Loan Party;

(x) the fact that an Event of Default or a Potential Default shall have occurred and be continuing;



(xi) the fact that the Expiration Date shall have passed or this Agreement or the Commitments hereunder shall have been terminated; and

(xii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

#### 2.9.8. INDEMNITY.

In addition to amounts payable as provided in Section 9.5 [Reimbursement of Administrative Agent by Borrower, Etc.], the Borrower hereby agrees to protect, indemnify, pay and save harmless the Administrative Agent from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel and allocated costs of internal counsel) which the Administrative Agent may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit, other than as a result of (A) the gross negligence or willful misconduct of the Administrative Agent as determined by a final judgment of a court of competent jurisdiction or (B) the wrongful dishonor by the Administrative Agent of a proper demand for payment made under any Letter of Credit, except if such dishonor resulted from any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions herein called "Governmental Acts").

#### 2.9.9. LIABILITY FOR ACTS AND OMISSIONS.

As between any Loan Party and the Administrative Agent, such Loan Party assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the Administrative Agent shall not be responsible for: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if the Administrative Agent shall have been notified thereof); (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) the failure of the beneficiary of any such Letter of Credit, or any other party to which such Letter of Credit may be transferred, to comply fully with any conditions required in order to draw upon such Letter of Credit or any other claim of any Loan Party against any beneficiary of such Letter of Credit, or any such transferee, or any dispute between or among any Loan Party and any beneficiary of any Letter of Credit or any such transferee; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit

of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of the Administrative Agent, including any Governmental Acts, and none of the above shall affect or impair, or prevent the vesting of, any of the Administrative Agent's rights or powers hereunder. Nothing in the preceding sentence shall relieve the Administrative Agent from liability for the Administrative Agent's gross negligence or willful misconduct in connection with actions or omissions described in such clauses(i) through (viii) of such sentence.

In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by the Administrative Agent under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not put the Administrative Agent under any resulting liability to the Borrower or any Bank.

#### 2.10 INCREASE IN COMMITMENTS.

The Borrower may at any time increase the Commitments up to an amount not to exceed \$200,000,000, provided that the Borrower shall comply with each of the following requirements in connection with any such increase:

##### (i) ELIGIBILITY

Each lender who provides an increase in the Commitments hereunder (each a "New Commitment Provider") shall be either an existing Bank (each an "Existing Bank") or a new lender (each a "New Lender") which is not currently a Bank, provided that (1) the Borrower shall first offer any new Commitment to the Existing Banks by giving notice thereof to each of the Existing Banks and thirty (30) days to respond to such notice (failure to respond shall be deemed a rejection) and (2) if the New Commitment Provider is a New Lender, such New Lender shall subject to the approval of the Administrative Agent.

##### (ii) NOTICE.

The Borrower shall notify the Administrative Agent and the other Banks at least thirty (30) Business Days before any such increase shall become effective,. Such notice shall state the amount of the increase in the Commitments, the name of the lenders providing such additional Commitments and the effective date of the increase. The Agent shall notify the Banks of the amount of the Commitments of each Bank after giving effect to such increase, on or before the effective date of such increase (to the extent that the Banks have not previously received notice thereof).

##### (iii) MINIMUM AMOUNT.

Any increase in the Commitments provided by any individual lender shall be in an amount not less than \$5,000,000 and an integral multiple of \$1,000,000

##### (iv) EFFECTIVE DATE.

On the Effective Date:

(1) JOINDER.

The New Commitment Provider shall execute and deliver to the Administrative Agent a Bank Joinder in the form attached as Exhibit 1.1(B) which shall become effective on the Effective Date. The Bank Joinder shall set forth the Commitment provided by the New Commitment Provider if it is a New Lender and the amount of the increase in the Commitments to be provided if it is an Existing Lender. If the New Commitment Provider is a New Lender it shall on the Effective Date join and become a party to the Credit Agreement and the other Loan Documents as a Bank for all purposes hereunder and thereunder, subject to the provisions of this Section 2.10(iv) with a Commitment as set forth and the Bank Joinder shall confirm the same.

(2) BASE RATE LOANS

Each New Commitment Provider shall (i) purchase from the other banks its Ratable Share in any Base Rate Loans outstanding on the date on which its new Commitment becomes effective (the "Effective Date"), (ii) share ratably in all Base Rate Loans borrowed by the Borrower after the Effective Date.

(3) EURO-RATE LOANS

Each New Commitment Provider (i) shall purchase from the other Banks its Ratable Share in each outstanding Borrowing Tranche of Euro-Rate Loans on the date on which the Borrower either renews its Euro-Rate election with respect to such Borrowing Tranche or converts such Borrowing Tranche to the Base Rate Option. The New Commitment Provider shall not purchase an interest in such Loans from the other Banks on the Effective Date (unless the Effective Date is a renewal or conversion date, as applicable, in which case the preceding sentence shall apply), and (ii) shall participate in all new Euro-Rate Loans borrowed by the Borrower on and after the Effective Date.

(4) LETTERS OF CREDIT LOANS

Each New Commitment Provider shall participate in all Letters of Credit outstanding on the Effective Date according to its Ratable Share.

(v) LIMIT ON AMOUNT.

Any increase in the Commitments pursuant to this Section 2.10 may not cause the total amount of the Commitments to exceed \$200,000,000.

(vi) NO DEFAULT.

There shall exist no Event of Default or Potential Default on the Effective Date. If an Event of Default or Potential Default exists, the Borrower may not increase the Commitments.

(vii) NO OBLIGATION.

No Existing Bank shall be required to increase its Commitment in the event that the Borrower asks such Existing Bank to provide all or a portion of any increase in the Commitments desired by the Borrower.

2.11 REDUCTION OF COMMITMENT.

The Borrower shall have the right at any time and from time to time upon five (5) Business Days' prior written notice to the Administrative Agent to permanently reduce, in whole multiples of \$10,000,000 of principal, or terminate the Commitments without penalty or premium, except as hereinafter set forth, provided that any such reduction or termination shall be accompanied by (a) the payment in full of any Commitment Fee then accrued on the amount of such reduction or termination and (b) prepayment of the Notes, together with the full amount of interest accrued on the principal sum to be prepaid (and all amounts referred to in Section 4.5 hereof), to the extent that the aggregate amount thereof then outstanding exceeds the Commitment as so reduced or terminated. From the effective date of any such reduction or termination the obligations of Borrower to pay the Commitment Fee pursuant to Section 2.3 shall correspondingly be reduced or cease.

3. INTEREST RATES

3.1 INTEREST RATE OPTIONS.

The Borrower shall pay interest in respect of the outstanding unpaid principal amount of the Loans as selected by it from the Base Rate Option or Euro-Rate Option set forth below applicable to the Loans, it being understood that, subject to the provisions of this Agreement, the Borrower may select different Interest Rate Options and different Interest Periods to apply simultaneously to the Loans comprising different Borrowing Tranches and may convert to or renew one or more Interest Rate Options with respect to all or any portion of the Loans comprising any Borrowing Tranche, PROVIDED that there shall not be at any one time outstanding more than eight (8) Borrowing Tranches in the aggregate among all of the Loans. If at any time the designated rate applicable to any Loan made by any Bank exceeds such Bank's highest lawful rate, the rate of interest on such Bank's Loan shall be limited to such Bank's highest lawful rate.

3.1.1. INTEREST RATE OPTIONS.

The Borrower shall have the right to select from the following Interest Rate Options applicable to the Loans:

(i) BASE RATE OPTION: A fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate plus the Applicable Margin, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate; or

(ii) EURO-RATE OPTION: A rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the Euro-Rate plus the Applicable Margin.

### 3.1.2. RATE QUOTATIONS.

The Borrower may call the Administrative Agent on or before the date on which a Loan Request is to be delivered to receive an indication of the rates then in effect, but it is acknowledged that such projection shall not be binding on the Administrative Agent or the Banks nor affect the rate of interest which thereafter is actually in effect when the election is made.

### 3.2 INTEREST PERIODS.

At any time when the Borrower shall select, convert to or renew a Euro-Rate Option, the Borrower shall notify the Administrative Agent thereof at least three (3) Business Days prior to the effective date of such Euro-Rate Option by delivering a Loan Request. The notice shall specify an Interest Period during which such Interest Rate Option shall apply. Notwithstanding the preceding sentence, the following provisions shall apply to any selection of, renewal of, or conversion to a Euro-Rate Option:

#### 3.2.1. AMOUNT OF BORROWING TRANCHE.

each Borrowing Tranche of Euro-Rate Loans shall be in integral multiples of \$5,000,000 and not less than \$1,000,000

#### 3.2.2. RENEWALS.

in the case of the renewal of a Euro-Rate Option at the end of an Interest Period, the first day of the new Interest Period shall be the last day of the preceding Interest Period, without duplication in payment of interest for such day.

### 3.3 INTEREST AFTER DEFAULT.

To the extent permitted by Law, upon the occurrence of an Event of Default and until such time such Event of Default shall have been cured or waived:

3.3.1. LETTER OF CREDIT FEES, INTEREST RATE.

the Letter of Credit Fees and the rate of interest for each Loan otherwise applicable pursuant to Section 2.9.2 [Letter of Credit Fees] or Section 3.1 [Interest Rate Options], respectively, shall be increased by 2.0% per annum; and

3.3.2. OTHER OBLIGATIONS.

each other Obligation hereunder if not paid when due shall bear interest at a rate per annum equal to the sum of the rate of interest applicable under the Base Rate Option plus an additional two percent (2%) per annum from the time such Obligation becomes due and payable and until it is paid in full.

3.3.3. ACKNOWLEDGMENT.

The Borrower acknowledges that the increase in rates referred to in this Section 3.3 reflects, among other things, the fact that such Loans or other amounts have become a substantially greater risk given their default status and that the Banks are entitled to additional compensation for such risk; and all such interest shall be payable by Borrower upon demand by Administrative Agent.

3.4 EURO-RATE UNASCERTAINABLE; ILLEGALITY; INCREASED COSTS; DEPOSITS NOT AVAILABLE.

3.4.1. UNASCERTAINABLE.

If on any date on which a Euro-Rate would otherwise be determined, the Administrative Agent shall have determined that:

(i) adequate and reasonable means do not exist for ascertaining such Euro-Rate, or

(ii) a contingency has occurred which materially and adversely affects the London interbank eurodollar market relating to the Euro-Rate, the Administrative Agent shall have the rights specified in Section 3.4.3.

3.4.2. ILLEGALITY; INCREASED COSTS; DEPOSITS NOT AVAILABLE.

If at any time any Bank shall have determined that:

(i) the making, maintenance or funding of any Loan to which a Euro-Rate Option applies has been made impracticable or unlawful by compliance by such Bank in good faith with any Law or any interpretation or application thereof by any Official

Body or with any request or directive of any such Official Body (whether or not having the force of Law), or

(ii) such Euro-Rate Option will not adequately and fairly reflect the cost to such Bank of the establishment or maintenance of any such Loan, or

(iii) after making all reasonable efforts, deposits of the relevant amount in Dollars for the relevant Interest Period for a Loan, or to banks generally, to which a Euro-Rate Option applies, respectively, are not available to such Bank with respect to such Loan, or to banks generally, in the interbank eurodollar market, then the Administrative Agent shall have the rights specified in Section 3.4.3.

#### 3.4.3. ADMINISTRATIVE AGENT'S AND BANK'S RIGHTS.

In the case of any event specified in Section 3.4.1 above, the Administrative Agent shall promptly so notify the Banks and the Borrower thereof, and in the case of an event specified in Section 3.4.2 above, such Bank shall promptly so notify the Administrative Agent and endorse a certificate to such notice as to the specific circumstances of such notice, and the Administrative Agent shall promptly send copies of such notice and certificate to the other Banks and the Borrower. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given), the obligation of (A) the Banks, in the case of such notice given by the Administrative Agent, or (B) such Bank, in the case of such notice given by such Bank, to allow the Borrower to select, convert to or renew a Euro-Rate Option shall be suspended until the Administrative Agent shall have later notified the Borrower, or such Bank shall have later notified the Administrative Agent, of the Administrative Agent's or such Bank's, as the case may be, determination that the circumstances giving rise to such previous determination no longer exist. If at any time the Administrative Agent makes a determination under Section 3.4.1 and the Borrower has previously notified the Administrative Agent of its selection of, conversion to or renewal of a Euro-Rate Option and such Interest Rate Option has not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of the Base Rate Option otherwise available with respect to such Loans. If any Bank notifies the Administrative Agent of a determination under Section 3.4.2, the Borrower shall, subject to the Borrower's indemnification Obligations under Section 4.5.2 [Indemnity], as to any Loan of the Bank to which a Euro-Rate Option applies, on the date specified in such notice either convert such Loan to the Base Rate Option otherwise available with respect to such Loan or prepay such Loan in accordance with Section 4.4 [Voluntary Prepayments]. Absent due notice from the Borrower of conversion or prepayment, such Loan shall automatically be converted to the Base Rate Option otherwise available with respect to such Loan upon such specified date.

### 3.5 SELECTION OF INTEREST RATE OPTIONS.

If the Borrower fails to select a new Interest Period to apply to any Borrowing Tranche of Loans under the Euro-Rate Option at the expiration of an existing Interest Period applicable to such Borrowing Tranche in accordance with the provisions of Section 3.2 [Interest Periods], the Borrower shall be deemed to have converted such Borrowing Tranche to the Base Rate Option, commencing upon the last day of the existing Interest Period.

## 4. PAYMENTS

### 4.1 PAYMENTS.

All payments and prepayments to be made in respect of principal, interest, Commitment Fees, Letter of Credit Fees, Administrative Agent's Fee or other fees or amounts due from the Borrower hereunder shall be payable prior to 11:00 a.m., Pittsburgh time, on the date when due without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower, and without set-off, counterclaim or other deduction of any nature, and an action therefor shall immediately accrue. Such payments shall be made to the Administrative Agent at the Principal Office for the ratable accounts of the Banks with respect to the Loans in U.S. Dollars and in immediately available funds, and the Administrative Agent shall promptly distribute such amounts to the Banks in immediately available funds, PROVIDED that in the event payments are received by 11:00 a.m., Pittsburgh time, by the Administrative Agent with respect to the Loans and such payments are not distributed to the Banks on the same day received by the Administrative Agent, the Administrative Agent shall pay the Banks the Federal Funds Effective Rate with respect to the amount of such payments for each day held by the Administrative Agent and not distributed to the Banks. The Administrative Agent's and each Bank's statement of account, ledger or other relevant record shall, in the absence of manifest error, be conclusive as the statement of the amount of principal of and interest on the Loans and other amounts owing under this Agreement and shall be deemed an "account stated."

### 4.2 PRO RATA TREATMENT OF BANKS.

Each borrowing shall be allocated to each Bank according to its Ratable Share, and each selection of, conversion to or renewal of any Interest Rate Option and each payment or prepayment by the Borrower with respect to principal, interest, Commitment Fees, Letter of Credit Fees, or other fees (except for the Administrative Agent's Fee) or amounts due from the Borrower hereunder to the Banks with respect to the Loans, shall (except as provided in Section 3.4.3 [Administrative Agent's and Bank's Rights] in the case of an event specified in Section 3.4 [Euro-Rate Unascertainable; Etc.], 4.4.2 [Replacement of a Bank] or 4.5 [Additional Compensation in Certain Circumstances]) be made in proportion to the applicable Loans



outstanding from each Bank and, if no such Loans are then outstanding, in proportion to the Ratable Share of each Bank.

#### 4.3 INTEREST PAYMENT DATES.

Interest on Loans to which the Base Rate Option applies shall be due and payable in arrears on the first Business Day of each April, July, October and January after the date hereof and on the Expiration Date or upon acceleration of the Notes. Interest on Loans to which the Euro-Rate Option applies shall be due and payable on the last day of each Interest Period for those Loans and, if such Interest Period is longer than three (3) Months, also on the 90th day of such Interest Period. Interest on the principal amount of each Loan or other monetary Obligation shall be due and payable on demand after such principal amount or other monetary Obligation becomes due and payable (whether on the stated maturity date, upon acceleration or otherwise).

#### 4.4 VOLUNTARY PREPAYMENTS.

##### 4.4.1. RIGHT TO PREPAY.

The Borrower shall have the right at its option from time to time to prepay the Loans in whole or part without premium or penalty (except as provided in Section 4.4.2 below or in Section 4.5 [Additional Compensation in Certain Circumstances]):

(i) at any time with respect to any Loan to which the Base Rate Option applies,

(ii) on the last day of the applicable Interest Period with respect to Loans to which a Euro-Rate Option applies,

(iii) on the date specified in a notice by any Bank pursuant to Section 3.4 [Euro-Rate Unascertainable, Etc.] with respect to any Loan to which a Euro-Rate Option applies.

Whenever the Borrower desires to prepay any part of the Loans, it shall provide a prepayment notice to the Administrative Agent by 1:00 p.m. at least one (1) Business Day prior to the date of prepayment of Loans setting forth the following information:

(y) the date, which shall be a Business Day, on which the proposed prepayment is to be made; and

(z) the total principal amount of such prepayment, which shall not be less than \$1,000,000

All prepayment notices shall be irrevocable. The principal amount of the Loans for which a prepayment notice is given, together with interest on such principal amount

except with respect to Loans to which the Base Rate Option applies, shall be due and payable on the date specified in such prepayment notice as the date on which the proposed prepayment is to be made. Except as provided in Section 3.4.3 [Administrative Agent's and Bank's rights], if the Borrower prepays a Loan but fails to specify the applicable Borrowing Tranche which the Borrower is prepaying, the prepayment shall be applied first to Loans to which the Base Rate Option applies, then to Loans to which the Euro-Rate Option applies. Any prepayment hereunder shall be subject to the Borrower's Obligation to indemnify the Banks under Section 4.5.2 [Indemnity].

#### 4.4.2. REPLACEMENT OF A BANK.

In the event any Bank (i) gives notice under Section 3.4 [Euro-Rate Unascertainable, Etc.] or Section 4.5.1 [Increased Costs, Etc.], (ii) does not fund Loans because the making of such Loans would contravene any Law applicable to such Bank, or (iii) becomes subject to the control of an Official Body (other than normal and customary supervision), then the Borrower shall have the right at its option, with the consent of the Administrative Agent, which shall not be unreasonably withheld, to prepay the Loans of such Bank in whole, together with all interest accrued thereon, and terminate such Bank's Commitment within ninety (90) days after (x) receipt of such Bank's notice under Section 3.4 [Euro-Rate Unascertainable, Etc.] or 4.5.1 [Increased Costs, Etc.], (y) the date such Bank has failed to fund Loans because the making of such Loans would contravene Law applicable to such Bank, or (z) the date such Bank became subject to the control of an Official Body, as applicable; PROVIDED that the Borrower shall also pay to such Bank at the time of such prepayment any amounts required under Section 4.5 [Additional Compensation in Certain Circumstances] and any accrued interest due on such amount and any related fees; PROVIDED, however, that the Commitment of such Bank shall be provided by one or more of the remaining Banks or a replacement bank acceptable to the Administrative Agent; PROVIDED, further, the remaining Banks shall have no obligation hereunder to increase their Commitments. Notwithstanding the foregoing, the Administrative Agent may only be replaced subject to the requirements of Section 9.14 [Successor Administrative Agent] and PROVIDED that all Letters of Credit have expired or been terminated or replaced.

#### 4.4.3. CHANGE OF LENDING OFFICE.

Each Bank agrees that upon the occurrence of any event giving rise to increased costs or other special payments under Section 3.4.2 [Illegality, Etc.] or 4.5.1 [Increased Costs, Etc.] with respect to such Bank, it will if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Bank) to designate another lending office for any Loans or Letters of Credit affected by such event, PROVIDED that such designation is made on such terms that such Bank and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of such Section. Nothing in this Section 4.4.3 shall affect or postpone any of the Obligations of the Borrower or any other Loan Party or the rights of the Administrative Agent or any Bank provided in this Agreement.

#### 4.5 ADDITIONAL COMPENSATION IN CERTAIN CIRCUMSTANCES.

##### 4.5.1. INCREASED COSTS OR REDUCED RETURN RESULTING FROM TAXES, RESERVES, CAPITAL ADEQUACY REQUIREMENTS, EXPENSES, ETC.

If any Law, guideline or interpretation or any change in any Law, guideline or interpretation or application thereof by any Official Body charged with the interpretation or administration thereof or compliance with any request or directive (whether or not having the force of Law) of any central bank or other Official Body (for the purpose of this Section references to Banks shall include the parents (i.e. corporate owners) of such banks):

(i) subjects any Bank to any tax or changes the basis of taxation with respect to this Agreement, the Notes, the Loans or payments by the Borrower of principal, interest, Commitment Fees, or other amounts due from the Borrower hereunder or under the Notes (except for taxes on the overall net income of such Bank),

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against credits or commitments to extend credit extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by, any Bank, or

(iii) imposes, modifies or deems applicable any capital adequacy or similar requirement (A) against assets (funded or contingent) of, or letters of credit, other credits or commitments to extend credit extended by, any Bank, or (B) otherwise applicable to the obligations of any Bank under this Agreement,

and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon any Bank with respect to this Agreement, the Notes or the making, maintenance or funding of any part of the Loans (or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on any Bank's capital, taking into consideration such Bank's customary policies with respect to capital adequacy) by an amount which such Bank in its sole discretion deems to be material, such Bank shall from time to time notify the Borrower and the Administrative Agent of the amount determined in good faith (using any averaging and attribution methods employed in good faith) by such Bank to be necessary to compensate such Bank for such increase in cost, reduction of income, additional expense or reduced rate of return. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to such Bank ten (10) Business Days after such notice is given.

##### 4.5.2. INDEMNITY.

In addition to the compensation required by Section 4.5.1 [Increased Costs, Etc.], the Borrower shall indemnify each Bank against all liabilities, losses or expenses (including loss of margin, any loss or expense incurred in liquidating or employing deposits from

third parties and any loss or expense incurred in connection with funds acquired by a Bank to fund or maintain Loans subject to a Euro-Rate Option) which such Bank sustains or incurs as a consequence of any

(i) payment, prepayment, conversion or renewal of any Loan to which a Euro-Rate Option applies on a day other than the last day of the corresponding Interest Period (whether or not such payment or prepayment is mandatory, voluntary or automatic and whether or not such payment or prepayment is then due),

(ii) attempt by the Borrower to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any Loan Requests under Section 2.4 [Loan Requests] or Section 3.2 [Interest Periods] or notice relating to prepayments under Section 4.4 [Voluntary Prepayments], or

(iii) default by the Borrower in the performance or observance of any covenant or condition contained in this Agreement or any other Loan Document, including any failure of the Borrower to pay when due (by acceleration or otherwise) any principal, interest, Commitment Fee or any other amount due hereunder.

If any Bank sustains or incurs any such loss or expense, it shall from time to time notify the Borrower of the amount determined in good faith by such Bank (which determination may include such assumptions, allocations of costs and expenses and averaging or attribution methods as such Bank shall deem reasonable) to be necessary to indemnify such Bank for such loss or expense. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to such Bank ten (10) Business Days after such notice is given.

## 5. REPRESENTATIONS AND WARRANTIES

### 5.1 REPRESENTATIONS AND WARRANTIES.

The Loan Parties, jointly and severally, represent and warrant to the Administrative Agent and each of the Banks as follows:

#### 5.1.1. ORGANIZATION AND QUALIFICATION.

Each Loan Party and each Subsidiary of each Loan Party is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Each Loan Party and each Subsidiary of each Loan Party has the lawful power to own or lease its properties and to engage in the business it presently conducts or proposes to conduct. Each Loan Party and each Subsidiary of each Loan Party is duly licensed or qualified and in good standing in each jurisdiction listed on SCHEDULE

5.1.1 and in all other jurisdictions where the property owned or leased by it or the nature of the business transacted by it or both makes such licensing or qualification necessary.

#### 5.1.2. CAPITALIZATION AND OWNERSHIP.

are All of the issued and outstanding shares of capital stock of the Borrower (referred to herein as the "Shares") have been validly issued and are fully paid and nonassessable. There are no options, warrants or other rights outstanding to purchase any such shares except as indicated on SCHEDULE 5.1.2.

#### 5.1.3. SUBSIDIARIES.

SCHEDULE 5.1.3 states the name of each of the Borrower's Subsidiaries, its jurisdiction of incorporation, its authorized capital stock, the issued and outstanding shares (referred to herein as the "Subsidiary Shares") and the owners thereof if it is a corporation, its outstanding partnership interests (the "Partnership Interests") if it is a partnership and its outstanding limited liability company interests, interests assigned to managers thereof and the voting rights associated therewith (the "LLC Interests") if it is a limited liability company. The Borrower and each Subsidiary of the Borrower has good and marketable title to all of the Subsidiary Shares, Partnership Interests and LLC Interests it purports to own, free and clear in each case of any Lien. All Subsidiary Shares, Partnership Interests and LLC Interests have been validly issued, and all Subsidiary Shares are fully paid and nonassessable. All capital contributions and other consideration required to be made or paid in connection with the issuance of the Partnership Interests and LLC Interests have been made or paid, as the case may be. There are no options, warrants or other rights outstanding to purchase any such Subsidiary Shares, Partnership Interests or LLC Interests except as indicated on SCHEDULE 5.1.3.

#### 5.1.4. POWER AND AUTHORITY.

Each Loan Party has full power to enter into, execute, deliver and carry out this Agreement and the other Loan Documents to which it is a party, to incur the Indebtedness contemplated by the Loan Documents and to perform its Obligations under the Loan Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part.

#### 5.1.5. VALIDITY AND BINDING EFFECT.

This Agreement has been duly and validly executed and delivered by each Loan Party, and each other Loan Document which any Loan Party is required to execute and deliver on or after the date hereof will have been duly executed and delivered by such Loan Party on the required date of delivery of such Loan Document. This Agreement and each other Loan Document constitutes, or will constitute, legal, valid and binding obligations of each Loan Party which is or will be a party thereto on and after its date of delivery thereof, enforceable against such Loan Party in accordance with its terms, except to the extent that enforceability of any of

such Loan Document may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance.

#### 5.1.6. NO CONFLICT.

Neither the execution and delivery of this Agreement or the other Loan Documents by any Loan Party nor the consummation of the transactions herein or therein contemplated or compliance with the terms and provisions hereof or thereof by any of them will conflict with, constitute a default under or result in any breach of (i) the terms and conditions of the certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents of any Loan Party or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which any Loan Party or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or to which it is subject, or result in the creation or enforcement of any Lien, charge or encumbrance whatsoever upon any property (now or hereafter acquired) of any Loan Party or any of its Subsidiaries (other than Liens granted under the Loan Documents).

#### 5.1.7. LITIGATION.

There are no actions, suits, proceedings or investigations pending or, to the knowledge of any Loan Party, threatened against such Loan Party or any Subsidiary of such Loan Party at law or equity before any Official Body which individually or in the aggregate may result in any Material Adverse Change. None of the Loan Parties or any Subsidiaries of any Loan Party is in violation of any order, writ, injunction or any decree of any Official Body which may result in any Material Adverse Change.

#### 5.1.8. TITLE TO PROPERTIES.

Each Loan Party and each Subsidiary of each Loan Party has good and marketable title to or valid leasehold interest in all properties, assets and other rights which it purports to own or lease or which are reflected as owned or leased on its books and records, free and clear of all Liens and encumbrances except Permitted Liens, and subject to the terms and conditions of the applicable leases. All leases of property are in full force and effect without the necessity for any consent which has not previously been obtained upon consummation of the transactions contemplated hereby.

#### 5.1.9. FINANCIAL STATEMENTS.

(I) HISTORICAL STATEMENTS. The Borrower has delivered to the Administrative Agent copies of its audited consolidated year-end financial statements for and as of the end of the three (3) fiscal years ended December 27, 1998 (the "Annual Statements"). In addition, the Borrower has delivered to the Administrative Agent copies of its

unaudited consolidated interim financial statements for the fiscal year to date and as of the end of the fiscal quarter ended September 26, 1999 (the "Interim Statements") (the Annual and Interim Statements being collectively referred to as the "Historical Statements"). The Historical Statements were compiled from the books and records maintained by the Borrower's management, are correct and complete and fairly represent the consolidated financial condition of the Borrower and its Subsidiaries as of their dates and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied, subject (in the case of the Interim Statements) to normal year-end audit adjustments.

(ii) FINANCIAL PROJECTIONS. The Borrower has delivered to the Administrative Agent financial projections of the Borrower and its Subsidiaries for the period 2000 through 2002 derived from various assumptions of the Borrower's management (the "Financial Projections"). The Financial Projections represent a reasonable range of possible results in light of the history of the business, present and foreseeable conditions and the intentions of the Borrower's management. The Financial Projections accurately reflect the liabilities of the Borrower and its Subsidiaries upon consummation of the transactions contemplated hereby as of the Closing Date.

(iii) ACCURACY OF FINANCIAL STATEMENTS. Neither the Borrower nor any Subsidiary of the Borrower has any liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the Historical Statements or in the notes thereto, and except as disclosed therein there are no unrealized or anticipated losses from any commitments of the Borrower or any Subsidiary of the Borrower which may cause a Material Adverse Change. Since December 28, 1998, no Material Adverse Change has occurred.

#### 5.1.10. USE OF PROCEEDS; MARGIN STOCK; SECTION 20

##### SUBSIDIARIES.

##### 5.1.10.1 GENERAL.

The Loan Parties intend to use the proceeds of the Loans in accordance with Sections 2.8 and 7.1.10.

##### 5.1.10.2 MARGIN STOCK.

None of the Loan Parties or any Subsidiaries of any Loan Party engages or intends to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U). No part of the proceeds of any Loan has been or will be used, immediately, incidentally or ultimately, to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or to refund Indebtedness originally incurred for such purpose, or for any purpose which entails a violation of or which is inconsistent with the provisions of the regulations of the Board of Governors of the Federal Reserve System. None of the Loan Parties or any Subsidiary of any Loan Party holds or intends to hold margin stock in such amounts that more than 25% of the

reasonable value of the assets of any Loan Party or Subsidiary of any Loan Party are or will be represented by margin stock.

#### 5.1.10.3 SECTION 20 SUBSIDIARIES.

The Loan Parties do not intend to use and shall not use any portion of the proceeds of the Loans, directly or indirectly, to purchase during the underwriting period, or for thirty (30) days thereafter, Ineligible Securities being underwritten by a Section 20 Subsidiary.

#### 5.1.11. FULL DISCLOSURE.

Neither this Agreement nor any other Loan Document, nor any certificate, statement, agreement or other documents furnished to the Administrative Agent or any Bank in connection herewith or therewith, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading. There is no fact known to any Loan Party which materially adversely affects the business, property, assets, financial condition, results of operations or prospects of any Loan Party or Subsidiary of any Loan Party which has not been set forth in this Agreement or in the certificates, statements, agreements or other documents furnished in writing to the Administrative Agent and the Banks prior to or at the date hereof in connection with the transactions contemplated hereby.

#### 5.1.12. TAXES.

All federal, state, local and other tax returns required to have been filed with respect to each Loan Party and each Subsidiary of each Loan Party have been filed, and payment or adequate provision has been made for the payment of all taxes, fees, assessments and other governmental charges which have or may become due pursuant to said returns or to assessments received, except to the extent that such taxes, fees, assessments and other charges are being contested in good faith by appropriate proceedings diligently conducted and for which such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made. There are no agreements or waivers extending the statutory period of limitations applicable to any federal income tax return of any Loan Party or Subsidiary of any Loan Party for any period.

#### 5.1.13. CONSENTS AND APPROVALS.

No consent, approval, exemption, order or authorization of, or a registration or filing with, any Official Body or any other Person is required by any Law or any agreement in connection with the execution, delivery and carrying out of this Agreement and the other Loan Documents by any Loan Party, except as listed on SCHEDULE 5.1.13, all of which shall have been obtained or made on or prior to the Closing Date except as otherwise indicated on SCHEDULE 5.1.13.



5.1.14. NO EVENT OF DEFAULT; COMPLIANCE WITH INSTRUMENTS.

No event has occurred and is continuing and no condition exists or will exist after giving effect to the borrowings or other extensions of credit to be made on the Closing Date under or pursuant to the Loan Documents which constitutes an Event of Default or Potential Default. None of the Loan Parties or any Subsidiaries of any Loan Party is in violation of (i) any term of its certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents or (ii) any material agreement or instrument to which it is a party or by which it or any of its properties may be subject or bound where such violation would constitute a Material Adverse Change.

5.1.15. PATENTS, TRADEMARKS, COPYRIGHTS, LICENSES, ETC.

Each Loan Party and each Subsidiary of each Loan Party owns or possesses all the material patents, trademarks, service marks, trade names, copyrights, licenses, registrations, franchises, permits and rights necessary to own and operate its properties and to carry on its business as presently conducted and planned to be conducted by such Loan Party or Subsidiary, without known possible, alleged or actual conflict with the rights of others.

5.1.16. INSURANCE.

All insurance policies and other bonds to which any Loan Party or Subsidiary of any Loan Party is a party are valid and in full force and effect. No notice has been given or claim made and no grounds exist to cancel or avoid any of such policies or bonds or to reduce the coverage provided thereby. Such policies and bonds provide adequate coverage from reputable and financially sound insurers in amounts sufficient to insure the assets and risks of each Loan Party and each Subsidiary of each Loan Party in accordance with prudent business practice in the industry of the Loan Parties and their Subsidiaries.

5.1.17. COMPLIANCE WITH LAWS.

The Loan Parties and their Subsidiaries are in compliance in all material respects with all applicable Laws (other than Environmental Laws which are specifically addressed in Section 5.1.22 [Environmental Matters]) in all jurisdictions in which any Loan Party or Subsidiary of any Loan Party is presently or will be doing business except where the failure to do so would not constitute a Material Adverse Change.

5.1.18. MATERIAL CONTRACTS; BURDENSOME RESTRICTIONS.

All material contracts relating to the business operations of each Loan Party and each Subsidiary of any Loan Party, including all employee benefit plans and Labor Contracts are valid, binding and enforceable upon such Loan Party or Subsidiary and each of the other parties thereto in accordance with their respective terms, and there is no default thereunder,

to the Loan Parties' knowledge, with respect to parties other than such Loan Party or Subsidiary. None of the Loan Parties or their Subsidiaries is bound by any contractual obligation, or subject to any restriction in any organization document, or any requirement of Law which could result in a Material Adverse Change.

5.1.19. INVESTMENT COMPANIES; REGULATED ENTITIES.

None of the Loan Parties or any Subsidiaries of any Loan Party is an "investment company" registered or required to be registered under the Investment Company Act of 1940 or under the "control" of an "investment company" as such terms are defined in the Investment Company Act of 1940 and shall not become such an "investment company" or under such "control." None of the Loan Parties or any Subsidiaries of any Loan Party is subject to any other Federal or state statute or regulation limiting its ability to incur Indebtedness for borrowed money.

5.1.20. PLANS AND BENEFIT ARRANGEMENTS.

Except as set forth on SCHEDULE 5.1.20:

(i) The Borrower and each other member of the ERISA Group are in compliance in all material respects with any applicable provisions of ERISA with respect to all Benefit Arrangements, Plans and Multiemployer Plans. There has been no Prohibited Transaction with respect to any Benefit Arrangement or any Plan or, to the best knowledge of the Borrower, with respect to any Multiemployer Plan or Multiple Employer Plan, which could result in any material liability of the Borrower or any other member of the ERISA Group. The Borrower and all other members of the ERISA Group have made when due any and all payments required to be made under any agreement relating to a Multiemployer Plan or a Multiple Employer Plan or any Law pertaining thereto. With respect to each Plan and Multiemployer Plan, the Borrower and each other member of the ERISA Group (i) have fulfilled in all material respects their obligations under the minimum funding standards of ERISA, (ii) have not incurred any liability to the PBGC, and (iii) have not had asserted against them any penalty for failure to fulfill the minimum funding requirements of ERISA.

(ii) To the best of the Borrower's knowledge, each Multiemployer Plan and Multiple Employer Plan is able to pay benefits thereunder when due.

(iii) Neither the Borrower nor any other member of the ERISA Group has instituted or intends to institute proceedings to terminate any Plan.

(iv) No event requiring notice to the PBGC under Section 302(f)(4)(A) of ERISA has occurred or is reasonably expected to occur with respect to any Plan, and no amendment with respect to which security is required under Section 307 of ERISA has been made or is reasonably expected to be made to any Plan.

(v) The aggregate actuarial present value of all benefit liabilities (whether or not vested) under each Plan, determined on a plan termination basis, as disclosed in, and as of the date of, the most recent actuarial report for such Plan, does not exceed the aggregate fair market value of the assets of such Plan.

(vi) Neither the Borrower nor any other member of the ERISA Group has incurred or reasonably expects to incur any material withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Borrower nor any other member of the ERISA Group has been notified by any Multiemployer Plan or Multiple Employer Plan that such Multiemployer Plan or Multiple Employer Plan has been terminated within the meaning of Title IV of ERISA and, to the best knowledge of the Borrower, no Multiemployer Plan or Multiple Employer Plan is reasonably expected to be reorganized or terminated, within the meaning of Title IV of ERISA.

(vii) To the extent that any Benefit Arrangement is insured, the Borrower and all other members of the ERISA Group have paid when due all premiums required to be paid for all periods through the Closing Date. To the extent that any Benefit Arrangement is funded other than with insurance, the Borrower and all other members of the ERISA Group have made when due all contributions required to be paid for all periods through the Closing Date.

(viii) All Plans, Benefit Arrangements and Multiemployer Plans have been administered in accordance with their terms and applicable Law.

#### 5.1.21. EMPLOYMENT MATTERS.

Each of the Loan Parties and each of their Subsidiaries is in compliance with the Labor Contracts and all applicable federal, state and local labor and employment Laws including those related to equal employment opportunity and affirmative action, labor relations, minimum wage, overtime, child labor, medical insurance continuation, worker adjustment and relocation notices, immigration controls and worker and unemployment compensation, where the failure to comply would constitute a Material Adverse Change. There are no outstanding grievances, arbitration awards or appeals therefrom arising out of the Labor Contracts or current or threatened strikes, picketing, handbilling or other work stoppages or slowdowns at facilities of any of the Loan Parties or any of their Subsidiaries which in any case would constitute a Material Adverse Change. The Borrower has delivered to the Administrative Agent true and correct copies of each of the Labor Contracts.

#### 5.1.22. ENVIRONMENTAL MATTERS.

Except as disclosed on SCHEDULE 5.1.22:

(i) None of the Loan Parties has received any Environmental Complaint, whether directed or issued to any Loan Party or relating or pertaining

to any prior owner, operator or occupant of the Property, and has no reason to believe that it might receive an Environmental Complaint.

(ii) No activity of any Loan Party at the Property is being or has been conducted in violation of any Environmental Law or Required Environmental Permit and to the knowledge of any Loan Party no activity of any prior owner, operator or occupant of the Property was conducted in violation of any Environmental Law.

(iii) There are no Regulated Substances present on, in, under, or emanating from, or to any Loan Party's knowledge emanating to, the Property or any portion thereof which result in Contamination.

(iv) Each Loan Party has all Required Environmental Permits and all such Required Environmental Permits are in full force and effect.

(v) Each Loan Party has submitted to an Official Body and/or maintains, as appropriate, all Required Environmental Notices.

(vi) No structures, improvements, equipment, fixtures, impoundments, pits, lagoons or aboveground or underground storage tanks located on the Property contain or use, except in compliance with Environmental Laws and Required Environmental Permits, Regulated Substances or otherwise are operated or maintained except in compliance with Environmental Laws and Required Environmental Permits. To the knowledge of each Loan Party, no structures, improvements, equipment, fixtures, impoundments, pits, lagoons or aboveground or underground storage tanks of prior owners, operators or occupants of the Property contained or used, except in compliance with Environmental Laws, Regulated Substances or otherwise were operated or maintained by any such prior owner, operator or occupant except in compliance with Environmental Laws.

(vii) To the knowledge of each Loan Party, no facility or site to which any Loan Party, either directly or indirectly by a third party, has sent Regulated Substances for storage, treatment, disposal or other management has been or is being operated in violation of Environmental Laws or pursuant to Environmental Laws is identified or proposed to be identified on any list of contaminated properties or other properties which pursuant to Environmental Laws are the subject of an investigation, cleanup, removal, remediation or other response action by an Official Body.

(viii) No portion of the Property is identified or to the knowledge of any Loan Party proposed to be identified on any list of contaminated properties or other properties which pursuant to Environmental Laws are the subject of an investigation or remediation action by an Official Body, nor to the knowledge of any Loan Party is any property adjoining or in the proximity of the Property identified or proposed to be identified on any such list.

(ix) No portion of the Property constitutes an Environmentally Sensitive Area.

(x) No lien or other encumbrance authorized by Environmental Laws exists against the Property and none of the Loan Parties has any reason to believe that such a lien or encumbrance may be imposed.

#### 5.1.23. SENIOR DEBT STATUS.

The Obligations of each Loan Party under this Agreement, the Notes, the Guaranty Agreement and each of the other Loan Documents to which it is a party do rank and will rank at least PARI PASSU in priority of payment with all other Indebtedness of such Loan Party except Indebtedness of such Loan Party to the extent secured by Permitted Liens. There is no Lien upon or with respect to any of the properties or income of any Loan Party or Subsidiary of any Loan Party which secures indebtedness or other obligations of any Person except for Permitted Liens.

#### 5.1.24. YEAR 2000.

The computer applications used by Borrower or its Subsidiaries (and to the knowledge of the Borrower their respective material suppliers, customers or vendors) are able to recognize and perform properly date-sensitive functions involving dates prior to and after December 31, 1999 (the "Year 2000 Problem") and the Borrower and its Subsidiaries' business was not adversely affected by the Year 2000 Problem.

#### 5.1.25. SOLVENCY.

Immediately after the consummation of the transactions to occur on the Closing Date and immediately following the making of each Loan made on the Closing Date and after giving effect to the application of the proceeds of such Loans, (a) the fair value of the assets of each Loan Party, at a fair valuation, will exceed its debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the property of each Loan Party will be greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) each Loan Party will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) each Loan Party will not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted following the Closing Date.

#### 5.2 UPDATES TO SCHEDULES.

Should any of the information or disclosures provided on any of the Schedules attached hereto become outdated or incorrect in any material respect, the Borrower

shall promptly provide the Administrative Agent in writing with such revisions or updates to such Schedule as may be necessary or appropriate to update or correct same; PROVIDED, however, that no Schedule shall be deemed to have been amended, modified or superseded by any such correction or update, nor shall any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such Schedule be deemed to have been cured thereby, unless and until the Required Banks, in their sole and absolute discretion, shall have accepted in writing such revisions or updates to such Schedule.

#### 6. CONDITIONS OF LENDING AND ISSUANCE OF LETTERS OF CREDIT

The obligation of each Bank to make Loans and of the Administrative Agent to issue Letters of Credit hereunder is subject to the performance by each of the Loan Parties of its Obligations to be performed hereunder at or prior to the making of any such Loans or issuance of such Letters of Credit and to the satisfaction of the following further conditions:

##### 6.1 FIRST LOANS AND LETTERS OF CREDIT.

On the Closing Date:

###### 6.1.1. OFFICER'S CERTIFICATE.

The representations and warranties of each of the Loan Parties contained in Section 5 and in each of the other Loan Documents shall be true and accurate on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein), and each of the Loan Parties shall have performed and complied with all covenants and conditions hereof and thereof, no Event of Default or Potential Default shall have occurred and be continuing or shall exist; and there shall be delivered to the Administrative Agent for the benefit of each Bank a certificate of each of the Loan Parties, dated the Closing Date and signed by the Chief Executive Officer, President or Chief Financial Officer of each of the Loan Parties, to each such effect.

###### 6.1.2. SECRETARY'S CERTIFICATE.

There shall be delivered to the Administrative Agent for the benefit of each Bank a certificate dated the Closing Date and signed by the Secretary or an Assistant Secretary of each of the Loan Parties, certifying as appropriate as to:

(i) all action taken by each Loan Party in connection with this Agreement and the other Loan Documents;

(ii) the names of the officer or officers authorized to sign this Agreement and the other Loan Documents and the true signatures of such officer or officers and specifying the Authorized Officers permitted to act on behalf of each Loan Party for purposes of this Agreement and the true signatures of such officers, on which the Administrative Agent and each Bank may conclusively rely; and

(iii) copies of its organizational documents, including its certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, and limited liability company agreement as in effect on the Closing Date, in the case of the Borrower certified by the appropriate state official where such documents are filed in a state office, together with certificates from the appropriate state officials as to the continued existence and good standing of each Loan Party in each state where organized or qualified to do business (confirmations of foreign qualifications may be online computer reports)..

#### 6.1.3. DELIVERY OF LOAN DOCUMENTS.

The Guaranty Agreement, Notes and Intercompany Subordination Agreement shall have been duly executed and delivered to the Administrative Agent for the benefit of the Banks, together with all appropriate financing statements and appropriate stock powers and certificates evidencing the Shares, the Partnership Interests and the LLC Interests.

#### 6.1.4. OPINION OF COUNSEL.

There shall be delivered to the Administrative Agent for the benefit of each Bank a written opinion of Greenbaum Doll & McDonald, counsel for the Loan Parties (who may rely on the opinions of such other counsel as may be acceptable to the Administrative Agent), dated the Closing Date and in form and substance satisfactory to the Administrative Agent and its counsel:

(i) as to the matters set forth in EXHIBIT 6.1.4; and

(ii) as to such other matters incident to the transactions contemplated herein as the Administrative Agent may reasonably request.

#### 6.1.5. LEGAL DETAILS.

All legal details and proceedings in connection with the transactions contemplated by this Agreement and the other Loan Documents shall be in form and substance satisfactory to the Administrative Agent and counsel for the Administrative Agent, and the Administrative Agent shall have received all such other counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance satisfactory to the Administrative Agent and said counsel, as the Administrative Agent or said counsel may reasonably request.

6.1.6. PAYMENT OF FEES.

The Borrower shall have paid or caused to be paid to the Administrative Agent for itself and for the account of the Banks to the extent not previously paid all other commitment and other fees accrued through the Closing Date and the costs and expenses for which the Administrative Agent and the Banks are entitled to be reimbursed.

6.1.7. CONSENTS.

All material consents required to effectuate the transactions contemplated hereby as set forth on SCHEDULE 5.1.13 shall have been obtained.

6.1.8. OFFICER'S CERTIFICATE REGARDING MACS.

Since December 28, 1998 no Material Adverse Change shall have occurred; prior to the Closing Date, there shall have been no material change in the management of any Loan Party or Subsidiary of any Loan Party; and there shall have been delivered to the Administrative Agent for the benefit of each Bank a certificate dated the Closing Date and signed by the Chief Executive Officer, President or Chief Financial Officer of each Loan Party to each such effect.

6.1.9. NO VIOLATION OF LAWS.

The making of the Loans and the issuance of the Letters of Credit shall not contravene any Law applicable to any Loan Party or any of the Banks.

6.1.10. NO ACTIONS OR PROCEEDINGS.

No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, this Agreement, the other Loan Documents or the consummation of the transactions contemplated hereby or thereby or which, in the Administrative Agent's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or any of the other Loan Documents.

6.1.11. INSURANCE POLICIES; CERTIFICATES OF INSURANCE;  
ENDORSEMENTS.

The Loan Parties shall have delivered a summary of its insurance coverage.



6.1.12. ADMINISTRATIVE QUESTIONNAIRE.

Each of the Banks and the Borrower shall have completed and delivered to the Administrative Agent the Administrative Agent's form of administrative QUESTIONNAIRE.

6.2 EACH ADDITIONAL LOAN OR LETTER OF CREDIT.

At the time of making any Loans or issuing any Letters of Credit other than Loans made or Letters of Credit issued on the Closing Date and after giving effect to the proposed extensions of credit: the representations and warranties of the Loan Parties contained in Section 5 and in the other Loan Documents shall be true on and as of the date of such additional Loan or Letter of Credit with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein) and the Loan Parties shall have performed and complied with all covenants and conditions hereof; no Event of Default or Potential Default shall have occurred and be continuing or shall exist; the making of the Loans or issuance of such Letter of Credit shall not contravene any Law applicable to any Loan Party or Subsidiary of any Loan Party or any of the Banks; and the Borrower shall have delivered to the Administrative Agent a duly executed and completed Loan Request or application for a Letter of Credit as the case may be.

7. COVENANTS

7.1 AFFIRMATIVE COVENANTS.

The Loan Parties, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings, and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations under the Loan Documents and termination of the Commitments, the Loan Parties shall comply at all times with the following affirmative covenants:

7.1.1. PRESERVATION OF EXISTENCE, ETC.

Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain its legal existence as a corporation, limited partnership or limited liability company and its license or qualification and good standing in each jurisdiction in which its ownership or lease of property or the nature of its business makes such license or qualification necessary, except as otherwise expressly permitted in Section 7.2.6 [Liquidations, Mergers, Etc.].

#### 7.1.2. PAYMENT OF LIABILITIES, INCLUDING TAXES, ETC.

Each Loan Party shall, and shall cause each of its Subsidiaries to, duly pay and discharge all liabilities to which it is subject or which are asserted against it, promptly as and when the same shall become due and payable, including all taxes, assessments and governmental charges upon it or any of its properties, assets, income or profits, prior to the date on which penalties attach thereto, except to the extent that such liabilities, including taxes, assessments or charges, are being contested in good faith and by appropriate and lawful proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made, but only to the extent that failure to discharge any such liabilities would not result in any additional liability which would adversely affect to a material extent the financial condition of any Loan Party or Subsidiary of any Loan Party, PROVIDED that the Loan Parties and their Subsidiaries will pay all such liabilities forthwith upon the commencement of proceedings to foreclose any Lien which may have attached as security therefor.

#### 7.1.3. MAINTENANCE OF INSURANCE.

Each Loan Party shall, and shall cause each of its Subsidiaries to, insure its properties and assets against loss or damage by fire and such other insurable hazards as such assets are commonly insured (including fire, extended coverage, property damage, workers' compensation, public liability and business interruption insurance) and against other risks (including errors and omissions) in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with reputable and financially sound insurers, including self-insurance to the extent customary, all as reasonably determined by the Administrative Agent.

#### 7.1.4. MAINTENANCE OF PROPERTIES AND LEASES.

Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain in good repair, working order and condition (ordinary wear and tear excepted) in accordance with the general practice of other businesses of similar character and size, all of those properties useful or necessary to its business, and from time to time, such Loan Party will make or cause to be made all appropriate repairs, renewals or replacements thereof.

#### 7.1.5. MAINTENANCE OF PATENTS, TRADEMARKS, ETC.

Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain in full force and effect all patents, trademarks, service marks, trade names, copyrights, licenses, franchises, permits and other authorizations necessary for the ownership and operation of its properties and business if the failure so to maintain the same would constitute a Material Adverse Change.

#### 7.1.6. VISITATION RIGHTS.

Each Loan Party shall, and shall cause each of its Subsidiaries to, permit any of the officers or authorized employees or representatives of the Administrative Agent or any of the Banks to visit and inspect any of its properties and to examine and make excerpts from its books and records and discuss its business affairs, finances and accounts with its officers, all in such detail and at such times and as often as any of the Banks may reasonably request, PROVIDED that each Bank shall provide the Borrower and the Administrative Agent with reasonable notice prior to any visit or inspection. In the event any Bank desires to conduct an audit of any Loan Party, such Bank shall make a reasonable effort to conduct such audit contemporaneously with any audit to be performed by the Administrative Agent.

#### 7.1.7. KEEPING OF RECORDS AND BOOKS OF ACCOUNT.

The Borrower shall, and shall cause each Subsidiary of the Borrower to, maintain and keep proper books of record and account which enable the Borrower and its Subsidiaries to issue financial statements in accordance with GAAP and as otherwise required by applicable Laws of any Official Body having jurisdiction over the Borrower or any Subsidiary of the Borrower, and in which full, true and correct entries shall be made in all material respects of all its dealings and business and financial affairs.

#### 7.1.8. PLANS AND BENEFIT ARRANGEMENTS.

The Borrower shall, and shall cause each other member of the ERISA Group to, comply with ERISA, the Internal Revenue Code and other applicable Laws applicable to Plans and Benefit Arrangements except where such failure, alone or in conjunction with any other failure, would not result in a Material Adverse Change. Without limiting the generality of the foregoing, the Borrower shall cause all of its Plans and all Plans maintained by any member of the ERISA Group to be funded in accordance with the minimum funding requirements of ERISA and shall make, and cause each member of the ERISA Group to make, in a timely manner, all contributions due to Plans, Benefit Arrangements and Multiemployer Plans.

#### 7.1.9. COMPLIANCE WITH LAWS.

Each Loan Party shall, and shall cause each of its Subsidiaries to, comply with all applicable Laws, including all Environmental Laws, in all respects, PROVIDED that it shall not be deemed to be a violation of this Section 7.1.9 if any failure to comply with any Law would not result in fines, penalties, remediation costs, other similar liabilities or injunctive relief which in the aggregate would constitute a Material Adverse Change.

#### 7.1.10. USE OF PROCEEDS.

The Loan Parties will use the Letters of Credit and the proceeds of the Loans only for (i) general corporate purposes, and (ii) to repurchase its common stock as

permitted hereunder. The Loan Parties shall not use the Letters of Credit or the proceeds of the Loans for any purposes which contravenes any applicable Law or any provision hereof.

7.1.11. SUBORDINATION OF INTERCOMPANY LOANS.

Each Loan Party shall cause any intercompany Indebtedness, loans or advances owed by any Loan Party to any other Loan Party to be subordinated pursuant to the terms of the Intercompany Subordination Agreement.

7.2 NEGATIVE COVENANTS.

The Loan Parties, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations hereunder and termination of the Commitments, the Loan Parties shall comply with the following negative covenants:

7.2.1. INDEBTEDNESS.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time create, incur, assume or suffer to exist any Indebtedness, except:

(i) Indebtedness under the Loan Documents;

(ii) Existing Indebtedness as set forth on SCHEDULE 7.2.1 (including any extensions or renewals thereof, PROVIDED there is no increase in the amount thereof or other significant change in the terms thereof unless otherwise specified on SCHEDULE 7.2.1;

(iii) Indebtedness under the Jeffersontown IRB, provided that the principal amount is not subsequently increased; such Jeffersontown IRB shall continue to be permitted Indebtedness hereunder if Capital Delivery, Inc. should subsequently sell its rights thereunder to a Person which is not an Affiliate of the Borrower;

(iv) Capitalized and operating leases;

(v) Indebtedness secured by Purchase Money Security Interests not exceeding \$10,000,000; and

(vi) Indebtedness of a Loan Party to another Loan Party which is subordinated in accordance with the provisions of Section 7.1.11 [Subordination of Intercompany Loans].

7.2.2. LIENS.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time create, incur, assume or suffer to exist any Lien on any of its property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens.

7.2.3. GUARANTIES.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time, directly or indirectly, become or be liable in respect of any Guaranty, or assume, guarantee, become surety for, endorse or otherwise agree, become or remain directly or contingently liable upon or with respect to any obligation or liability of any other Person, except for the BIBP Commodities Guaranty, Guaranties of Indebtedness of the Loan Parties permitted hereunder and except for Guaranties by Loan Parties in favor of Excluded Subsidiaries provided that the amount of such Guaranties shall be subject to the limitation on Restricted Investments in such Excluded Subsidiaries contained in Section 7.2.4.

7.2.4. LOANS AND INVESTMENTS.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time make or suffer to remain outstanding any loan or advance to, or purchase, acquire or own any stock, bonds, notes or securities of, or any partnership interest (whether general or limited) or limited liability company interest in, or any Restricted Investment, or other investment or interest in, or make any capital contribution to, any other Person, or agree, become or remain liable to do any of the foregoing, except:

- (i) trade credit extended on usual and customary terms in the ordinary course of business;
- (ii) advances to employees to meet expenses incurred by such employees in the ordinary course of business;
- (iii) Permitted Investments; and
- (iv) loans, advances and investments in other Loan Parties;
- (v) Restricted Investments in Excluded Subsidiaries existing on the Closing Date in the amounts set forth on SCHEDULE 7.2.4; and
- (vi) Restricted Investments in Foreign Subsidiaries, not to exceed \$25,000,000 in the aggregate. Any Restricted Investment in an Foreign Subsidiary existing on the Closing Date and listed on SCHEDULE 7.2.4 shall not count towards the

\$25,000,000 limit to the extent that such Restricted Investment does not exceed the amount included on SCHEDULE 7.2.4.

(vii) Restricted Investments in Excluded Domestic Subsidiaries, not to exceed \$1,000,000 in the aggregate. Any Restricted Investment in an Excluded Domestic Subsidiary existing on the Closing Date and listed on SCHEDULE 7.2.4 shall not count towards the \$1,000,000 limit to the extent that such Restricted Investment does not exceed the amount included on SCHEDULE 7.2.4.

#### 7.2.5. DIVIDENDS AND RELATED DISTRIBUTIONS.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, make or pay, or agree to become or remain liable to make or pay, any dividend or other distribution of any nature (whether in cash, property, securities or otherwise) on account of or in respect of its shares of capital stock, partnership interests or limited liability company interests on account of the purchase, redemption, retirement or acquisition of its shares of capital stock (or warrants, options or rights therefor), partnership interests or limited liability company interests, except

(i) dividends or other distributions payable to another Loan Party, and

(ii) payment of dividends or repurchases of the common stock of the Borrower, provided that there exists no Potential Default or Event of Default after giving effect to such repurchase, and provided that the Borrower shall notify the Administrative Agent and the Banks within thirty (30) days after making any such payment or repurchase

#### 7.2.6. LIQUIDATIONS, MERGERS, CONSOLIDATIONS, ACQUISITIONS.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, dissolve, liquidate or wind-up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease or otherwise all or substantially all of the assets or capital stock of any other Person, PROVIDED that

(1) any Loan Party other than the Borrower may consolidate or merge into another Loan Party which is wholly-owned by one or more of the other Loan Parties, and

(2) any Loan Party may acquire, whether by purchase or by merger, (A) all of the ownership interests of another Person or (B) substantially all of assets of another Person or of a business or division of another Person (each an "Permitted Acquisition"), PROVIDED that each of the following requirements is met:

(i) if the Loan Parties are acquiring the ownership interests in such Person whether directly or indirectly and whether by purchase, merger or

otherwise, such Person shall execute a Guarantor Joinder and join this Agreement as a Guarantor pursuant to Section 10.18 [Joinder of Guarantors] on or before the date of such Permitted Acquisition (except that Foreign Subsidiaries shall not be required to execute a Guarantor Joinder as provided in Section 7.2.9 but any acquisition of any Excluded Subsidiary shall be subject to the limitations on Restricted Investments in such Excluded Subsidiaries described in Section 7.2.4), and if the Borrower is a party to such purchase, merger or other transaction, the Borrower shall be the survivor thereof;

(ii) the board of directors or other equivalent governing body of such Person shall have approved such Permitted Acquisition and, if the Loan Parties shall use any portion of the Loans to fund such Permitted Acquisition, the Loan Parties also shall have delivered to the Banks written evidence of the approval of the board of directors (or equivalent body) of such Person for such Permitted Acquisition;

(iii) the business acquired, or the business conducted by the Person whose ownership interests are being acquired, as applicable, shall be substantially the same as one or more line or lines of business conducted by the Loan Parties and shall comply with Section 7.2.10 [Continuation of or Change in Business];

(iv) no Potential Default or Event of Default shall exist immediately prior to and after giving effect to such Permitted Acquisition;

(v) the Borrower shall demonstrate that it shall be in compliance with the covenants contained in Sections 7.2 after giving effect to such Permitted Acquisition (including in such computation Indebtedness or other liabilities assumed or incurred in connection with such Permitted Acquisition but excluding income earned or expenses incurred by the Person, business or assets to be acquired prior to the date of such Permitted Acquisition) by delivering at least five (5) Business Days prior to such Permitted Acquisition a certificate in the form of EXHIBIT 7.2.6 evidencing such compliance;

(vi) the Loan Parties shall deliver to the Administrative Agent at least five (5) Business Days before such Permitted Acquisition copies of any agreements entered into or proposed to be entered into by such Loan Parties in connection with such Permitted Acquisition and shall deliver to the Administrative Agent such other information about such Person or its assets as any Loan Party may reasonably require.

#### 7.2.7. DISPOSITIONS OF ASSETS OR SUBSIDIARIES.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest,

partnership interests or limited liability company interests of a Subsidiary of such Loan Party), except:

(i) transactions involving the sale of inventory in the ordinary course of business;

(ii) any sale, transfer or lease of assets in the ordinary course of business which are no longer necessary or required in the conduct of such Loan Party's or such Subsidiary's business;

(iii) any sale, transfer or lease of assets by any wholly owned Subsidiary of such Loan Party to another Loan Party;

(iv) any sale, transfer or lease of assets in the ordinary course of business which are replaced by substitute assets acquired or leased;

(v) any sale of a store and related assets to a franchisee provided that each of the following conditions is satisfied:

(1) the gross sales price (before deduction for expenses) in connection with the sale any store shall not exceed \$5,000,000,

(2) the gross sales price (before deduction for expenses) in connection with all sales by the Loan Parties under this clause (v) of Section 7.2.7 shall not exceed \$25,000,000 over the term of this Agreement (including any extension of the Expiration Date hereof) after giving effect to such sale:

(3) the Borrower shall be in pro-forma compliance with its financial covenants and the other terms of this Agreement after giving effect to such sale;

(4) the Borrower shall notify the Administrative Agent and the Banks of such sale within ten Business Days following the date of such sale such notice to state the amount of the gross sales price (before deduction for expenses) of such sale and demonstrate compliance with clauses (1) through (3) above.

#### 7.2.8. AFFILIATE TRANSACTIONS.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, enter into or carry out any transaction (including purchasing property or services from or selling property or services to any Affiliate of any Loan Party or other Person) unless such transaction is not otherwise prohibited by this Agreement, is entered into in the ordinary course of business upon fair and reasonable arm's-length terms and conditions which are fully disclosed to the Administrative Agent and is in accordance with all applicable Law.



7.2.9. SUBSIDIARIES, PARTNERSHIPS AND JOINT VENTURES.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, own or create directly or indirectly any Subsidiaries other than (i) any Subsidiary which has joined this Agreement as Guarantor on the Closing Date; and (ii) any Subsidiary formed after the Closing Date which joins this Agreement as a Guarantor pursuant to Section 10.18 [Joinder of Guarantors], (iii) any Foreign Subsidiary, provided that the total amount of the Restricted Investment in Foreign Subsidiaries which do not join this Agreement as Guarantors may not exceed the amounts permitted under Section 7.2.4, and (iv) and any Excluded Domestic Subsidiary, provided that the total amount of the Restricted Investment in Excluded Domestic Subsidiaries which do not join this Agreement as Guarantors may not exceed the amounts permitted under Section 7.2.4. Each of the Loan Parties shall not become or agree to (1) become a general or limited partner in any general or limited partnership, except that the Loan Parties may be general or limited partners in other Loan Parties, (2) become a member or manager of, or hold a limited liability company interest in, a limited liability company, except that the Loan Parties may be members or managers of, or hold limited liability company interests in, other Loan Parties, or (3) become a joint venturer or hold a joint venture interest in any joint venture.

7.2.10. CONTINUATION OF OR CHANGE IN BUSINESS.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, engage in any business other than owning and operating restaurants substantially as conducted and operated by such Loan Party or Subsidiary during the present fiscal year and related support functions, and such Loan Party or Subsidiary shall not permit any material change in such business.

7.2.11. PLANS AND BENEFIT ARRANGEMENTS.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to:

(i) fail to satisfy the minimum funding requirements of ERISA and the Internal Revenue Code with respect to any Plan;

(ii) request a minimum funding waiver from the Internal Revenue Service with respect to any Plan;

(iii) engage in a Prohibited Transaction with any Plan, Benefit Arrangement or Multiemployer Plan which, alone or in conjunction with any other circumstances or set of circumstances resulting in liability under ERISA, would constitute a Material Adverse Change;

(iv) permit the aggregate actuarial present value of all benefit liabilities (whether or not vested) under each Plan, determined on a plan termination basis, as disclosed in the most recent actuarial report completed with respect to such Plan, to exceed, as of any actuarial valuation date, the fair market value of the assets of such Plan;

(v) fail to make when due any contribution to any Multiemployer Plan that the Borrower or any member of the ERISA Group may be required to make under any agreement relating to such Multiemployer Plan, or any Law pertaining thereto;

(vi) withdraw (completely or partially) from any Multiemployer Plan or withdraw (or be deemed under Section 4062(e) of ERISA to withdraw) from any Multiple Employer Plan, where any such withdrawal is likely to result in a material liability of the Borrower or any member of the ERISA Group;

(vii) terminate, or institute proceedings to terminate, any Plan, where such termination is likely to result in a material liability to the Borrower or any member of the ERISA Group;

(viii) make any amendment to any Plan with respect to which security is required under Section 307 of ERISA; or

(ix) fail to give any and all notices and make all disclosures and governmental filings required under ERISA or the Internal Revenue Code, where such failure is likely to result in a Material Adverse Change.

#### 7.2.12. FISCAL YEAR.

The Borrower shall not, and shall not permit any Subsidiary of the Borrower to, change its fiscal year from the 52- or 53- week period beginning on the Monday following the last Sunday in December of the previous calendar year, and ending on the last Sunday in December.

#### 7.2.13. CHANGES IN ORGANIZATIONAL DOCUMENTS.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, amend in any respect its certificate of incorporation (including any provisions or resolutions relating to capital stock), by-laws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents without providing at least fifteen (15) calendar days' prior written notice to the Administrative Agent and the Banks and, in the event such change would be adverse to the Banks as determined by the Administrative Agent in its sole discretion, obtaining the prior written consent of the Required Banks.

7.2.14. MAXIMUM LEVERAGE RATIO.

The Borrower shall not permit the Leverage Ratio, calculated as of the end of each fiscal quarter, to exceed 2.0 to 1.0.

7.2.15. MINIMUM INTEREST COVERAGE RATIO.

The Borrower shall not permit the Interest Coverage Ratio, calculated as of the end of each fiscal quarter for the four (4) fiscal quarters then ended, to be less than the following levels as of the following measurement dates:

Measurement Dates	Minimum Ratio
End of Each Fiscal Quarter through and Including Quarter Ending on or about December 31, 2000	1.5 to 1.0
End of Quarter ending on or about March 31, 2001 and the End of Each Fiscal Thereafter	2.0 to 1.0

7.2.16. MINIMUM NET WORTH.

The Borrower shall not at any time permit Consolidated Net Worth to be less than Base Net Worth.

7.3 REPORTING REQUIREMENTS.

The Loan Parties, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations hereunder and under the other Loan Documents and termination of the Commitments, the Loan Parties will furnish or cause to be furnished to the Administrative Agent and each of the Banks:

7.3.1. QUARTERLY FINANCIAL STATEMENTS.

As soon as available and in any event within forty-five (45) calendar days after the end of each of the first three fiscal quarters in each fiscal year, financial statements of the Borrower, consisting of a consolidated and consolidating balance sheet as of the end of such fiscal quarter and related consolidated and consolidating statements of income, stockholders' equity and cash flows for the fiscal quarter then ended and the fiscal year through that date, all in

reasonable detail and certified (subject to normal year-end audit adjustments) by the Chief Executive Officer, President or Chief Financial Officer of the Borrower as having been prepared in accordance with GAAP, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year.

#### 7.3.2. ANNUAL FINANCIAL STATEMENTS.

As soon as available and in any event within ninety (90) days after the end of each fiscal year of the Borrower, financial statements of the Borrower consisting of a consolidated and consolidating balance sheet as of the end of such fiscal year, and related consolidated and consolidating statements of income, stockholders' equity and cash flows for the fiscal year then ended, all in reasonable detail and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year, and certified by independent certified public accountants of nationally recognized standing satisfactory to the Administrative Agent. The certificate or report of accountants shall be free of qualifications (other than any consistency qualification that may result from a change in the method used to prepare the financial statements as to which such accountants concur) and shall not indicate the occurrence or existence of any event, condition or contingency which would materially impair the prospect of payment or performance of any covenant, agreement or duty of any Loan Party under any of the Loan Documents. The Loan Parties shall deliver with such financial statements and certification by their accountants a letter of such accountants to the Administrative Agent and the Banks substantially (i) to the effect that, based upon their ordinary and customary examination of the affairs of the Borrower, performed in connection with the preparation of such consolidated financial statements, and in accordance with generally accepted auditing standards, they are not aware of the existence of any condition or event which constitutes an Event of Default or Potential Default or, if they are aware of such condition or event, stating the nature thereof and confirming the Borrower's calculations with respect to the certificate to be delivered pursuant to Section 7.3.3 [Certificate of the Borrower] with respect to such financial statements and (ii) to the effect that the Banks are intended to rely upon such accountant's certification of the annual financial statements and that such accountants authorize the Loan Parties to deliver such reports and certificate to the Banks on such accountants' behalf.

#### 7.3.3. CERTIFICATE OF THE BORROWER.

Concurrently with the financial statements of the Borrower furnished to the Administrative Agent and to the Banks pursuant to Sections 7.3.1 [Quarterly Financial Statements] and 7.3.2 [Annual Financial Statements], a certificate (each a "Compliance Certificate") of the Borrower signed by the Chief Executive Officer, President or Chief Financial Officer of the Borrower, in the form of EXHIBIT 7.3.3, to the effect that, except as described pursuant to Section 7.3.4 [Notice of Default], (i) the representations and warranties of the Borrower contained in Section 5 and in the other Loan Documents are true on and as of the date of such certificate with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely

to an earlier date or time) and the Loan Parties have performed and complied with all covenants and conditions hereof, (ii) no Event of Default or Potential Default exists and is continuing on the date of such certificate and (iii) containing calculations in sufficient detail to demonstrate compliance as of the date of such financial statements with all financial covenants contained in Section 7.2 [Negative Covenants].

#### 7.3.4. NOTICE OF DEFAULT.

Promptly after any officer of any Loan Party has learned of the occurrence of an Event of Default or Potential Default, a certificate signed by the Chief Executive Officer, President or Chief Financial Officer of such Loan Party setting forth the details of such Event of Default or Potential Default and the action which the such Loan Party proposes to take with respect thereto.

#### 7.3.5. NOTICE OF LITIGATION.

Promptly after the commencement thereof, notice of all actions, suits, proceedings or investigations before or by any Official Body or any other Person against any Loan Party or Subsidiary of any Loan Party which involve a claim or series of claims in excess of \$1,000,000 or which if adversely determined would constitute a Material Adverse Change.

#### 7.3.6. BUDGETS, FORECASTS, OTHER REPORTS AND INFORMATION.

Promptly upon their becoming available to the Borrower:

(i) the annual budget and any forecasts or projections of the Borrower, to be supplied not later than forty-five (45) days prior to commencement of the fiscal year to which any of the foregoing may be applicable,

(ii) any reports including management letters submitted to the Borrower by independent accountants in connection with any annual, interim or special audit,

(iii) any reports, notices or proxy statements generally distributed by the Borrower to its stockholders on a date no later than the date supplied to such stockholders,

(iv) regular or periodic reports, including Forms 10-K, 10-Q and 8-K, registration statements and prospectuses, filed by the Borrower with the Securities and Exchange Commission,

(v) a copy of any order in any proceeding to which the Borrower or any of its Subsidiaries is a party issued by any Official Body, and

(vi) such other reports and information as any of the Banks may from time to time reasonably request. The Borrower shall also notify the Banks promptly of the enactment or adoption of any Law which may result in a Material Adverse Change.

#### 7.3.7. NOTICES REGARDING PLANS AND BENEFIT ARRANGEMENTS.

##### 7.3.7.1 CERTAIN EVENTS.

Promptly upon becoming aware of the occurrence thereof, notice (including the nature of the event and, when known, any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto) of:

(i) any Reportable Event with respect to the Borrower or any other member of the ERISA Group (regardless of whether the obligation to report said Reportable Event to the PBGC has been waived),

(ii) any Prohibited Transaction which could subject the Borrower or any other member of the ERISA Group to a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Internal Revenue Code in connection with any Plan, any Benefit Arrangement or any trust created thereunder,

(iii) any assertion of material withdrawal liability with respect to any Multiemployer Plan,

(iv) any partial or complete withdrawal from a Multiemployer Plan by the Borrower or any other member of the ERISA Group under Title IV of ERISA (or assertion thereof), where such withdrawal is likely to result in material withdrawal liability,

(v) any cessation of operations (by the Borrower or any other member of the ERISA Group) at a facility in the circumstances described in Section 4062(e) of ERISA,

(vi) withdrawal by the Borrower or any other member of the ERISA Group from a Multiple Employer Plan,

(vii) a failure by the Borrower or any other member of the ERISA Group to make a payment to a Plan required to avoid imposition of a Lien under Section 302(f) of ERISA,

(viii) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA, or

(ix) any change in the actuarial assumptions or funding methods used for any Plan, where the effect of such change is to materially increase or materially reduce the unfunded benefit liability or obligation to make periodic contributions.

#### 7.3.7.2 NOTICES OF INVOLUNTARY TERMINATION AND ANNUAL REPORTS.

Promptly after receipt thereof, copies of (a) all notices received by the Borrower or any other member of the ERISA Group of the PBGC's intent to terminate any Plan administered or maintained by the Borrower or any member of the ERISA Group, or to have a trustee appointed to administer any such Plan; and (b) at the request of the Administrative Agent or any Bank each annual report (IRS Form 5500 series) and all accompanying schedules, the most recent actuarial reports, the most recent financial information concerning the financial status of each Plan administered or maintained by the Borrower or any other member of the ERISA Group, and schedules showing the amounts contributed to each such Plan by or on behalf of the Borrower or any other member of the ERISA Group in which any of their personnel participate or from which such personnel may derive a benefit, and each Schedule B (Actuarial Information) to the annual report filed by the Borrower or any other member of the ERISA Group with the Internal Revenue Service with respect to each such Plan.

#### 7.3.7.3 NOTICE OF VOLUNTARY TERMINATION.

Promptly upon the filing thereof, copies of any Form 5310, or any successor or equivalent form to Form 5310, filed with the PBGC in connection with the termination of any Plan.

### 8. DEFAULT

#### 8.1 EVENTS OF DEFAULT.

An Event of Default shall mean the occurrence or existence of any one or more of the following events or conditions (whatever the reason therefor and whether voluntary, involuntary or effected by operation of Law):

##### 8.1.1. PAYMENTS UNDER LOAN DOCUMENTS.

The Borrower shall fail to pay any principal of any Loan (including scheduled installments, mandatory prepayments or the payment due at maturity), Reimbursement Obligation or Letter of Credit Borrowing or shall fail to pay any interest on any Loan, Reimbursement Obligation or Letter of Credit Borrowing or any other amount owing hereunder or under the other Loan Documents after such principal, interest or other amount becomes due in accordance with the terms hereof or thereof;

8.1.2. BREACH OF WARRANTY.

Any representation or warranty made at any time by any of the Loan Parties herein or by any of the Loan Parties in any other Loan Document, or in any certificate, other instrument or statement furnished pursuant to the provisions hereof or thereof, shall prove to have been false or misleading in any material respect as of the time it was made or furnished;

8.1.3. BREACH OF NEGATIVE COVENANTS OR VISITATION RIGHTS.

Any of the Loan Parties shall default in the observance or performance of any covenant contained in Section 7.1.6 [Visitation Rights] or Section 7.2 [Negative Covenants];

8.1.4. BREACH OF OTHER COVENANTS.

Any of the Loan Parties shall default in the observance or performance of any other covenant, condition or provision hereof or of any other Loan Document and such default shall continue unremedied for a period of ten (10) Business Days after any officer of any Loan Party becomes aware of the occurrence thereof (such grace period to be applicable only in the event such default can be remedied by corrective action of the Loan Parties as determined by the Administrative Agent in its sole discretion);

8.1.5. DEFAULTS IN OTHER AGREEMENTS OR INDEBTEDNESS.

A breach, default or event of default shall occur at any time under the terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness under which any Loan Party or Subsidiary of any Loan Party may be obligated as a borrower or guarantor in excess of \$1,000,000 in the aggregate, and such breach, default or event of default consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any indebtedness when due (whether at stated maturity, by acceleration or otherwise) or if such breach, default or event of default permits or causes the acceleration of any indebtedness (whether or not such right shall have been waived) or the termination of any commitment to lend;

8.1.6. FINAL JUDGMENTS OR ORDERS.

Any final judgments or orders for the payment of money in excess of \$1,000,000 in the aggregate shall be entered against any Loan Party by a court having jurisdiction in the premises, which judgment is not discharged, vacated, bonded or stayed pending appeal within a period of thirty (30) days from the date of entry;

8.1.7. LOAN DOCUMENT UNENFORCEABLE.

Any of the Loan Documents shall cease to be legal, valid and binding agreements enforceable against the party executing the same or such party's successors and



assigns (as permitted under the Loan Documents) in accordance with the respective terms thereof or shall in any way be terminated (except in accordance with its terms) or become or be declared ineffective or inoperative or shall in any way be challenged or contested or cease to give or provide the respective Liens, security interests, rights, titles, interests, remedies, powers or privileges intended to be created thereby;

8.1.8. UNINSURED LOSSES; PROCEEDINGS AGAINST ASSETS.

Any of the Loan Parties' or any of their Subsidiaries' assets are attached, seized, levied upon or subjected to a writ or distress warrant; or such come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors and the same is not cured within thirty (30) days thereafter;

8.1.9. NOTICE OF LIEN OR ASSESSMENT.

A notice of Lien or assessment in excess of \$1,000,000 which is not a Permitted Lien is filed of record with respect to all or any part of any of the Loan Parties' or any of their Subsidiaries' assets by the United States, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, including the PBGC, or any taxes or debts owing at any time or times hereafter to any one of these becomes payable and the same is not paid within thirty (30) days after the same becomes payable;

8.1.10. INSOLVENCY.

Any Loan Party or any Subsidiary of a Loan Party ceases to be solvent or admits in writing its inability to pay its debts as they mature;

8.1.11. EVENTS RELATING TO PLANS AND BENEFIT ARRANGEMENTS.

Any of the following occurs: (i) any Reportable Event, which the Administrative Agent determines in good faith constitutes grounds for the termination of any Plan by the PBGC or the appointment of a trustee to administer or liquidate any Plan, shall have occurred and be continuing; (ii) proceedings shall have been instituted or other action taken to terminate any Plan, or a termination notice shall have been filed with respect to any Plan; (iii) a trustee shall be appointed to administer or liquidate any Plan; (iv) the PBGC shall give notice of its intent to institute proceedings to terminate any Plan or Plans or to appoint a trustee to administer or liquidate any Plan; and, in the case of the occurrence of (i), (ii), (iii) or (iv) above, the Administrative Agent determines in good faith that the amount of the Borrower's liability is likely to exceed 10% of its Consolidated Net Worth; (v) the Borrower or any member of the ERISA Group shall fail to make any contributions when due to a Plan or a Multiemployer Plan; (vi) the Borrower or any other member of the ERISA Group shall make any amendment to a Plan with respect to which security is required under Section 307 of ERISA; (vii) the Borrower or any other member of the ERISA Group shall withdraw completely or partially from a Multiemployer Plan; (viii) the Borrower or any other member of the ERISA Group shall withdraw (or shall be

deemed under Section 4062(e) of ERISA to withdraw) from a Multiple Employer Plan; or (ix) any applicable Law is adopted, changed or interpreted by any Official Body with respect to or otherwise affecting one or more Plans, Multiemployer Plans or Benefit Arrangements and, with respect to any of the events specified in (v), (vi), (vii), (viii) or (ix), the Administrative Agent determines in good faith that any such occurrence would be reasonably likely to materially and adversely affect the total enterprise represented by the Borrower and the other members of the ERISA Group;

8.1.12. CESSATION OF BUSINESS.

Any Loan Party or Subsidiary of a Loan Party ceases to conduct its business as contemplated, except as expressly permitted under Section 7.2.6 [Liquidations, Mergers, Etc.] or 7.2.7, or any Loan Party or Subsidiary of a Loan Party is enjoined, restrained or in any way prevented by court order from conducting all or any material part of its business and such injunction, restraint or other preventive order is not dismissed within thirty (30) days after the entry thereof;

8.1.13. CHANGE OF CONTROL.

(i) Any person or group of persons (within the meaning of Sections 13(d) or 14(a) of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership of (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) more than 50% of the voting capital stock of the Borrower; or (ii) within a period of twelve (12) consecutive calendar months, individuals who were directors of the Borrower on the first day of such period shall cease to constitute a majority of the board of directors of the Borrower;

8.1.14. INVOLUNTARY PROCEEDINGS.

A proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of any Loan Party or Subsidiary of a Loan Party in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or Subsidiary of a Loan Party for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of thirty (30) consecutive days or such court shall enter a decree or order granting any of the relief sought in such proceeding; or

8.1.15. VOLUNTARY PROCEEDINGS.

Any Loan Party or Subsidiary of a Loan Party shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under

any such law, or shall consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or other similar official) of itself or for any substantial part of its property or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any action in furtherance of any of the foregoing.

## 8.2 CONSEQUENCES OF EVENT OF DEFAULT.

### 8.2.1. EVENTS OF DEFAULT OTHER THAN BANKRUPTCY, INSOLVENCY OR REORGANIZATION PROCEEDINGS.

If an Event of Default specified under Sections 8.1.1 through 8.1.13 shall occur and be continuing, the Banks and the Administrative Agent shall be under no further obligation to make Loans or issue Letters of Credit, as the case may be, and the Administrative Agent may, and upon the request of the Required Banks, shall (i) by written notice to the Borrower, declare the unpaid principal amount of the Notes then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Banks hereunder and thereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable to the Administrative Agent for the benefit of each Bank without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, and (ii) require the Borrower to, and the Borrower shall thereupon, deposit in a non-interest-bearing account with the Administrative Agent, as cash collateral for its Obligations under the Loan Documents, an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrower hereby pledges to the Administrative Agent and the Banks, and grants to the Administrative Agent and the Banks a security interest in, all such cash as security for such Obligations. Upon the curing of all existing Events of Default to the satisfaction of the Required Banks, the Administrative Agent shall return such cash collateral to the Borrower; and

### 8.2.2. BANKRUPTCY, INSOLVENCY OR REORGANIZATION PROCEEDINGS.

If an Event of Default specified under Section 8.1.14 [Involuntary Proceedings] or 8.1.15 [Voluntary Proceedings] shall occur, the Banks shall be under no further obligations to make Loans hereunder and the unpaid principal amount of the Loans then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Banks hereunder and thereunder shall be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived; and

### 8.2.3. SET-OFF.

If an Event of Default shall occur and be continuing, any Bank to whom any Obligation is owed by any Loan Party hereunder or under any other Loan Document or any

participant of such Bank which has agreed in writing to be bound by the provisions of Section 9.13 [Equalization of Banks] and any branch, Subsidiary or Affiliate of such Bank or participant anywhere in the world shall have the right, in addition to all other rights and remedies available to it, without notice to such Loan Party, to set-off against and apply to the then unpaid balance of all the Loans and all other Obligations of the Borrower and the other Loan Parties hereunder or under any other Loan Document any debt owing to, and any other funds held in any manner for the account of, the Borrower or such other Loan Party by such Bank or participant or by such branch, Subsidiary or Affiliate, including all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or hereafter maintained by the Borrower or such other Loan Party for its own account (but not including funds held in custodian or trust accounts) with such Bank or participant or such branch, Subsidiary or Affiliate. Such right shall exist whether or not any Bank or the Administrative Agent shall have made any demand under this Agreement or any other Loan Document, whether or not such debt owing to or funds held for the account of the Borrower or such other Loan Party is or are matured or unmatured and regardless of the existence or adequacy of any collateral, Guaranty or any other security, right or remedy available to any Bank or the Administrative Agent; and

#### 8.2.4. SUITS, ACTIONS, PROCEEDINGS.

If an Event of Default shall occur and be continuing, and whether or not the Administrative Agent shall have accelerated the maturity of Loans pursuant to any of the foregoing provisions of this Section 8.2, the Administrative Agent or any Bank, if owed any amount with respect to the Loans, may proceed to protect and enforce its rights by suit in equity, action at law and/or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement or the other Loan Documents, including as permitted by applicable Law the obtaining of the EX PARTE appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of the Administrative Agent or such Bank; and

#### 8.2.5. APPLICATION OF PROCEEDS.

From and after the date on which the Administrative Agent has taken any action pursuant to this Section 8.2 and until all Obligations of the Loan Parties have been paid in full, any and all proceeds received by the Administrative Agent from the exercise of any other remedy by the Administrative Agent, shall be applied as follows:

(i) first, to reimburse the Administrative Agent and the Banks for out-of-pocket costs, expenses and disbursements, including reasonable attorneys' and paralegals' fees and legal expenses, incurred by the Administrative Agent or the Banks in connection with collection of any Obligations of any of the Loan Parties under any of the Loan Documents;

(ii) second, to the repayment of all Indebtedness then due and unpaid of the Loan Parties to the Banks incurred under this Agreement or any of the other Loan Documents, whether of principal, interest, fees, expenses or otherwise, in such manner as the Administrative Agent may determine in its discretion; and

(iii) the balance, if any, as required by Law.

#### 8.2.6. OTHER RIGHTS AND REMEDIES.

The Administrative Agent may, and upon the request of the Required Banks shall, exercise all post-default rights granted to the Administrative Agent and the Banks under the Loan Documents or applicable Law.

### 9. THE ADMINISTRATIVE AGENT

#### 9.1 APPOINTMENT.

Each Bank hereby irrevocably designates, appoints and authorizes PNC Bank to act as Administrative Agent for such Bank under this Agreement and to execute and deliver or accept on behalf of each of the Banks the other Loan Documents. Each Bank hereby irrevocably authorizes, and each holder of any Note by the acceptance of a Note shall be deemed irrevocably to authorize, the Administrative Agent to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and any other instruments and agreements referred to herein, and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. PNC Bank agrees to act as the Administrative Agent on behalf of the Banks to the extent provided in this Agreement.

#### 9.2 DELEGATION OF DUTIES.

The Administrative Agent may perform any of its duties hereunder by or through agents or employees (PROVIDED such delegation does not constitute a relinquishment of its duties as Administrative Agent) and, subject to Sections 9.5 [Reimbursement of Administrative Agent by Borrower, Etc.] and 9.6, shall be entitled to engage and pay for the advice or services of any attorneys, accountants or other experts concerning all matters pertaining to its duties hereunder and to rely upon any advice so obtained.

#### 9.3 NATURE OF DUTIES; INDEPENDENT CREDIT INVESTIGATION.

The Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and no implied covenants, functions, responsibilities, duties, obligations, or liabilities shall be read into this Agreement or otherwise exist. The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative

Agent shall not have by reason of this Agreement a fiduciary or trust relationship in respect of any Bank; and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement except as expressly set forth herein. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. Each Bank expressly acknowledges (i) that the Administrative Agent has not made any representations or warranties to it and that no act by the Administrative Agent hereafter taken, including any review of the affairs of any of the Loan Parties, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Bank; (ii) that it has made and will continue to make, without reliance upon the Administrative Agent, its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of each of the Loan Parties in connection with this Agreement and the making and continuance of the Loans hereunder; and (iii) except as expressly provided herein, that the Administrative Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect thereto, whether coming into its possession before the making of any Loan or at any time or times thereafter.

#### 9.4 ACTIONS IN DISCRETION OF ADMINISTRATIVE AGENT; INSTRUCTIONS FROM THE BANKS.

The Administrative Agent agrees, upon the written request of the Required Banks, to take or refrain from taking any action of the type specified as being within the Administrative Agent's rights, powers or discretion herein, PROVIDED that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement or any other Loan Document or applicable Law. In the absence of a request by the Required Banks, the Administrative Agent shall have authority, in its sole discretion, to take or not to take any such action, unless this Agreement specifically requires the consent of the Required Banks or all of the Banks. Any action taken or failure to act pursuant to such instructions or discretion shall be binding on the Banks, subject to Section 9.6 [Exculpatory Provisions, Etc.]. Subject to the provisions of Section 9.6, no Bank shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Banks, or in the absence of such instructions, in the absolute discretion of the Administrative Agent.

#### 9.5 REIMBURSEMENT AND INDEMNIFICATION OF ADMINISTRATIVE AGENT BY THE BORROWER.

The Borrower unconditionally agrees to pay or reimburse the Administrative Agent and hold the Administrative Agent harmless against (a) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements, including fees and expenses of

counsel (including the allocated costs of staff counsel), appraisers and environmental consultants, incurred by the Administrative Agent (i) in connection with the development, negotiation, preparation, printing, execution, administration, syndication, interpretation and performance of this Agreement and the other Loan Documents, (ii) relating to any requested amendments, waivers or consents pursuant to the provisions hereof, (iii) in connection with the enforcement of this Agreement or any other Loan Document or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (iv) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, and (b) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Administrative Agent hereunder or thereunder, PROVIDED that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements if the same results from the Administrative Agent's gross negligence or willful misconduct, or if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld. In addition, the Borrower agrees to reimburse and pay all reasonable out-of-pocket expenses of the Administrative Agent's regular employees and agents engaged periodically to perform audits of the Loan Parties' books, records and business properties.

#### 9.6 EXCULPATORY PROVISIONS; LIMITATION OF LIABILITY.

Neither any of the Agents nor any of their respective directors, officers, employees, agents, attorneys or Affiliates shall (a) be liable to any Bank for any action taken or omitted to be taken by it or them hereunder, or in connection herewith including pursuant to any Loan Document, unless caused by its or their own gross negligence or willful misconduct, (b) be responsible in any manner to any of the Banks for the effectiveness, enforceability, genuineness, validity or the due execution of this Agreement or any other Loan Documents or for any recital, representation, warranty, document, certificate, report or statement herein or made or furnished under or in connection with this Agreement or any other Loan Documents, or (c) be under any obligation to any of the Banks to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions hereof or thereof on the part of the Loan Parties, or the financial condition of the Loan Parties, or the existence or possible existence of any Event of Default or Potential Default. No claim may be made by any of the Loan Parties, any Bank, the Administrative Agent or any of their respective Subsidiaries against the Administrative Agent, any Bank or any of their respective directors, officers, employees, agents, attorneys or Affiliates,

or any of them, for any special, indirect or consequential damages or, to the fullest extent permitted by Law, for any punitive damages in respect of any claim or cause of action (whether based on contract, tort, statutory liability, or any other ground) based on, arising out of or related to any Loan Document or the transactions contemplated hereby or any act, omission or event occurring in connection therewith, including the negotiation, documentation, administration or collection of the Loans, and each of the Loan Parties, (for itself and on behalf of each of its Subsidiaries), the Administrative Agent and each Bank hereby waive, releases and agree never to sue upon any claim for any such damages, whether such claim now exists or hereafter arises and whether or not it is now known or suspected to exist in its favor. Each Bank agrees that, except for notices, reports and other documents expressly required to be furnished to the Banks by the Administrative Agent hereunder or given to the Administrative Agent for the account of or with copies for the Banks, the Administrative Agent and each of its directors, officers, employees, agents, attorneys or Affiliates shall not have any duty or responsibility to provide any Bank with an credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Loan Parties which may come into the possession of the Administrative Agent or any of its directors, officers, employees, agents, attorneys or Affiliates.

9.7 REIMBURSEMENT AND INDEMNIFICATION OF ADMINISTRATIVE AGENT BY BANKS.

Each Bank agrees to reimburse and indemnify the Administrative Agent (to the extent not reimbursed by the Borrower and without limiting the Obligation of the Borrower to do so) in proportion to its Ratable Share from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements, including attorneys' fees and disbursements (including the allocated costs of staff counsel), and costs of appraisers and environmental consultants, of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Administrative Agent hereunder or thereunder, PROVIDED that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (a) if the same results from the Administrative Agent's gross negligence or willful misconduct, or (b) if such Bank was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that such Bank shall remain liable to the extent such failure to give notice does not result in a loss to the Bank), or (c) if the same results from a compromise and settlement agreement entered into without the consent of such Bank, which shall not be unreasonably withheld. In addition, each Bank agrees promptly upon demand to reimburse the Administrative Agent (to the extent not reimbursed by the Borrower and without limiting the Obligation of the Borrower to do so) in proportion to its Ratable Share for all amounts due and payable by the Borrower to the Administrative Agent in connection with the Administrative Agent's periodic audit of the Loan Parties' books, records and business properties.



9.8 RELIANCE BY ADMINISTRATIVE AGENT.

The Administrative Agent shall be entitled to rely upon any writing, telegram, telex or teletype message, resolution, notice, consent, certificate, letter, cablegram, statement, order or other document or conversation by telephone or otherwise believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon the advice and opinions of counsel and other professional advisers selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

9.9 NOTICE OF DEFAULT.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Potential Default or Event of Default (except for defaults in payment of interest or principal) unless the Administrative Agent has received written notice from a Bank or the Borrower referring to this Agreement, describing such Potential Default or Event of Default and stating that such notice is a "notice of default."

9.10 NOTICES.

The Administrative Agent shall promptly send to each Bank a copy of all notices received from the Borrower pursuant to the provisions of this Agreement or the other Loan Documents promptly upon receipt thereof. The Administrative Agent shall promptly notify the Borrower and the other Banks of each change in the Base Rate and the effective date thereof.

9.11 BANKS IN THEIR INDIVIDUAL CAPACITIES; ADMINISTRATIVE AGENT IN ITS INDIVIDUAL CAPACITY.

With respect to its Commitment and the Loans made by it and any other rights and powers given to it as a Bank hereunder or under any of the other Loan Documents, the Administrative Agent shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not the Administrative Agent, and the term "Bank" and "Banks" shall, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. PNC Bank and its Affiliates and each of the Banks and their respective Affiliates may, without liability to account, except as prohibited herein, make loans to, issue letters of credit for the account of, acquire equity interests in, accept deposits from, discount drafts for, act as trustee under indentures of, and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with, the Loan Parties and their Affiliates, in the case of the Administrative Agent, as though it were not acting as Administrative Agent hereunder and in the case of each Bank, as though such Bank were not a Bank hereunder, in each case without notice to or consent of the other Banks. The Banks acknowledge that, pursuant to

such activities, the Administrative Agent or its Affiliates may (i) receive information regarding the Loan Parties or any of their Subsidiaries or Affiliates (including information that may be subject to confidentiality obligations in favor of the Loan Parties or such Subsidiary or Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them, and (ii) accept fees and other consideration from the Loan Parties for services in connection with this Agreement and otherwise without having to account for the same to the Banks.

#### 9.12 HOLDERS OF NOTES.

The Administrative Agent may deem and treat any payee of any Note as the owner thereof for all purposes hereof unless and until written notice of the assignment or transfer thereof shall have been filed with the Administrative Agent. Any request, authority or consent of any Person who at the time of making such request or giving such authority or consent is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

#### 9.13 EQUALIZATION OF BANKS.

The Banks and the holders of any participations in any Notes agree among themselves that, with respect to all amounts received by any Bank or any such holder for application on any Obligation hereunder or under any Note or under any such participation, whether received by voluntary payment, by realization upon security, by the exercise of the right of set-off or banker's lien, by counterclaim or by any other non-pro rata source, equitable adjustment will be made in the manner stated in the following sentence so that, in effect, all such excess amounts will be shared ratably among the Banks and such holders in proportion to their interests in payments under the Notes, except as otherwise provided in Section 3.4.3 [Administrative Agent's and Bank's Rights], 4.4.2 [Replacement of a Bank] or 4.5 [Additional Compensation in Certain Circumstances]. The Banks or any such holder receiving any such amount shall purchase for cash from each of the other Banks an interest in such Bank's Loans in such amount as shall result in a ratable participation by the Banks and each such holder in the aggregate unpaid amount under the Notes, PROVIDED that if all or any portion of such excess amount is thereafter recovered from the Bank or the holder making such purchase, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, together with interest or other amounts, if any, required by law (including court order) to be paid by the Bank or the holder making such purchase.

#### 9.14 SUCCESSOR ADMINISTRATIVE AGENT.

The Administrative Agent (i) may resign as Administrative Agent or (ii) shall resign if such resignation is requested by the Required Banks (if the Administrative Agent is a Bank, the Administrative Agent's Loans and its Commitment shall be considered in determining whether the Required Banks have requested such resignation) or required by Section 4.4.2

[Replacement of a Bank], in either case of (i) or (ii) by giving not less than thirty (30) days' prior written notice to the Borrower. If the Administrative Agent shall resign under this Agreement, then either (a) the Required Banks shall appoint from among the Banks a successor Administrative Agent for the Banks, subject to the consent of the Borrower, such consent not to be unreasonably withheld, or (b) if a successor Administrative Agent shall not be so appointed and approved within the thirty (30) day period following the Administrative Agent's notice to the Banks of its resignation, then the Administrative Agent shall appoint, with the consent of the Borrower, such consent not to be unreasonably withheld, a successor Administrative Agent who shall serve as Administrative Agent until such time as the Required Banks appoint and the Borrower consents to the appointment of a successor Administrative Agent. Any successor Administrative Agent appointed under this Section shall: (i) have a capitalization of at least \$500,000,000, and (ii) be organized under the Laws of the United States, the states thereof and instrumentalities thereof. Upon its appointment pursuant to either clause (a) or (b) above, such successor Administrative Agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor Administrative Agent, effective upon its appointment, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement. After the resignation of any Administrative Agent hereunder, the provisions of this Section 9 shall inure to the benefit of such former Administrative Agent and such former Administrative Agent shall not by reason of such resignation be deemed to be released from liability for any actions taken or not taken by it while it was an Administrative Agent under this Agreement.

#### 9.15 ADMINISTRATIVE AGENT'S FEE.

The Borrower shall pay to the Administrative Agent a nonrefundable fee (the "Administrative Agent's Fee") under the terms of a letter (the "Administrative Agent's Letter") between the Borrower and Administrative Agent, as amended from time to time.

#### 9.16 AVAILABILITY OF FUNDS.

The Administrative Agent may assume that each Bank has made or will make the proceeds of a Loan available to the Administrative Agent unless the Administrative Agent shall have been notified by such Bank on or before the later of (1) the close of Business on the Business Day preceding the Borrowing Date with respect to such Loan or two (2) hours before the time on which the Administrative Agent actually funds the proceeds of such Loan to the Borrower (whether using its own funds pursuant to this Section 9.16 or using proceeds deposited with the Administrative Agent by the Banks and whether such funding occurs before or after the time on which Banks are required to deposit the proceeds of such Loan with the Administrative Agent). The Administrative Agent may, in reliance upon such assumption (but shall not be required to), make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Bank, the

Administrative Agent shall be entitled to recover such amount on demand from such Bank (or, if such Bank fails to pay such amount forthwith upon such demand from the Borrower) together with interest thereon, in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on the date the Administrative Agent recovers such amount, at a rate per annum equal to (i) the Federal Funds Effective Rate during the first three (3) days after such interest shall begin to accrue and (ii) the applicable interest rate in respect of such Loan after the end of such three-day period.

#### 9.17 CALCULATIONS.

In the absence of gross negligence or willful misconduct, the Administrative Agent shall not be liable for any error in computing the amount payable to any Bank whether in respect of the Loans, fees or any other amounts due to the Banks under this Agreement. In the event an error in computing any amount payable to any Bank is made, the Administrative Agent, the Borrower and each affected Bank shall, forthwith upon discovery of such error, make such adjustments as shall be required to correct such error, and any compensation therefor will be calculated at the Federal Funds Effective Rate.

#### 9.18 BENEFICIARIES.

Except as expressly provided herein, the provisions of this Section 9 are solely for the benefit of the Administrative Agent and the Banks, and the Loan Parties shall not have any rights to rely on or enforce any of the provisions hereof. In performing its functions and duties under this Agreement, the Administrative Agent shall act solely as agent of the Banks and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any of the Loan Parties.

### 10. MISCELLANEOUS

#### 10.1 MODIFICATIONS, AMENDMENTS OR WAIVERS.

With the written consent of the Required Banks, the Administrative Agent, acting on behalf of all the Banks, and the Borrower, on behalf of the Loan Parties, may from time to time enter into written agreements amending or changing any provision of this Agreement or any other Loan Document or the rights of the Banks or the Loan Parties hereunder or thereunder, or may grant written waivers or consents to a departure from the due performance of the Obligations of the Loan Parties hereunder or thereunder. Any such agreement, waiver or consent made with such written consent shall be effective to bind all the Banks and the Loan Parties; PROVIDED, that, without the written consent of all the Banks, no such agreement, waiver or consent may be made which will:

10.1.1. INCREASE OF COMMITMENT; EXTENSION OF EXPIRATION DATE.

Increase the amount of the Commitment of any Bank hereunder or extend the Expiration Date;

10.1.2. EXTENSION OF PAYMENT; REDUCTION OF PRINCIPAL INTEREST OR FEES; MODIFICATION OF TERMS OF PAYMENT.

Whether or not any Loans are outstanding, extend the time for payment of principal or interest of any Loan (excluding the due date of any mandatory prepayment of a Loan or any mandatory Commitment reduction in connection with such a mandatory prepayment hereunder except for mandatory reductions of the Commitments on the Expiration Date), the Commitment Fee or any other fee payable to any Bank, or reduce the principal amount of or the rate of interest borne by any Loan or reduce the Commitment Fee or any other fee payable to any Bank, or otherwise affect the terms of payment of the principal of or interest of any Loan, the Commitment Fee or any other fee payable to any Bank;

10.1.3. RELEASE OF GUARANTOR.

Except for sales of assets permitted by Section 7.2.7 [Disposition of Assets or Subsidiaries] release any Guarantor from its Obligations under the Guaranty Agreement or any other security for any of the Loan Parties' Obligations; or

10.1.4. MISCELLANEOUS.

Amend Section 4.2 [Pro Rata Treatment of Banks], 9.6 [Exculpatory Provisions, Etc.] or 9.13 [Equalization of Banks] or this Section 10.1, alter any provision regarding the pro rata treatment of the Banks, change the definition of Required Banks, or change any requirement providing for the Banks or the Required Banks to authorize the taking of any action hereunder; PROVIDED, further, that no agreement, waiver or consent which would modify the interests, rights or obligations of the Administrative Agent in its capacity as Administrative Agent or as the issuer of Letters of Credit shall be effective without the written consent of the Administrative Agent.

10.2 NO IMPLIED WAIVERS; CUMULATIVE REMEDIES; WRITING REQUIRED.

No course of dealing and no delay or failure of the Administrative Agent or any Bank in exercising any right, power, remedy or privilege under this Agreement or any other Loan Document shall affect any other or future exercise thereof or operate as a waiver thereof, nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power, remedy or privilege preclude any further exercise thereof or of any other right, power, remedy or privilege. The rights and remedies of the Administrative Agent

and the Banks under this Agreement and any other Loan Documents are cumulative and not exclusive of any rights or remedies which they would otherwise have. Any waiver, permit, consent or approval of any kind or character on the part of any Bank of any breach or default under this Agreement or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

#### 10.3 REIMBURSEMENT AND INDEMNIFICATION OF BANKS BY THE BORROWER;

TAXES.

The Borrower agrees unconditionally upon demand to pay or reimburse to each Bank (other than the Administrative Agent, as to which the Borrower's Obligations are set forth in Section 9.5 [Reimbursement of Administrative Agent By Borrower, Etc.]) and to save such Bank harmless against (i) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements (including fees and expenses of counsel (including allocated costs of staff counsel) for each Bank except with respect to (a) and (b) below), incurred by such Bank (a) in connection with the administration and interpretation of this Agreement, and other instruments and documents to be delivered hereunder, (b) relating to any amendments, waivers or consents pursuant to the provisions hereof, (c) in connection with the enforcement of this Agreement or any other Loan Document, or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (d) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, or (ii) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Bank, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by such Bank hereunder or thereunder, PROVIDED that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (A) if the same results from such Bank's gross negligence or willful misconduct, or (B) if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or (C) if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld. The Banks will attempt to minimize the fees and expenses of legal counsel for the Banks which are subject to reimbursement by the Borrower hereunder by considering the usage of one law firm to represent the Banks and the Administrative Agent if appropriate under the circumstances. The Borrower agrees unconditionally to pay all stamp, document, transfer, recording or filing taxes or fees and similar impositions now or hereafter determined by the Administrative Agent or any Bank to be payable in connection with this Agreement or any other Loan Document, and the Borrower agrees unconditionally to save the Administrative Agent and the Banks harmless from and against any and all present or future claims, liabilities or losses

with respect to or resulting from any omission to pay or delay in paying any such taxes, fees or impositions.

#### 10.4 HOLIDAYS.

Whenever payment of a Loan to be made or taken hereunder shall be due on a day which is not a Business Day such payment shall be due on the next Business Day (except as provided in Section 3.2 [Interest Periods] with respect to Interest Periods under the Euro-Rate Option) and such extension of time shall be included in computing interest and fees, except that the Loans shall be due on the Business Day preceding the Expiration Date if the Expiration Date is not a Business Day. Whenever any payment or action to be made or taken hereunder (other than payment of the Loans) shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall not be included in computing interest or fees, if any, in connection with such payment or action.

#### 10.5 FUNDING BY BRANCH, SUBSIDIARY OR AFFILIATE.

##### 10.5.1. NOTIONAL FUNDING.

Each Bank shall have the right from time to time, without notice to the Borrower, to deem any branch, Subsidiary or Affiliate (which for the purposes of this Section 10.5 shall mean any corporation or association which is directly or indirectly controlled by or is under direct or indirect common control with any corporation or association which directly or indirectly controls such Bank) of such Bank to have made, maintained or funded any Loan to which the Euro-Rate Option applies at any time, PROVIDED that immediately following (on the assumption that a payment were then due from the Borrower to such other office), and as a result of such change, the Borrower would not be under any greater financial obligation pursuant to Section 4.5 [Additional Compensation in Certain Circumstances] than it would have been in the absence of such change. Notional funding offices may be selected by each Bank without regard to such Bank's actual methods of making, maintaining or funding the Loans or any sources of funding actually used by or available to such Bank.

##### 10.5.2. ACTUAL FUNDING.

Each Bank shall have the right from time to time to make or maintain any Loan by arranging for a branch, Subsidiary or Affiliate of such Bank to make or maintain such Loan subject to the last sentence of this Section 10.5.2. If any Bank causes a branch, Subsidiary or Affiliate to make or maintain any part of the Loans hereunder, all terms and conditions of this Agreement shall, except where the context clearly requires otherwise, be applicable to such part of the Loans to the same extent as if such Loans were made or maintained by such Bank, but in no event shall any Bank's use of such a branch, Subsidiary or Affiliate to make or maintain any part of the Loans hereunder cause such Bank or such branch, Subsidiary or Affiliate to incur any

cost or expenses payable by the Borrower hereunder or require the Borrower to pay any other compensation to any Bank (including any expenses incurred or payable pursuant to Section 4.5 [Additional Compensation in Certain Circumstances]) which would otherwise not be incurred.

#### 10.6 NOTICES.

All notices, requests, demands, directions and other communications (as used in this Section 10.6, collectively referred to as "notices") given to or made upon any party hereto under the provisions of this Agreement shall be by telephone or in writing (including electronic transmission, facsimile transmission or posting on a secured web site) unless otherwise expressly permitted hereunder and shall be delivered or sent by electronic or facsimile transmission to the respective parties at the addresses and numbers set forth under their respective names on SCHEDULE 1.1 (B) hereof or in accordance with any subsequent unrevoked written direction from any party to the others. All notices shall, except as otherwise expressly herein provided, be effective (a) in the case of facsimile, when received, (b) in the case of hand-delivered notice, when hand-delivered, (c) in the case of electronic transmission when received and in the case of posting on a secured web site upon receipt of notice of such posting (and rights to access such web site) (d) in the case of telephone, when telephoned, PROVIDED, however, that in order to be effective, telephonic notices must be confirmed in writing no later than the next day by letter, facsimile, electronic transmission or posting on a secured web site, (e) if given by mail, four (4) days after such communication is deposited in the mail with first-class postage prepaid, return receipt requested, and (f) if given by any other means (including by air courier), when delivered; PROVIDED, that notices to the Administrative Agent shall not be effective until received. Any Bank giving any notice to any Loan Party shall simultaneously send a copy thereof to the Administrative Agent, and the Administrative Agent shall promptly notify the other Banks of the receipt by it of any such notice.

#### 10.7 SEVERABILITY.

The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

#### 10.8 GOVERNING LAW.

Each Letter of Credit and Section 2.9 [Letter of Credit Subfacility] shall be subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be revised or amended from time to time, and to the extent not inconsistent therewith, the internal laws of the Commonwealth of



Kentucky without regard to its conflict of laws principles, and the balance of this Agreement shall be deemed to be a contract under the Laws of the Commonwealth of Kentucky and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the Commonwealth of Kentucky without regard to its conflict of laws principles.

#### 10.9 PRIOR UNDERSTANDING.

This Agreement and the other Loan Documents supersede all prior understandings and agreements, whether written or oral, between the parties hereto and thereto relating to the transactions provided for herein and therein, including any prior confidentiality agreements and commitments.

#### 10.10 DURATION; SURVIVAL.

All representations and warranties of the Loan Parties contained herein or made in connection herewith shall survive the making of Loans and issuance of Letters of Credit and shall not be waived by the execution and delivery of this Agreement, any investigation by the Administrative Agent or the Banks, the making of Loans, issuance of Letters of Credit, or payment in full of the Loans. All covenants and agreements of the Loan Parties contained in Sections 7.1 [Affirmative Covenants], 7.2 [Negative Covenants] and 7.3 [Reporting Requirements] herein shall continue in full force and effect from and after the date hereof so long as the Borrower may borrow or request Letters of Credit hereunder and until termination of the Commitments and payment in full of the Loans and expiration or termination of all Letters of Credit. All covenants and agreements of the Borrower contained herein relating to the payment of principal, interest, premiums, additional compensation or expenses and indemnification, including those set forth in the Notes, Section 4 [Payments] and Sections 9.5 [Reimbursement of Administrative Agent by Borrower, Etc.], 9.7 [Reimbursement of Administrative Agent by Banks, Etc.] and 10.3 [Reimbursement of Banks by Borrower; Etc.], shall survive payment in full of the Loans, expiration or termination of the Letters of Credit and termination of the Commitments.

#### 10.11 SUCCESSORS AND ASSIGNS.

(i) This Agreement shall be binding upon and shall inure to the benefit of the Banks, the Administrative Agent, the Loan Parties and their respective successors and assigns, except that none of the Loan Parties may assign or transfer any of its rights and Obligations hereunder or any interest herein. Each Bank may, at its own cost, make assignments of or sell participations in all or any part of its Commitments and the Loans made by it to one or more banks or other entities, subject to the consent of the Borrower and the Administrative Agent with respect to any assignee (but not any participant), such consent not to be unreasonably withheld, PROVIDED that (1) no consent of the Borrower shall be required (A) if an Event of Default exists and is continuing, or (B) in the case of an assignment by a Bank to an Affiliate of such Bank, and (2) any assignment by a Bank to a Person other than an Affiliate of such Bank may not be made in amounts less than the lesser of \$5,000,000 or the amount of the

assigning Bank's Commitment. In the case of an assignment, upon receipt by the Administrative Agent of the Assignment and Assumption Agreement, the assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights, benefits and obligations as it would have if it had been a signatory Bank hereunder, the Commitments shall be adjusted accordingly, and upon surrender of any Note subject to such assignment, the Borrower shall execute and deliver a new Note to the assignee in an amount equal to the amount of the Commitment assumed by it and a new Note to the assigning Bank in an amount equal to the Commitment retained by it hereunder. Any Bank which assigns any or all of its Commitment or Loans to a Person other than an Affiliate of such Bank shall pay to the Administrative Agent a service fee in the amount of \$3,500 for each assignment. In the case of a participation, the participant shall only have the rights specified in Section 8.2.3 [Set-off] (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto and not to include any voting rights except with respect to changes of the type referenced in Sections 10.1.1 [Increase of Commitment, Etc.], 10.1.2 [Extension of Payment, Etc.], or 10.1.3 [Release of Guarantor]), all of such Bank's obligations under this Agreement or any other Loan Document shall remain unchanged, and all amounts payable by any Loan Party hereunder or thereunder shall be determined as if such Bank had not sold such participation.

(ii) Any assignee or participant which is not incorporated under the Laws of the United States of America or a state thereof shall deliver to the Borrower and the Administrative Agent the form of certificate described in Section 10.17 [Tax Withholding Clause] relating to federal income tax withholding. Each Bank may furnish any publicly available information concerning any Loan Party or its Subsidiaries and any other information concerning any Loan Party or its Subsidiaries in the possession of such Bank from time to time to assignees and participants (including prospective assignees or participants), PROVIDED that such assignees and participants agree to be bound by the provisions of Section 10.12 [Confidentiality].

(iii) Notwithstanding any other provision in this Agreement, any Bank may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement, its Note and the other Loan Documents to any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR Section 203.14 without notice to or consent of the Borrower or the Administrative Agent. No such pledge or grant of a security interest shall release the transferor Bank of its obligations hereunder or under any other Loan Document.

#### 10.12 CONFIDENTIALITY.

##### 10.12.1. GENERAL.

The Administrative Agent and the Banks each agree to keep confidential all information obtained from any Loan Party or its Subsidiaries which is nonpublic and

confidential or proprietary in nature (including any information the Borrower specifically designates as confidential), except as provided below, and to use such information only in connection with their respective capacities under this Agreement and for the purposes contemplated hereby. The Administrative Agent and the Banks shall be permitted to disclose such information (i) to outside legal counsel, accountants and other professional advisors who need to know such information in connection with the administration and enforcement of this Agreement, subject to agreement of such Persons to maintain the confidentiality, (ii) to assignees and participants as contemplated by Section 10.11, and prospective assignees and participants, (iii) to the extent requested by any bank regulatory authority or, with notice to the Borrower, as otherwise required by applicable Law or by any subpoena or similar legal process, or in connection with any investigation or proceeding arising out of the transactions contemplated by this Agreement, (iv) if it becomes publicly available other than as a result of a breach of this Agreement or becomes available from a source not known to be subject to confidentiality restrictions, or (v) if the Borrower shall have consented to such disclosure.

#### 10.12.2. SHARING INFORMATION WITH AFFILIATES OF THE BANKS.

Each Loan Party acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to the Borrower or one or more of its Affiliates (in connection with this Agreement or otherwise) by any Bank or by one or more Subsidiaries or Affiliates of such Bank and each of the Loan Parties hereby authorizes each Bank to share any information delivered to such Bank by such Loan Party and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Bank to enter into this Agreement, to any such Subsidiary or Affiliate of such Bank, it being understood that any such Subsidiary or affiliate of any Bank receiving such information shall be bound by the provisions of Section 10.12.1 as if it were a Bank hereunder. Such Authorization shall survive the repayment of the Loans and other Obligations and the termination of the Commitments.

#### 10.13 COUNTERPARTS.

This Agreement may be executed by different parties hereto on any number of separate counterparts, each of which, when so executed and delivered, shall be an original, and all such counterparts shall together constitute one and the same instrument.

#### 10.14 ADMINISTRATIVE AGENT'S OR BANK'S CONSENT.

Whenever the Administrative Agent's or any Bank's consent is required to be obtained under this Agreement or any of the other Loan Documents as a condition to any action, inaction, condition or event, the Administrative Agent and each Bank shall be authorized to give or withhold such consent in its sole and absolute discretion (except when this Agreement provides that such discretion shall be "reasonable" or otherwise expressly limits the discretion of the Administrative Agent or such Bank) and to condition its consent upon the giving of additional collateral, the payment of money or any other matter.

10.15 EXCEPTIONS.

The representations, warranties and covenants contained herein shall be independent of each other, and no exception to any representation, warranty or covenant shall be deemed to be an exception to any other representation, warranty or covenant contained herein unless expressly provided, nor shall any such exceptions be deemed to permit any action or omission that would be in contravention of applicable Law.

10.16 CONSENT TO FORUM; WAIVER OF JURY TRIAL.

EACH LOAN PARTY HEREBY IRREVOCABLY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF THE CIRCUIT COURT OF JEFFERSON COUNTY, KENTUCKY, AND THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF KENTUCKY, AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO SUCH LOAN PARTY AT THE ADDRESSES PROVIDED FOR IN SECTION 10.6 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT THEREOF. EACH LOAN PARTY WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED AGAINST IT AS PROVIDED HEREIN AND AGREES NOT TO ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE. EACH LOAN PARTY, THE ADMINISTRATIVE AGENT AND THE BANKS HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE COLLATERAL TO THE FULL EXTENT PERMITTED BY LAW.

10.17 TAX WITHHOLDING CLAUSE.

Each Bank or assignee or participant of a Bank that is not incorporated under the Laws of the United States of America or a state thereof agrees that it will deliver to each of the Borrower and the Administrative Agent two (2) duly completed copies of the following: (i) Internal Revenue Service Form W-9, 4224 or 1001, or other applicable form prescribed by the Internal Revenue Service, certifying that such Bank, assignee or participant is entitled to receive payments under this Agreement and the other Loan Documents without deduction or withholding of any United States federal income taxes, or is subject to such tax at a reduced rate under an applicable tax treaty, or (ii) Internal Revenue Service Form W-8 or other applicable form or a certificate of such Bank, assignee or participant indicating that no such exemption or reduced rate is allowable with respect to such payments. Each Bank, assignee or participant required to deliver to the Borrower and the Administrative Agent a form or certificate pursuant to the preceding sentence shall deliver such form or certificate as follows: (A) each Bank which is a party hereto on the Closing Date shall deliver such form or certificate at least five (5) Business Days prior to the first date on which any interest or fees are payable by the Borrower hereunder

for the account of such Bank; (B) each assignee or participant shall deliver such form or certificate at least five (5) Business Days before the effective date of such assignment or participation (unless the Administrative Agent in its sole discretion shall permit such assignee or participant to deliver such form or certificate less than five (5) Business Days before such date in which case it shall be due on the date specified by the Administrative Agent). Each Bank, assignee or participant which so delivers a Form W-8, W-9, 4224 or 1001 further undertakes to deliver to each of the Borrower and the Administrative Agent two (2) additional copies of such form (or a successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Administrative Agent, either certifying that such Bank, assignee or participant is entitled to receive payments under this Agreement and the other Loan Documents without deduction or withholding of any United States federal income taxes or is subject to such tax at a reduced rate under an applicable tax treaty or stating that no such exemption or reduced rate is allowable. The Administrative Agent shall be entitled to withhold United States federal income taxes at the full withholding rate unless the Bank, assignee or participant establishes an exemption or that it is subject to a reduced rate as established pursuant to the above provisions.

#### 10.18 JOINDER OF GUARANTORS.

Any Subsidiary of the Borrower which is required to join this Agreement as a Guarantor pursuant to Section 7.2.9 [Subsidiaries, Partnerships and Joint Ventures] shall execute and deliver to the Administrative Agent (i) a Guarantor Joinder in substantially the form attached hereto as EXHIBIT 1.1(G)(1) pursuant to which it shall join as a Guarantor each of the documents to which the Guarantors are parties; and (ii) documents in the forms described in Section 6.1 [First Loans] modified as appropriate to relate to such Subsidiary. The Loan Parties shall deliver such Guarantor Joinder and related documents to the Administrative Agent within five (5) Business Days after the date of the filing of such Subsidiary's articles of incorporation if the Subsidiary is a corporation, the date of the filing of its certificate of limited partnership if it is a limited partnership or the date of its organization if it is an entity other than a limited partnership or corporation.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Agreement as of the day and year first above written.

PAPA JOHN'S INTERNATIONAL, INC.

By: /s/ J. David Flanery  
-----  
Title: Vice President and Corporate  
Controller  
-----

GUARANTORS:

PAPA JOHN'S USA, INC.

By: /s/ J. David Flanery  
-----  
Title: Vice President and Corporate  
Controller  
-----

PAPA JOHN'S SUPPORT SERVICES, INC.

By: /s/ Charles W. Schnatter  
-----  
Title: Senior Vice President, General  
Counsel and Secretary  
-----

CAPITAL DELIVERY, INC.

By: /s/ J. David Flanery  
-----  
Title: Vice President and Corporate  
Controller  
-----

RISK SERVICES CORP.

By: /s/ J. David Flanery

-----  
Title: Vice President and Corporate  
Controller  
-----

PJ FOOD SERVICE, INC.

By: /s/ Charles W. Schnatter

-----  
Title: Senior Vice President, General  
Counsel and Secretary  
-----

PJFS OF MISSISSIPPI, INC.

By: /s/ Charles W. Schnatter

-----  
Title: Senior Vice President, General  
Counsel and Secretary  
-----

PNC BANK, NATIONAL ASSOCIATION,  
individually and as Administrative Agent

By /s/ Ralph M. Bowman

-----  
Title: Vice President  
-----

BANK ONE, INDIANA, NA, individually and as  
Syndication Agent

By: /s/ Jim Tutt

-----  
Title: First Vice President  
-----

BANK OF LOUISVILLE

By: /s/ John Z. Barr

-----  
Title: Senior Vice President  
-----

FIFTH THIRD BANK, KENTUCKY, INC.

By: /s/ Edward B. Martin

-----  
Title: Assistant Vice President  
-----

FIRSTAR BANK, N.A.

By: /s/ Toby Rau

-----  
Title: Vice President  
-----



NATIONAL CITY BANK OF KENTUCKY

By: /s/ Chuck Denny

-----  
Title: Senior Vice President  
-----

SUNTRUST BANK

By: /s/ Charles Johnson

-----  
Title: Director  
-----

SCHEDULE 1.1(B)

COMMITMENTS OF BANKS AND ADDRESSES FOR NOTICES

Page 1 of 2

PART 1 - COMMITMENTS OF BANKS AND ADDRESSES FOR NOTICES TO BANKS

BANK -----	AMOUNT OF COMMITMENT FOR LOANS -----	RATABLE SHARE -----
Name: PNC Bank, National Association Address: Citizens Plaza 500 West Jefferson St., 2nd Floor Louisville, KY 40202-2823 Attention: Paula Fryland Telephone 502-581-2244 Telecopy: 502-581-2780	\$36,750,000	24.500000%
Name: Bank One, Indiana, NA Address: Mail Stop Kyl - 2206 416 West Jefferson, St., Louisville, KY 40202 Attention: Thelma Ferguson Telephone 502-566-2821 Telecopy: 502-566-2367	\$36,750,000	24.500000%
Name: National City Bank of Kentucky Address: 101 S. Fifth St., 37th Floor Louisville, KY 40202 Attention: Hugh Wright Telephone 502-581-5355 Telecopy: 502-581-4424	\$31,500,000	21.000000%

Name: Fifth Third Bank, Kentucky, Inc.

Address: Fifth Third Center

401 South 4th Avenue

Louisville, KY 40202-3411

Attention: Ed Martin

Telephone 502-562-5536

Telecopy: 502-562-5540

\$15,000,000

10.000000%

Name: Firststar Bank

Address: One Financial Square

Louisville, KY 40201-3322

Attention: Mark Wheeler

Telephone 502-562-6336

Telecopy: 502-562-6460

\$15,000,000

10.000000%

Name: SunTrust Bank

Address: 303 Peachtree St., N.E., 2nd Floor

Atlanta, GA 30308

Attention: Sean McLaren

Telephone 404-588-7687

Telecopy: 404-724-3716

\$10,000,000

6.666667%

Name: Bank of Louisville

Address: Bank of Louisville Building

500 West Broadway, 6th Floor

Louisville, KY 40202

Attention: John Z. Barr

Telephone 502-562-6823

Telecopy: 502-562-6990

\$5,000,000

3.333333%

Total

\$150,000,000

%

=====

SCHEDULE 1.1(B)

COMMITMENTS OF BANKS AND ADDRESSES FOR NOTICES

Page 2 of 2

PART 2 - ADDRESSES FOR NOTICES TO BORROWER AND GUARANTORS:

ADMINISTRATIVE AGENT

Name: PNC Bank, National Association  
Address: Citizens Plaza  
500 West Jefferson Street, 2nd Floor  
Louisville, KY 40202-2823  
Attention: Paula Fryland  
Telephone: 502-581-2244  
Telecopy: 502-581-2780

BORROWER AND GUARANTORS:

Name: Papa John's International, Inc.  
Address: 2002 Papa John's Boulevard  
Louisville, KY 40299  
Attention: J. David Flanery  
Telephone: 502-261-4753  
Telecopy: 502-261-4190

SCHEDULE 1.1(A)

PRICING GRID--  
 VARIABLE PRICING AND FEES BASED ON LEVERAGE RATIO

LEVEL	LEVERAGE RATIO	COMMITMENT FEE	BASE RATE SPREAD	EURO-RATE SPREAD
I	LESS THAN 1.0 TO 1.0	.125%	0	.500%
	GREATER THAN OR EQUAL TO 1.0 TO 1.0 BUT LESS THAN 1.5 TO 1.0	.125%	0	.625%
II				
	GREATER THAN OR EQUAL TO 1.5 TO 1.0	.200%	0	.875%
III				

For purposes of determining the Applicable Margin and the Applicable Commitment Fee Rate:

(a) The Applicable Margin and the Applicable Commitment Fee Rate shall be the percentages applicable to Level I in the grid above.

(b) The Applicable Margin and the Applicable Commitment Fee Rate shall be recomputed as of the end of each fiscal quarter ending after the Closing Date based on the Leverage Ratio as of such quarter end. Any increase or decrease in the Applicable Margin or the Applicable Commitment Fee Rate computed as of a quarter end shall be effective on the date on which the Compliance Certificate evidencing such computation is due to be delivered under Section 7.3.3.

BANK ONE, INDIANA, N.A.

1 BANK ONE PLAZA MALL, SUITE IL1-0047  
CHICAGO, IL 60670  
UNITED STATES OF AMERICA

PAPA JOHN'S INTERNATIONAL, INC.  
P.O. BOX 99900  
LOUISVILLE, KY 40269-0900  
UNITED STATES OF AMERICA

ATTN: DAVE FLANNERY

FAX: 502-261-4190

PHONE: 502-261-7272

DATE: 22 February 2000

REF: 25553

The purpose of this letter agreement is to confirm the terms and conditions of the Transaction entered into between PAPA JOHN'S INTERNATIONAL, INC. and BANK ONE, INDIANA, N.A. on the Trade Date specified below. This Transaction shall be governed by the International Swaps and Derivatives Association Inc. ("ISDA") Master Agreement ("Master Agreement") with a first draft of a Schedule thereto to be provided by BANK ONE, INDIANA, N.A.. This letter shall evidence a binding Agreement between the parties until such time as the Master Agreement is executed, and upon its execution shall become a Confirmation thereunder. Terms used and not otherwise defined herein shall have their meaning defined in the 1991 ISDA Definitions (as supplemented by the 1998 Supplement and further amended and supplemented by the 1998 ISDA Euro Definitions) (the "Definitions"), as published by the International Swaps and Derivatives Association Inc. The definitions and provisions contained in the 1991 ISDA Definitions are incorporated into this Confirmation. In the event of any inconsistency between the Definitions and provisions and this Confirmation, this Confirmation will govern.

If you and we are not parties to a Master Agreement, then you and we agree to use our best efforts to negotiate promptly, execute and deliver a Master Agreement including a standard form of Schedule attached thereto and made a part thereof, with such modifications as you and we shall in good faith agree. Upon execution and delivery by you and us of a Master Agreement, this Confirmation shall supplement, form part of and be subject to such Master Agreement. Until you and we execute and deliver a Master Agreement, this Confirmation shall supplement, form a part of and be subject to the Master Agreement published by the International Swap and Derivatives Association Inc., as if you and we had executed that Agreement (but without any Schedule thereto). However, notwithstanding the foregoing, until such Master Agreement is executed, the Termination Currency shall be United States Dollars and Governing Law shall be the laws of the State of New York. After such Master Agreement is executed the Termination Currency and Governing Law shall be those stated within the Schedule to the Master Agreement.

TERM  
-----  
TRADE DATE: 22 February 2000  
EFFECTIVE DATE: 24 February 2000  
TERMINATION DATE: 10 March 2003, subject to adjustment in accordance with  
the Modified Following Business Day Convention.  
NOTIONAL AMOUNT: USD 100,000,000.00  
PREMIUM: Not Applicable

FLOATING AMOUNTS  
-----

CAP RATE: 9.50%  
FLOATING RATE PAYER: BANK ONE, INDIANA, N.A.  
FLOATING RATE PAYER  
PAYMENT DATES: Each 10 January, 10 February, 10 March, 10 April, 10  
May, 10 June, 10 July, 10 August, 10 September, 10  
October, 10 November, 10 December from and including  
10 April 2000, to and including 10 March 2003, subject  
to adjustment in accordance with the Modified  
Following Business Day Convention.  
FLOATING RATE OPTION: USD-LIBOR-BBA  
DESIGNATED MATURITY: 1 Month  
FLOATING RATE DAY COUNT  
FRACTION: Actual/360  
RESET DATES: The first day of each Calculation Period  
ROUNDING CONVENTION: As per ISDA  
BUSINESS DAYS: London, New York

FLOATING AMOUNTS  
-----

FLOOR RATE: 6.36%  
FLOATING RATE PAYER: PAPA JOHN'S INTERNATIONAL, INC.

FLOATING RATE PAYER

PAYMENT DATES: Each 10 January, 10 February, 10 March, 10 April, 10 May, 10 June, 10 July, 10 August, 10 September, 10 October, 10 November, 10 December from and including 10 April 2000, to and including 10 March 2003, subject to adjustment in accordance with the Modified Following Business Day Convention.

FLOATING RATE OPTION: USD-LIBOR-BBA

DESIGNATED MATURITY: 1 Month

FLOATING RATE DAY COUNT FRACTION: Actual/360

RESET DATES: The first day of each Calculation Period

ROUNDING CONVENTION: As per ISDA

BUSINESS DAYS: London, New York

ADDITIONAL PROVISIONS

-----  
Notwithstanding anything to the contrary set forth herein, no Floating Rate shall be determined for, and no Floating Amount shall be payable in respect of, the Calculation Period which commences on the Effective Date.

ACCOUNT DETAILS

-----  
Payments to PAPA JOHN'S INTERNATIONAL, INC. in USD:  
\*\*\*TO BE ADVISED\*\*\*

Payments to BANK ONE, INDIANA, N.A. in USD:

PAY TO: BANK ONE NA,  
ABA NUMBER:  
FOR THE ACCOUNT OF: BANK ONE, N.A.  
ACCOUNT NUMBER:  
ATTN OR REF: GLOBAL DERIVATIVES

OFFICES

- (a) The Office of BANK ONE, INDIANA, N.A. in CHICAGO  
(b) The Office of PAPA JOHN'S INTERNATIONAL, INC. in LOUISVILLE

Dealing with Confirmations on our behalf:  
Kevin Doyle 312-732-2148

Dealing with Settlements on our behalf:  
Global Derivative Products (312)732-4333



Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this letter and returning all pages of this letter via facsimile to.

Yours sincerely,  
BANK ONE, INDIANA, N.A.  
By:

/s/ Dianne Schuyler

Name: Dianne Schuyler  
Title: Vice President

BANK ONE, INDIANA, N.A.  
By:

/s/ Steven D. Matheson

Name: Steven D. Matheson  
Title: Vice President

Confirmed as of the date above written:

PAPA JOHN'S INTERNATIONAL, INC.  
By:

/s/ J. David Flanery

Name: J. David Flanery  
Title: Vice President & Corporate Controller

RE: OUR REF: 25553

Subsidiaries of the Company

- (a) PJ Food Service, Inc., a Kentucky corporation
- (b) Papa John's USA, Inc., a Kentucky corporation
- (c) Papa John's Support Services, 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
- (g) Papa John's (U.K.) Ltd., a United Kingdom corporation
- (h) Perfect Pizza Ltd., a United Kingdom corporation

Consent of Independent Auditors

We consent to the incorporation by reference in (i) the Registration Statements (Forms S-8 No. 333-27823, No. 333-16447, No. 33-67472 and No. 333-86537) pertaining to the Papa John's International, Inc. 1993 Stock Ownership Incentive Plan, (ii) the Registration Statements (Forms S-8 No. 33-67470 and No. 333-86539) pertaining to the Papa John's International, Inc. 1993 Stock Option Plan for Non-Employee Directors, (iii) the Registration Statement (Form S-8 No. 333-86535) pertaining to the Papa John's International, Inc. 1999 Team Member Stock Ownership Plan and (iv) the Registration Statement (Form S-4 No. 33-96552) of Papa John's International, Inc. of our report dated March 17, 2000, 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 26, 1999.

Louisville, Kentucky  
March 20, 2000



12-MOS

DEC-26-1999  
DEC-28-1998  
DEC-26-1999 3,698  
22,086  
18,546  
433  
10,637  
46,105 297,558  
69,745  
372,051  
68,771 925  
0 0  
305  
291,828  
372,051 757,184  
805,325 376,491  
644,110  
88,882  
0  
0  
75,717  
28,431  
47,286 0  
0 0  
47,286  
1.57  
1.52



12-MOS

DEC-28-1997  
DEC-30-1996  
DEC-28-1997  
18,836  
57,933  
15,354  
0  
9,201  
49,701  
149,170  
33,561  
253,412  
31,889  
1,320  
0  
0  
292  
206,704  
253,412  
486,631  
515,668  
243,890  
419,762  
60,765  
0  
0  
39,337  
15,772  
23,565  
0  
0  
0  
23,565  
0.81  
0.79

## Exhibit 99.1 - Cautionary Statements

Information provided herein by Papa John's contains, and from time to time we may disseminate materials and make statements which contain "forward looking" information within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), including information within Management's Discussion and Analysis of Financial Condition and Results of Operations. 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 we believe that our expectations are based on reasonable assumptions, actual results may differ materially from those in the forward looking statements as a result of various factors, including but not limited to, the following:

1. Our ability and the ability of our franchisees to continue to expand through the opening of new restaurants is affected by a number of factors, many of which are beyond our control and our franchisees' control. These factors include, among other things, selection and availability of suitable restaurant locations, increases in food, paper and labor costs, 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 we or the Papa John's 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 Papa John's and our franchisees. Some of these competitors have been in existence for a substantially longer period than us or our franchisees and may be better established in the markets where restaurants operated by Papa John's or our franchisees are, or may be, located. A change in the pricing or other marketing or promotional strategies of one or more of our major competitors could have an adverse impact on sales and earnings at restaurants operated by us and our franchisees.
3. An increase in the cost of cheese or other commodities could adversely affect the profitability of our restaurant operations. Cheese, representing approximately 40% of our food cost, and other commodities are subject to seasonal fluctuations, weather, demand and other factors that are beyond our control. During the third quarter of 1999, cheese prices reached an all time high, but have since returned to more normal levels. Additionally, sustained increases in fuel costs could adversely affect profitability of our restaurant and commissary businesses.
4. Changes in consumer taste, demographic trends, traffic patterns and the type, number and location of competing restaurants could adversely affect our restaurant business.
5. Our 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 us and our franchisees are paid at rates related to the federal minimum wage. Accordingly, further increases in the minimum wage will increase labor costs for us and our franchisees. Additionally, labor shortages in various markets could result in higher required wage rates.



6. Our international operations are subject to a number of additional factors, including international economic and political conditions, currency regulations and fluctuations, differing cultures and consumer preferences, diverse government regulations and structures, availability and cost of land and construction, and differing interpretation of the obligations established in franchise agreements with international franchisees. Accordingly, there can be no assurance that our international operations will achieve or maintain profitability or meet planned growth rates.
7. Our acquisition of Perfect Pizza and planned conversion of Perfect Pizza restaurants to Papa John's restaurants over the next three years represents the first time we have attempted to expand the Papa John's brand in this manner. There can be no assurance that all conversion issues will be identified and successfully addressed in a timely and cost-effective manner or that the existing Perfect Pizza market share can be successfully converted to Papa John's.