

Item 5

INITIAL FRANCHISE FEE

Under the Development Agreement, you must pay us a fee of \$20,000 plus \$5,000 per Restaurant required to be developed in the Development Area. The number of Restaurants is determined by agreement between you and Papa John's prior to the time the Development Agreement is signed. In addition to establishing the number of Restaurants to be developed in the Development Area, the Development Schedule in the Development Agreement will also specify when each of the Restaurants is required to be opened. The total development fee is computed by adding \$20,000 to

the product of the number of Restaurants to be opened multiplied by \$5,000 (the "Development Fee"). As further described in Item 7, the Development Fee may be reduced if you are developing Restaurants in an area that we have designated as a Special Development Zone. The entire amount of the Development Fee is due and payable in a lump sum to us at the time the Development Agreement is signed. The Development Fee is nonrefundable.

You are also required to pay an Initial Fee of \$25,000 for each Franchise Agreement that is signed for each standard Papa John's Restaurant. However, as further described in Item 7, this fee may be reduced to \$10,000 for Restaurants established in a Special Development Zone. The initial franchise fee for a Seasonal Full-Service Non-Traditional Restaurant is \$15,000. The initial franchise fee for all other types of Non-Traditional Restaurants is \$5,000. Each Restaurant is operated pursuant to a separate Franchise Agreement and this fee must be paid in a lump sum to us when each Franchise Agreement is signed. The Initial Franchise Fee is deemed fully earned and non-refundable upon payment. Each Franchise Agreement is executed pursuant to a Development Agreement and a portion of the total Development Fee is credited against the Initial Franchise Fee at the time the Initial Franchise Fee is paid (\$25,000 for the first Restaurant, and \$5,000 for each subsequent Restaurant). Therefore, an additional payment of \$20,000 (\$25,000 less \$5,000) would be due at the time each Franchise Agreement is signed for each standard Papa John's Restaurant, except that no additional payment is required for the first Restaurant or for a Non-Traditional Restaurant whose initial fee is \$5,000 and only \$10,000 would be due for a Seasonal Full-Service Non-Traditional Restaurant.

If the state in which your Papa John's franchise will be operated (or a local taxing authority within the state) imposes a sales tax, use tax or similar tax on the Development Fee or Initial Franchise Fee, we will collect such tax from you in addition to the Initial Fee and remit the amount of the tax directly to the taxing authority. This does not include income taxes imposed on us, for which we are solely responsible.

As described in Item 8, certain items are required to be purchased from us or our affiliates. Some of these items would be included as part of your opening inventory or are part of the "Papa John's Profit System™" (as defined in Item 11) and therefore would be purchased from us or our affiliates and constitute payments made to us or our affiliates prior to opening. The amount would vary but in 2006 ranged from \$15,000 to \$40,000, depending on how much you purchase from us. We will debit your bank account for these purchases as described in Item 6 below.

Item 6

OTHER FEES

Name of Fee¹	Amount	Due Date	Remarks
Grand Opening Funds ²	\$9,000 for each of the first two Restaurants	\$9,000 120 days prior to scheduled opening of first Restaurant; \$9,000 120 days prior to scheduled opening of second Restaurant	We require you to spend these amounts on grand opening advertising and promotional efforts specifically for your first two Restaurants. We may require you to pay these amounts to us and be reimbursed upon proof of incurring the required expenses.
Royalty ³	4% of Net Sales ⁴ of the Restaurant for each Period ⁵	Payable on the 10th day of each month	We will debit your bank account for Royalty due ⁶
On-Line Transaction Fee ⁷	3% of Net Sales via Internet on-line ordering ⁷	Payable on the 20th day of each month.	We will debit your bank account for On-Line Transaction Fees due. ⁶
Transfer	\$4,000, or if transfer is of multiple Restaurants to more than one unaffiliated transferee; \$4,000 per transferee	Prior to consummation of transfer	Payable when the Franchise Agreement, or a material portion of the assets of an Restaurant or any interest in you is transferred.
Renewal	\$4,000; \$3,000 for Non-Traditional Restaurant	Upon signing renewal franchise agreement	If you meet all the conditions relating to renewal.
Audit Expenses	Cost of audit, understatement plus interest at 12% per annum	10 days after billing	Payable only if understatement of greater than 5%

Name of Fee ¹	Amount	Due Date	Remarks
Management Fee	Compensation, travel and living expenses of the appointed manager and a reasonable per diem fee we determine	As agreed	Payable during period that we have chosen to appoint our manager to manage the Restaurant if the Principal Operator ceases management
Costs, Attorneys' Fees and Pre-judgment Interest	Will vary under circumstances	As incurred	Payable if incurred or suffered by us in obtaining injunctive or other relief for the enforcement of or a failure to comply with the Franchise Agreement and other agreements
Indemnification	Will vary under circumstances	As incurred	You have to reimburse us if we are held liable for claims arising from your Restaurant's operations
Marketing Fund Contributions	Maximum - Up to 3% of Net Sales unless higher amount approved by 2/3 majority vote of Members. ⁸ As of 12/31/06, 2.7%. Non-Traditional Restaurants pay 25% of the standard rate	Payable on the 24th day of each month	We will debit your bank account for Marketing Fund Contributions due Papa John's Marketing Fund, Inc. ⁸
Papa Card Transaction and IVR Fees	Maximum - 2% of Papa Card redemption transactions, ⁹ unless we approve a higher rate	Monthly	We will charge your bank account for Papa Card redemption transaction fee ^{6, 10}

Name of Fee ¹	Amount	Due Date	Remarks
Cooperative Contributions ¹¹	Minimum - 2% of Net Sales; cannot exceed 6% less the then-current Marketing Fund Contribution rate without majority vote of the Restaurants in the cooperative. As of 12/31/06, the highest contribution rate was 4½%. Non-Traditional Restaurants pay 25% of the co-op's contribution rate for standard Restaurants	As designated by Cooperative	We and our franchisees may form local advertising cooperatives and establish fees. Our restaurants have equal voting power - one restaurant, one vote. If we control any particular cooperative, we will not charge more than 6% of Net Sales
Local Advertising ¹²	Minimum - 7% of Net Sales, less amounts contributed to the Marketing Fund ¹³ and Cooperative	Must be spent monthly	You must submit required reports documenting your expenditures as we request from time to time
On-Site Installation and Support Fee ¹⁴	\$1,000 for a standard 2-day installation, \$500 per day for each additional day, plus our reasonable travel, lodging and other expenses. We may increase this fee.	At the time the services are rendered.	We or our agent will install and support the Designated Software on your Information System. Support will be provided one day before the Restaurant is opened for installation and training and the day of opening of the Restaurant for support. For each additional day you elect to have an installer/trainer on-site, you must pay \$500 per day plus our expenses.

Name of Fee ¹	Amount	Due Date	Remarks
On-Site Support Fee ¹⁴	\$250 per day plus our reasonable travel, lodging and other expenses. We may increase this fee.	At the time the services are rendered.	Charged each time we install a modification or enhancement.
Software Enhancement Fee ^{14, 15}	\$41 per month.	All franchise restaurants are invoiced monthly.	For software maintenance, research and development, enhancements and upgrades and installation media, if any, that we adopt, require or provide.
Help Desk Service Fee ¹⁴	Flat fee of \$70 per month or per call fee of \$80 per hour with a ½ hour minimum.	Invoiced monthly.	The Help Desk provides PROFIT System procedural, hardware and system support.
Required Purchases ¹⁶	Will vary under circumstances	Due upon receipt of merchandise or installation of equipment	We will debit your bank account for purchases from us and our affiliates. The types of items required to be purchased from us or our affiliates are the Information System and related services, Designated Software, pizza dough and pizza sauce. Those items which may be purchased from our affiliates are cheese, pizza toppings, garlic butter sauce, nacho cheese flavored sauce, equipment and smallwares package, uniforms, promotional items, printed materials, financing and certain accounting services.

1/ All fees except Marketing Fund contributions, Papa Card transaction fees, Cooperative Contributions and local advertising are imposed by and payable to us. All fees paid to us, except the Grand Opening Fund, are non-refundable.

- 2/ With our advice and assistance, and subject to our approval, you will plan and execute a grand opening advertising and promotional campaign for your first two Restaurants. We will credit and refund the grand opening funds paid to us for this purpose upon your submission of proof of incurrence of expenses for approved grand opening advertising, marketing and promotional efforts. If you are developing only one Restaurant, you will not incur the second payment of \$9,000 for grand opening funds. This requirement is inapplicable to most Non-Traditional Restaurants. However, it is unlikely that either of your first two Restaurants will be Non-Traditional.
- 3/ These fees may be increased to 6% of Net Sales at any time after December 31, 2007. However, we may increase the Royalty only if and to the extent that our franchise agreement then being offered to new franchisees provides for the higher Royalty. If the state in which your Papa John's franchise will be operated (or a local taxing authority within the state) imposes a sales tax, use tax or similar tax on the Royalty, we will collect such tax from you in addition to the Royalty and remit the amount of the tax directly to the taxing authority. This does not include income taxes imposed on us, for which we are solely responsible.
- 4/ Net Sales is defined as gross revenues of the Restaurant for all products and services offered (whether such sales are evidenced by cash, check, credit, charge account or otherwise), less sales tax collected and paid to the state or other local taxing authority.
- 5/ Period is defined as a month or multi-week time frame constituting a single accounting period. We currently specify a 4-4-5 accounting system under which the first two Periods in a fiscal quarter are 4 weeks each, and the third Period is 5 weeks. The cycle is repeated 4 times each year.
- 6/ Prior to opening, you must sign and deliver to us and your bank all required documents, including the authorization form attached as **Exhibit 5** that permit us to debit your bank account (by check, electronic funds transfer or via the Information System or other means) for each Period's Royalty, On-Line Transaction Fee, Marketing Fund contributions due to Papa John's Marketing Fund, Inc., Papa Card transaction activity and for any other amounts owed to us or our affiliates. We will debit your account on the 10th day of each month or on the next business day thereafter for Royalty payments, Marketing Fund contributions and on the 20th (or next business day) for On-Line Transaction Fees. We will initiate a net debit or credit to your bank account for weekly Papa Card transaction activity. A debit will result from customer purchases of cards and/or balance increases and a credit will result from customer card redemptions. If you fail to report Net Sales, we may estimate Net Sales for such Period and debit your account accordingly. We will apply any overpayment against the next Period's Royalty and Marketing Fund contributions. Any deficiency will be debited against your account. If for any reason your account cannot be debited, you must submit payments by wire transfer or check on or before the due date. You must indemnify and hold us harmless from all damages, losses, costs and expenses resulting from any dishonored debit on your account unless caused by our negligence or mistake.
- 7/ We operate a system by which customers are able to place orders on-line via the internet. You will be required to participate in the on-line ordering system. This transaction fee is collected only on the amount of your Net Sales effected through the on-line ordering system.

The Board of Directors of the Marketing Fund may raise this fee. On-line ordering is generally not available at Non-Traditional Restaurants.

- 8/ The members of the Marketing Fund approved a contribution rate of 2.7% of Net Sales, effective January 1, 2007, continuing through December 30, 2007. Non-Traditional Restaurants are required to pay an amount equal to 25% of the current standard rate, currently 0.675% (25% of \$2.7%). Prior to opening, you must sign and deliver to us the Advertising Agreement attached as **Exhibit 6**, by which you will become a member of Papa John's Marketing Fund, Inc. (the "Marketing Fund"). As described above, we will debit your bank account and credit the funds to the Marketing Fund. As a member of the Marketing Fund, you will be entitled to vote on certain proposed increases to the Marketing Fund contribution (See Item 10).
- 9/ Express and Concession Restaurants are not generally required to participate in the Papa Card program. Certain Seasonal Restaurants may also be exempted
- 10/ This fee may be increased by the Board of Directors of the Marketing Fund, but the fee may not be increased to a rate greater than 2% unless approved by us (See Item 11).
- 11/ We also collect cooperative contributions by electronic transfer if approved by the Cooperative. This would be done only with the written agreement of the Cooperative.
- 12/ Not applicable to Non-Traditional Restaurants.
- 13/ You are required to spend a minimum of 7% of Net Sales of the Restaurant on Marketing Fund contributions, Cooperative contributions and local store marketing and advertising. Local advertising expenditure is generally not required of Non-Traditional Restaurants.
- 14/ See Item 11 for a complete description and definition of the Papa John's PROFIT System™, the Information System, the Designated Software and your obligations concerning these items. These items may be waived, or otherwise inapplicable, for a Non-Traditional Restaurant, but all restaurants are required to have approved point-of-sale technology, including at a minimum, capability of electronic reporting of sales data. See Item 11.
- 15/ We collect this fee for our continued research and development, enhancements, upgrades and installation media related to the PROFIT System.
- 16/ As described in detail in Item 7 and 8, certain items are required to be purchased from us and our affiliates before opening and as a part of ongoing operations. As further described in Item 8, there are certain other items that may be purchased from our affiliates.

Item 7

**INITIAL INVESTMENT —
STANDARD RESTAURANT**

Expenditures	Estimated Amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Initial Franchise Fee (1)	\$25,000	\$20,000 plus \$5,000 per each Restaurant on signing the Development Agreement and the balance for each Restaurant on signing the Franchise Agreement	The development fee will be paid in a lump sum at the time of signing the Development Agreement and will be applied to reduce the balance due to a lump sum of \$20,000 for each Restaurant, except the first Restaurant for which no additional payment will be due	No	Us
Real Estate Brokerage Fees (2)	\$0 to \$10,000	Upon satisfaction of lease/purchase contingencies	As Incurred	No	Real Estate Broker
Professional Fees (3)	\$500 to \$12,000	Prior to execution	As Incurred	No	Attorneys and Accountants
Construction/Leasehold Improvements (4)	\$40,000 to \$200,000	As Incurred	As Agreed	No	Outside Suppliers
Furniture, Fixtures and Equipment (5)	\$50,000 to \$92,000	As Incurred	As Agreed	No	Outside Suppliers and Affiliates

Expenditures	Estimated Amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Papa John's PROFIT System™ (6)	\$8,500 to \$25,000	When system is installed	Lump Sum	No	Us
On-Site Support Fee (7)	\$-0- to \$2,500	As incurred	Lump Sum	No	Us
On-Site Installation Fee	\$-0- to \$3,000	When Designated Software is installed	Lump Sum	No	Us
Help Desk Service Fee (8)	\$-0- to \$1,000	Monthly or as incurred	Lump Sum	No	Us
Software Enhancement Fee	\$123	\$41 Monthly	Lump Sum	No	Us
Signage	\$3,000 to \$15,000	As Incurred	As Agreed	No	Outside Suppliers
First Month's Rent (9)	\$1,200 to \$3,000	As specified in lease or sublease	Lump Sum	No	Landlord
Security Deposit and other deposits, Insurance Premium (9)(10)	\$1,000 to \$6,000	On signing lease or sublease	Lump Sum	Yes	Landlord
Opening Inventory and Supplies (11)	\$3,000 to \$7,000	As Incurred	As Agreed	No	Us, Our Affiliates or Outside Suppliers
Grand Opening Advertising (12)	\$9,000	120 days prior to scheduled opening date	Lump Sum	Yes (12)	Us
Training Expenses (13)	\$2,000 to \$10,000	As Incurred	As Incurred	No	Third Parties
Miscellaneous Opening Costs (14)	\$2,500 to \$20,000	As Incurred	As Incurred	No	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (PRE-OPENING) (16)	\$145,823 to \$440,623				

Expenditures	Estimated Amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Additional Funds - 3 months (15)	\$15,000 to \$50,000	As Incurred	As Incurred	No	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (PRE-OPENING AND FIRST 3 MONTHS OF OPERATION) (16)	\$160,823 to \$490,623				

NON-TRADITIONAL RESTAURANT

Expenditures	Estimated Amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Initial Franchise Fee (1)	\$5,000 to \$15,000	\$20,000 plus \$5,000 per each Restaurant on signing the Development Agreement and the balance for each Restaurant, \$20,000 for Express Restaurant \$10,000 for Seasonal Restaurant and -0- for Concession License Restaurant, on signing the Franchise Agreement	The development fee will be paid in a lump sum at the time of signing the Development Agreement and will be applied to reduce the balance due to a lump sum of \$20,000 for each Restaurant except the first Restaurant for which no additional payment will be due	No	Us
Real Estate Brokerage Fees (2)	\$0 to \$5,000	Upon satisfaction of lease/purchase contingencies	As Incurred	No	Real Estate Broker
Professional Fees (3)	\$1,000 to \$5,000	Prior to execution	As Incurred	No	Attorneys and Accountants
Construction/Leasehold Improvements (4)	\$15,000 to \$125,000	As Incurred	As Agreed	No	Outside Suppliers
Furniture, Fixtures and Equipment (5)	\$25,000 to \$75,000	As Incurred	As Agreed	No	Outside Suppliers and Affiliates
Papa John's PROFIT System™ (6)	\$0 to \$25,000	When system is installed	Lump Sum	No	Us

Expenditures	Estimated Amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
On-Site Support Fee (6)(7)	\$0 to \$2,500	As incurred	Lump Sum	No	Us
On-Site Installation Fee (6)	\$0 to \$3,000	When Designated Software is installed	Lump Sum	No	Us
Help Desk Service Fee (6)(8)	\$0 to \$1,000	Monthly or as incurred	Lump Sum	No	Us
Software Enhancement Fee (6)	\$0 to \$123	\$41 Monthly	Lump Sum	No	Us
Signage	\$3,000 to \$20,000	As Incurred	As Agreed	No	Outside Suppliers
First Month's Rent (9)	\$1,000 to \$3,000	As specified in lease or sublease	Lump Sum	No	Landlord
Security Deposit and other deposits, Insurance Premium (9)(10)	\$1,000 to \$6,000	On signing lease or sublease	Lump Sum	Yes	Landlord
Opening Inventory and Supplies (11)	\$2,000 to \$12,500	As Incurred	As Agreed	No	Us, Our Affiliates or Outside Suppliers
Grand Opening Advertising (12)	\$0 to \$9,000	As Incurred	Lump Sum	Yes (12)	Us
Training Expenses (13)	\$2,000 to \$6,000	As Incurred	As Incurred	No	Third Parties
Miscellaneous Opening Costs (14)	\$2,500 to \$20,000	As Incurred	As Incurred	No	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (PRE-OPENING) (16)	\$57,500 to \$333,123				
Additional Funds - 3 months (15)	\$15,000 to \$50,000	As Incurred	As Incurred	No	Third Parties

Expenditures	Estimated Amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
TOTAL ESTIMATED INITIAL INVESTMENT (PRE-OPENING AND FIRST 3 MONTHS OF OPERATION) (16)	\$72,500 to \$383,123				

Explanatory Notes — Standard and Non-Traditional Restaurants

1. You will pay an initial franchise fee of: (a) \$25,000 on signing the Franchise Agreement for a standard Restaurant, \$15,000 for a Seasonal Full-Service Restaurant and \$5,000 for all other types of Non-Traditional Restaurants. You also pay a development fee of \$25,000 for the first Restaurant plus \$5,000 per each additional Restaurant to be developed when you sign the Development Agreement. The Development Fee is applied to reduce the balance due when you sign the applicable Franchise Agreement. The Initial Franchise Fee is not refundable. You will also pay the first Grand Opening fund payment of \$9,000 120 days prior to the scheduled opening of your first Restaurant and \$9,000 120 days prior to the scheduled opening of your second Restaurant. See Note 12, below. There is no other initial payment required under the Development Agreement.

Special Development Zones. We have instituted certain incentives for development of Restaurants in areas that we have designated as “Special Development Zones.” Designation of Special Development Zones is intended to stimulate development of Papa John’s Restaurants in areas that are underserved due to economic or logistical conditions or circumstances.

For development of Restaurants in Special Development Zones, we offer certain financial incentives:

- The initial franchise fee is reduced to \$10,000.
- Due to the above reduction of the initial franchise fee, the Development Fee is reduced to the sum of: \$10,000 plus \$5,000 per Restaurant to be developed pursuant to the Development Agreement.
- The royalty is reduced to 2% less than our then-current standard rate for the first 12 months of the Restaurant’s operation. Our current standard royalty rate is 4% of the net sales of the Restaurant, so the current Special Development Zone royalty is 2% of net sales of the Restaurant for the first 12 months of the Restaurant’s operation.

Areas constituting Special Development Zones are determined by us, in our sole discretion, based on criteria that we deem material, such as: demographic characteristics of the area; traffic patterns; competition from other businesses providing similar services within the area; the availability and cost of commercial rental property in the area; and other commercial characteristics of the area. We do not disclose the details of the facts, conditions or circumstances upon which our determination is based and our determination of whether an area constitutes a Special Development Zone is final. Before you sign a Development Agreement or Franchise Agreement, we will inform you whether the area in which you intend to develop your Restaurant(s) has been designated as a Special Development Zone.

2. These fees represent commissions payable to real estate brokers in connection with securing possession of a site for the Restaurant, whether by lease or purchase.

3. These represent fees payable to professional advisors (attorneys and accountants) in connection with evaluation of the franchise, real estate and other contracts, as well as any other matters.

4. These amounts apply to a Restaurant located in leased space in a shopping center, strip center or Express location, such as a mall or airport. The square footage of a Restaurant is estimated to be 1,200 to 1,600 square feet. The nature of the premises for Restaurants is expected to vary widely, but it is anticipated that nearly all Restaurants will be operated from leased premises. Non-Traditional Restaurants may require space sufficient to operate at a major sports facility or limited to a seasonal kiosk at an outdoor park. The cost of constructing or remodeling and preparing leased premises will depend upon a number of variables, including such factors as the condition and the square footage of the premises, and construction costs prevailing in the area where the Restaurant will be located. We estimate leasehold improvements for an in-line Restaurant range from \$40,000 to \$100,000. If the Restaurant will be located in an existing free-standing location, we estimate these costs can go as high as \$200,000. If you elect to construct a new building for the Restaurant, we estimate the cost could be up to \$400,000. These costs include charges for architects or engineers, which can range from \$250 to \$30,000. These costs vary widely depending on the quality, reputation and experience of the professionals engaged, the geographic area and the nature and extent of the work to be performed. The estimate includes permit and impact fees, which vary widely depending on the geographic area, but range from \$1,000 to \$20,000 or more. Labor costs incurred in construction or remodeling may also vary significantly depending on the availability of labor, prevailing labor rates for skilled and unskilled labor and other factors which may vary from market to market.

5. This item includes a make-line, sinks, walk-in coolers, counters, ovens, hood and exhaust system, prep tables, shelving, smallwares, a phone system and answering machine, a desk, filing cabinets, Papa Card processing equipment and related office supplies. The low end of the range assumes that you take over an existing Restaurant space with some of these items already in place. The high end of the range assumes that all new equipment is purchased, including two ovens. An equipment package for a 1,400 square foot restaurant averages \$70,000. A Concession Restaurant in a large-capacity venue, such as a large football or baseball stadium may require additional ovens or other additional fixtures and equipment. The equipment you must obtain for a Non-Traditional Restaurant will vary widely depending on the nature of the Restaurant. For example, a Non-Traditional Restaurant may use one oven at a small location or may use six or more ovens for a large Restaurant.

6. As described in Item 11 of this Offering Circular, we will require you to purchase, lease or obtain the Papa John's PROFIT System™ (including the Information System and the Designated Software). Papa John's is currently the only approved supplier. A complete specification and price list is included as part of **Exhibit 7**. The Initial Investment table includes the estimated cost of purchasing and licensing all aspects of the Papa John's PROFIT System™ as currently configured. Most Non-Traditional Restaurants will not be required to obtain the Papa John's PROFIT System™ (see Item 11). However, all Non-Traditional Restaurants will be required to have point-of-sale technology that we have approved, which must include, at a minimum, the capability of electronic reporting of sales data. If the Papa John's PROFIT System™ is not required, you will not incur the

Help Desk Service, the Software Enhancement Fee, On-Site Support Fee or the On-Site Installation Fee. Even if you do acquire the Papa John's PROFIT System, you are not required to utilize our services for help desk, on-site support, or installation (provided that installation must be done by a qualified installer approved by us). If you do not utilize our services, you will not incur the Help Desk Service Fee, On-Site Support Fee or the On-Site Installation Fee.

7. This fee is paid to us for in-store support on the Papa John's PROFIT System™.

8. You have the option of subscribing to our Help Desk Services for a flat fee of \$70 per month or paying on a fee-for-service basis. The fee-for-service rate is currently \$80 per hour with a ½ hour minimum charge.

9. The amount of the first month's rent and security deposit will depend on the area of the country in which the Restaurant is located, the size, condition and location of the premises, the availability and demand for the premises among prospective lessees. If a building is purchased or constructed rather than leased, you will incur additional capital or financing costs, or both, the extent of which cannot be estimated and will be determined by market conditions and other factors. Non-Traditional Restaurants may in some cases pay a percentage of sales or similar volume-based charge in lieu of fixed rental payments. These charges are expected to vary greatly depending on the nature of the Restaurant's location and its customer traffic.

10. In addition to the security deposit, this amount also covers utility and other deposits and your initial insurance premium. As described in Items 1 and 8, Risk Services may provide insurance to you. Risk Services has no obligation to continue this practice and we make no representation that it will do so for you or that Risk Services can obtain better pricing for you.

11. The difference between the low and high ranges is attributable to the actual size of the Restaurant and the amount of the food products, materials and supplies that you order. We will offer guidance and suggestions as to the proper amounts. You should talk to other franchisees prior to deciding how much to order.

12. The amount shown is for advertising that you are required to conduct in connection with the opening of your first Restaurant and does not include any contributions to the Marketing Fund or to a Cooperative. As further described in Item 11, you are required to plan and execute a grand opening advertising and promotional campaign for your first two Restaurants. We will credit and reimburse to you the grand opening funds paid to us for this purpose upon satisfactory proof that you have incurred expenses for approved grand opening advertising and promotional efforts. If you are developing only one Restaurant, you will not incur the second payment of \$9,000 for grand opening funds. This requirement is inapplicable to most Non-Traditional Restaurants. However, it is unlikely that either of your first two Restaurants will be Non-Traditional. While you are not obligated under the Franchise Agreement to conduct grand opening advertising after the first two Restaurants, we strongly recommend and encourage you to do so. We (or an affiliated entity) may make promotional items available for additional grand opening programs, and we may provide guidance and assistance to you to develop and execute such programs (see Item 11).

13. The estimated range includes the expenses of transportation to the certified training restaurant or Papa John's University located in our corporate headquarters in Louisville, Kentucky, lodging and meals for one person based on a seven week training period. We may require the training period to extend for more than seven weeks depending on the level of retail pizza and/or restaurant experience of the trainee. We also require training on the Papa John's PROFIT System™. Training is required for your Principal Operator, supervisors and Restaurant managers before your first Restaurant is opened. However, the costs will vary depending on the actual number of trainees, the distance to be traveled, the means of transportation used, the choice or availability of lodging and the experience of the trainees. Training materials will average \$100-\$250 per trainee.

14. This item covers miscellaneous opening costs and expenses, such as installation of telephones, business licenses, and recruiting and opening team training costs.

15. This item estimates your initial start up expenses for a three month period and assumes you pay the maximum estimated figure for monthly rent. These expenses include payroll costs for one restaurant manager and other restaurant employees, but do not include any draw or salary for you. This item does not include royalty or advertising payments, which will be based on your revenue. Sales Revenue will depend upon your own efforts and other factors that cannot be accurately predicted. Also, we cannot estimate the cost of any financing interest or the amount of any debt service obligation. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: your diligence and ability to follow our methods and procedures, your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

16. For standard Restaurants, we relied on our 20 years of business experience and that of our predecessors and affiliates to compile these estimates, and on information that we have obtained from our current franchisees. For Non-Traditional Restaurants, we have relied on our experience, and that of our franchisees, in operating restaurants at non-traditional locations. We have had approximately nine years of experience with this type of operation, and the information obtained from our franchisees is based on their experience. Some of the costs will vary depending on whether the Restaurant is the first one you open in a market or one of several you operate in the same market. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing from third parties will depend on factors such as the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions. The estimate does not include any finance charge, interest or debt service obligation.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You are required to follow the standards and specifications that we establish periodically with respect to food products, packaging, advertising materials, supplies, ingredients, equipment, computer hardware and software, fixtures, furnishings and other items, including non-food inventory items, used in the operation of the Restaurant. Other than those items that you may be required to purchase from us, PJ Food Service or another designated supplier, you may purchase from any approved supplier.

A list of approved products and the suppliers from which those products may be purchased may be published in the Manuals or in policy and procedures statements or provided to you by other written communication, and we may amend the list from time to time. If you want to purchase any products from a supplier other than an approved or designated supplier, you must submit to us a written request for approval of such supplier, or must request the supplier itself to do so. Our representatives must be permitted to inspect the supplier's facilities, and samples from the supplier must be delivered to us or to an independent laboratory that we choose for testing. We may charge you or the supplier an amount not to exceed the reasonable cost of the inspection and the actual cost of the tests. We will use reasonable efforts to begin an investigation of the proposed supplier and/or product within 30 days. We will notify you within 15 days after we complete our investigation whether we approve the proposed supplier and/or products. We reserve the right, at our option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current criteria. We do not provide our criteria for supplier approval to our franchisees.

PJ USA is currently the only approved supplier of the Information System and certain related services described in Items 6 and 11 and will also sell or license the Designated Software, all as further described in the materials attached as **Exhibit 7** and in Item 11. We presently require that you purchase pizza dough and pizza sauce only from our affiliate PJ Food Service. You are also required to purchase from PJ Food Service or another designated approved supplier, prepared pizza crusts, cheese, garlic butter sauce and nacho cheese flavored sauce. These items either have been specially prepared and contain trade secrets or we consider them to be integral to the System, or both. We reserve the right to require you to purchase from us, or PJ Food Service or from other sources we designate, additional or other items, and we or our affiliates may derive revenue from such purchases. If you are required to purchase products and supplies from us, PJ Food Service or another designated supplier in addition to those specified above, it is expected that the products and supplies that would be required to be purchased would be mainly food items and ingredients, although we may also require you to purchase certain promotional items (such as movies on DVD) from designated suppliers. The purposes of such a requirement would generally be to protect secret recipes, to ensure high standards of quality and product consistency, to protect or enhance the System, or to execute a national promotional campaign. PJ Food Service also sells packaging and paper products and most other food products used in a Papa John's Restaurant. The Authorization form that you are required to sign pursuant to the Franchise Agreement authorizes us and our affiliates to debit your bank

account the amounts due from you for purchases. All sales by our affiliates are on the terms and conditions they specify.

We and PJ Food Service do not guarantee or ensure the availability or pricing of the products provided by PJFS. However, if PJ Food Service ceases operating or ceases supplying you (other than as a result of the termination or expiration of the Franchise or your failure to meet their payment terms), we will use reasonable efforts to provide you with names, addresses and phone numbers of alternative approved suppliers and the products available from each such supplier.

Our affiliate, PMS, is a pre-approved supplier of uniforms and promotional items and pre-approved printed materials. You are not obligated to purchase anything from PMS. We, PMS and PJ USA do not guarantee or ensure the availability or pricing of the goods and services provided.

In 2006 we or our affiliates received \$3.5 million from designated suppliers because of their transactions with our franchisees and with us. This amount included \$2.1 million which was paid to Papa John's Marketing Fund, Inc. and was not used to defray any of our expenses (See Item 11). We expect to continue to receive similar or additional amounts in the future. We do not negotiate purchase arrangements with suppliers for your benefit. We do not provide any material benefits to you based on your use of designated or approved sources. There are no purchasing or distribution cooperatives.

In our fiscal year ending December 31, 2006, revenue received by our affiliates from the sale of products to our franchisees was: PJ USA \$11.4 million, PJ Food Service \$413.1 million, PMS \$21.0 million, and RSCIS and Risk Services \$1.6 million. As described above, Papa John's Marketing Fund received \$2.1 million in revenue from franchisee purchases. All of the required purchases that you must obtain from us or our affiliates represent 16% to 33% of your total purchases in connection with the establishment of a standard Restaurant, and 9% to 21% for a Non-Traditional Restaurant. All of your required purchases that you must obtain from approved suppliers or in accordance with specifications and standards represent 87% to 95% of your total purchases in connection with the establishment of a Restaurant and approximately 85% of your overall purchases in operating a Restaurant. These figures were derived from our audited financial statements or internal accounting records, in the case of standard Restaurants, and from our experience and that of our franchisees in operating Non-Traditional Restaurants.

All advertising and promotion by you in any manner or medium (including, for example, advertising via the Internet) must be done in a professional and dignified manner and must meet our specified standards and requirements. You must submit to us (via commercial overnight courier or through the certified mail, return receipt requested), for our prior approval (except with respect to prices to be charged), samples of all advertising or promotional plans and materials that you want to use and that have not been prepared or previously approved by us within the 90-day period preceding the intended use (if the sample is of any promotion to be undertaken via electronic medium, you must provide us a printed copy of all information contained in the promotion, indicating all links, if any, to other web sites, e-mail sites or other promotions via electronic medium). If you do not receive our written disapproval within 20 days, we will be deemed to have given the required approval. You must always comply with our directions regarding advertising, including modifying or discontinuing

use of any advertising or promotional materials, regardless of whether such materials had been previously approved.

Pursuant to the Franchise Agreement, if you will occupy the premises of the Restaurant under a lease, the initial term of the lease, or the initial term together with any renewal terms, must not be for less than the initial term of the Franchise Agreement, except for certain Non-Traditional locations, which may of necessity have lease terms as short as one year or even one season. You must submit a copy of the executed signature pages of the lease, as well as a copy of the executed Addendum to Lease (which is attached to this Offering Circular as Exhibit A to the Franchise Agreement) for the Restaurant to us immediately after signing and copies of the full leases and any exhibits and addenda at such other times as we may request. The lease must include such terms and conditions as are specifically set forth in the Addendum to Lease in the Franchise Agreement, except that most Non-Traditional locations are exempt from this requirement.

We require Papa John's Restaurants to be constructed or remodeled in accordance with our specifications. The Franchise Agreement requires that you purchase or lease and use only such equipment as we may specify or approve. Any alterations to our specifications that you propose to make must be approved by us in writing before any work is begun on the proposed alteration.

The Franchise Agreement requires you to maintain one or more insurance policies that are issued by insurance carriers rated "A-" or better by A.M. Best Company and within the limits specified below (or such greater amounts of insurance as may be required by the terms of any lease or mortgage relating to the Premises): (i) fire, extended coverage, vandalism, malicious mischief and special extended peril insurance at no less than the actual replacement value of the building (if owned), the contents, and improvements; (ii) workers' compensation and other insurance required by law; (iii) fire legal liability (unless you own the premises in which the Restaurant is located or have a cross-waiver of subrogation with your landlord); (iv) commercial general liability insurance on an "occurrence" form covering all operations by or on behalf of you providing insurance for bodily injury liability, property damage liability and personal injury liability for the limits of liability indicated below and including coverage for (A) Premises and Operations Liability, (B) Products and Completed Operations Liability, (C) Independent Contractors Protective Liability, (D) Blanket Contractual Liability insuring the obligations assumed by you under this agreement, and (E) Incidental Medical Malpractice; and (iv) automobile liability insurance, including non-owned automobiles (not required for Non-Traditional Restaurants that do not offer delivery service). The limits of liability required for each of the policies described above are: \$1,000,000 each occurrence (combined single limit for bodily injury and property damage); \$1,000,000 personal injury liability; \$1,000,000 aggregate for products - completed operations; \$2,000,000 general aggregate; and \$500,000 for fire legal liability. Except with respect to bodily injury and property damage included within the products and completed operations hazards, the aggregate limit must apply separately to each location. The limits of liability must not be less than \$1,000,000 combined single limit each accident for bodily injury and property damage combined. You are also required to maintain an umbrella policy with a minimum of \$1,000,000, which must expressly provide coverage in addition to the coverages listed above. We must be named as an additional insured on all your policies. These are only the minimum coverages required. We do not represent or warrant that these coverages are adequate. You should consult with your insurance advisors to assure that you obtain all required coverages as well as any additional

types of coverages or higher limits that they may recommend. As described in Item 1, Risk Services, our wholly-owned subsidiary, is one of our approved sources for the insurance coverage we require. Risk Services, through Fireman's Fund, Chubb Custom and A.C.E., offers coverage as described in this paragraph, but you are not required to purchase the insurance from Risk Services.

Upon request, you must deliver to us copies of all required insurance policies and proof of payment. All policies required under the Franchise Agreement must provide that the insurer will give us written notice not less than 30 days before any policy or coverage may be canceled, altered, or permitted to lapse or expire. We also have the right to increase the limits of any required policy of insurance. We expect that the required limits would not be increased unless deemed reasonably necessary: (1) to protect against increased liability exposures; (2) to cover additional equipment, leasehold improvements or signage requirements; or (3) as a result of a change in law or other factors justifying such increase.

Item 9

FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

Obligation	Section in Agreement	Item in Offering Circular
(1) Site selection and acquisition/lease	Sections 1 and 6 of Franchise Agreement, Section 3 of Development Agreement	Items 7 and 11
(2) Pre-opening purchases/leases	Sections 10, 11 and 12 of Franchise Agreement	Items 7, 8 and 11

Obligation	Section in Agreement	Item in Offering Circular
(3) Site development and other pre-opening requirements	Sections 6, 9 and 10.(a) of Franchise Agreement and Section 5 of the Development Agreement	Items 6, 7 and 11
(4) Initial and ongoing training	Sections 4, 10.(c) and 11.(d) of Franchise Agreement and Section 3.(c) of the Development Agreement	Items 7 and 11
(5) Opening	Section 2 of Franchise Agreement	Item 11
(6) Fees	Sections 3 and 10 of Franchise Agreement, Sections 2 and 3.(h) of Development Agreement	Items 5, 6, 7 and 11
(7) Compliance with standards and policies/Operations Manual	Sections 11.(c), (e) and (f) and 10 of Franchise Agreement	Items 8 and 11
(8) Trademarks and proprietary information	Sections 7, 10 and 17 of Franchise Agreement	Items 13 and 14

Obligation	Section in Agreement	Item in Offering Circular
(9) Restrictions on products/services offered	Section 11.(c) and 12 of Franchise Agreement	Items 11 and 16
(10) Warranty and customer service requirements	None	
(11) Territorial development and sales quotas	Section 5 of Franchise Agreement and Sections 1 and 3 of Development Agreement	Item 12
(12) On-going product/service purchases	Sections 10 and 12 of Franchise Agreement	Item 8
(13) Maintenance, appearance and remodeling requirements	Section 10 of Franchise Agreement	Item 11
(14) Insurance	Section 18 of Franchise Agreement	Items 7 and 8

Obligation	Section in Agreement	Item in Offering Circular
(15) Advertising	Section 8 of Franchise Agreement and Sections 2.(b) and 2.(c) of Development Agreement	Items 6, 7, 8 and 11
(16) Indemnification	Sections 3.(b) and 21.(b) of Franchise Agreement, Section 16.(b) of Development Agreement	Item 6
(17) Owner's participation/management/staffing	Sections 11.(a), (b) and 16.(d) of Franchise Agreement and Section 10 of Development Agreement	Items 11 and 15
(18) Records/reports	Sections 10 and 13 of Franchise Agreement	
(19) Inspections/audits	Section 11.(j) and 13.(f) of Franchise Agreement	Item 6
(20) Transfer	Section 14 of Franchise Agreement and Section 12 of Development Agreement	Item 17
(21) Renewal	Section 2 of Franchise Agreement and Section 4.(b) of Development Agreement	Item 17

Obligation	Section in Agreement	Item in Offering Circular
(22) Post-termination obligations	Sections 9 and 20 of Franchise Agreement and Section 11.(d) of Development Agreement	Item 17
(23) Non-competition covenants	Sections 16 and 20 of Franchise Agreement and Section 7 of the Development Agreement	Item 17
(24) Dispute resolution	Section 23.(a) of Franchise Agreement and Section 15.(a) of Development Agreement	Item 17