

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer for sale in the Restaurants only those products and services specified in the Franchise Agreement and the Manuals which satisfy our standards and specifications and which you purchase from approved suppliers (see Item 8). Unless we specifically consent in writing, you must offer all the products and services specified in the preceding sentence. We can modify any of our specifications, standards and requirements whenever we deem necessary, and if so, you must modify your operations. Our right to modify or add to what you must offer is not limited in any way.

You may not use the Restaurant location for any purpose other than the operation of a Restaurant complying with our requirements, and you may only advertise locally through media we approve, including periodicals, radio, television, outdoor signs on billboards or buildings, newspapers, flyers and direct mail. [See Item 12.] You must notify us if you plan to close the Restaurant for remodeling.

Subject to our approval, in Section 8.4 of the Franchise Agreement, you may use the Internet to identify locations of your Restaurants at which products are sold, but you may not sell any products, including gift cards, on the Internet. You may not sell any pre-packaged items, including anything from the Restaurants, nor conduct retail sales or gift card sales in other locations. We retain the exclusive right to sell products at grocery, mass merchandise, wholesale/club, convenience, drug stores and other similar locations.

You are not limited in the customers to whom you may serve.

ITEM 17
RENEWAL, TERMINATION,
TRANSFER AND DISPUTE RESOLUTION

TABLE 1
DEVELOPMENT AGREEMENT

This table lists certain important provisions of the Development Agreement and related agreements. You should read these provisions in the agreements attached to this Offering Circular.

Provision	Section in Development Agreement	Summary
a. Length of the term of the franchise	Section 1.1, 9.1	From 1 to 20 years.
b. Renewal or extension of the term	None	

c. Requirements for you to renew or extend	None	
d. Termination by you	None	
e. Termination by us without cause	Sections 1.1, 9.1	When the term expires.
f. Termination by us with cause	Sections 2.3, 3.3, 9.1, 9.2, 9.3, 9.4	We can terminate only if you default.
g. "Cause" defined – curable defaults	Sections 2.3, 3.3, 9.2, 9.4	(i) You have 60 days to cure a default of your development schedule; (ii) you have 30 days to cure non-payment of fees; (iii) you have 90 days to dismiss a bankruptcy petition filed by or against you; (iv) you have 90 days to employ your first Director of Operations and 180 days to find a replacement if his/her employment with you terminates, all of whom we must approve; (v) you have 30 days to cure other defaults under the agreement not mentioned here or in item "h".
h. "Cause" defined - defaults which cannot be cured	Sections 9.2, 9.3	Non-curable defaults: (i) if you open a Restaurant and fail to get the site and/or the plans pre-approved; (ii) if you try to transfer the agreement before you open all the Restaurants required, or later if you did not get our consent; (iii) if you or one of your Principal Shareholders is convicted of or pleads <i>nolo contendere</i> to a felony or a crime involving moral turpitude; (iv) if you made a misrepresentation to us about a material fact; (v) if you misuse our trademarks or disclose any confidential information to a third party; (vi) if you default under a franchise agreement and we terminate that agreement; (vii) if you have 2 or more of the same defaults in a 12-month period.
i. Your obligations on termination/nonrenewal	Section 4.4	Obligations include payment of any fees or expenses due us (also see item "r" below).
j. Assignment of contract by us	None	No restriction on our right to assign.
k. "Transfer" by you - defined	Sections 8.2, 8.3, 8.4, 8.5	Includes pledge or transfer of agreement or assets or ownership change.

l. Our approval of transfer by you	Section 8.5	If you have the right to transfer, we may approve or withhold our consent, but if we withhold consent, we must tell you why. If we do not respond to a request for transfer within the 45 days provided in the agreement, our consent is deemed given. If you are a Principal Shareholder transferring to another Principal Shareholder, we cannot unreasonably withhold our approval.
m. Conditions for our approval of transfer	Sections 8.8, 8.9	New franchisee qualifies; transfer fee paid; purchase agreement/merger documents approved; training set-up if needed; release signed by you; fees paid; transfer of current agreement signed by new franchisee; Manuals returned (also see item "r" below).
n. Our right of first refusal to acquire your business	Section 8.7	We can match any offer for your business. If offer includes non-cash items, we can pay you in cash or our securities for the value of those non-cash items.
o. Our option to purchase your business	None	
p. Your death or disability	Section 8.5	Your estate may transfer your interest in the agreement to your spouse, children or person designated in your will or trust without our approval, if your successor agrees to be bound by the agreement.
q. Non-competition covenants during the term of the franchise	Section 11.1	No involvement in competing business in the Territory, or in the Area of Dominant Influence in which the Territory is located or within a 5-mile radius of any Restaurant anywhere.
r. Non-competition covenants after the franchise is terminated or expires	Section 11.1	No competing business for 2 years within the Territory, or in the Area of Dominant Influence in which the Territory is located, within a 5-mile radius of any Restaurant anywhere or within an area which has been defined as a Territory in another franchisee's development agreement at the time your agreement expires or terminates.
s. Modification of the agreement	Section 16.4	No modification without all parties' consent, but we can update the Manuals.

t. Integration/merger clause	Section 16.3	All agreements are merged into this agreement and the franchise agreement (subject to state law). Any other promises may not be enforceable unless contained in this Offering Circular.
u. Dispute resolution by arbitration or mediation	None	
v. Choice of forum	Section 15.3	Litigation must be in Johnson County, Kansas. A right to a jury trial is waived.
w. Choice of law	Section 15.2	Kansas law applies.

These states have statutes which may supersede the development agreement in your relationship with us, including the areas of termination and renewal of your development agreement: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e *et seq.*], DELAWARE [Code, tit.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [815 ILCS 705/1-44], INDIANA [Stat. Section 23--2--2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the Development Agreement in your relationship with us, including the areas of termination and renewal of your Development Agreement.

TABLE 2 FRANCHISE AGREEMENT

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Offering Circular.

Provision	Section in Franchise Agreement	Summary
a. Length of the term of the franchise	Section 1.2	Term is 20 years.
b. Renewal or extension of the term	Section 1.3	If you are in good standing each time, you may renew 4 times for 5 years each.

c. Requirements for you to renew or extend	Section 1.3	Each time you renew, all of your Restaurants must be in good standing, you must sign a new agreement, you must pay a fee equal to 10% of the franchise fee paid or that would be paid by new franchisees and you must notify us 7-12 months before your agreement expires that you want to renew.
d. Termination by you	None	
e. Termination by us without cause	None	
f. Termination by us with cause	Section 19.1	We can terminate you if you default.
g. "Cause" defined – curable defaults	Section 19.1	You have 60 days to cure: (i) non-submission of reports; (ii) failure to spend local advertising fee; (iii) payment of miscellaneous fees due us; (iv) failure to pay your debts and any other matters not listed in Section 19.1(a) - 19.1(f), except you have 90 days to dismiss a bankruptcy filed by or against you. If you default for the same obligations 2 times in a 12-month period, we may terminate you on 30 days' notice without any cure period.
h. "Cause" defined - defaults which cannot be cured	Section 19.1	Non-curable defaults: (i) failure to pay your royalty and advertising fee by the 12th day of the next month; (ii) an unapproved transfer; (iii) disclosure of confidential information; (iv) competing with the Restaurants; (v) failing to keep your Restaurant in compliance with the operating specifications set forth in the Manuals; (vi) loss of your liquor license for more than 30 days during any 12-month period; (vii) if you lose your lease or your right to operate your Restaurant (unless it is because of "Force Majeure"); (viii) the discovery by us of a material misrepresentation of information you furnished us; (ix) if you or one of your Principal Shareholders is convicted or pleads <i>nolo contendere</i> to a felony or a crime involving moral turpitude.

i. Your obligations on termination/nonrenewal	Sections 19.2, 19.3, 19.4, 19.5	You must close your Restaurant and not remove any property for 30 days. You must stop using all our trade names, trademarks, service marks and logos and all recipes and methods of operation described in the Manuals. If you own the Restaurant premises, we have the option for 30 days to buy the premises for fair market value. (We also have the option for 30 days to buy the equipment for fair market value.) Fair market value is either the price agreed to by you and us or set by appraisers chosen as described in the agreement. If you do not want to sell the premises, you must lease it to us. If leasing the Restaurant premises, you must assign your lease to us (also see item "r" below).
j. Assignment of contract by us	None	No restriction on our right to assign.
k. "Transfer" by you - defined	Section 12.2, 12.3, 12.4	Includes pledge or transfer of contract, assets or ownership change.
l. Our approval of transfer by you	Sections 12.1, 12.5, 12.7, 12.8	We have the right to approve all transfers. If we withhold consent, we must tell you why. If we do not respond to a request for transfer within the 45 days provided in the agreement, our consent is deemed given. If you are a Principal Shareholder transferring to another Principal Shareholder, we cannot unreasonably withhold our approval.
m. Conditions for our approval of transfer	Sections 12.8, 12.9	New franchise qualifies; transfer fee paid; purchase/merger agreement approved; training, if needed, arranged; release signed; assignment of agreement or new agreement signed by new franchisee (also see item "r" below).
n. Our right of first refusal to acquire your business	Section 12.7	We can match any offer for your business. If offer includes non-cash items, we may pay you in cash or our securities for the value of those non-cash items.
o. Our option to purchase your business	Sections 19.4, 19.5	Upon your termination or non-renewal, if you own the Restaurant premises, we have the option for 30 days to buy the premises for fair market value. If you do not want to sell the premises, you must lease it to us. If leasing the premises, you must assign your lease to us. (Also, see item "i" above.)

p. Your death or disability	Section 12.5	Your estate may transfer your interest in the agreement to your spouse, children or person designated in your will or trust without our approval, if your successor agrees to be bound by the agreement.
q. Non-competition covenants during the term of the franchise	Section 13.1	No involvement in competing business in the Territory, or in the Area of Dominant Influence in which the Territory is located or within a 5-mile radius of any Restaurant anywhere.
r. Non-competition covenants after the franchise is terminated or expires	Section 13.2	No competing business for 2 years within the Territory, or in the Area of Dominant Influence in which the Territory is located, within a 5-mile radius of any Restaurant anywhere or within an area which has been defined as a Territory in another franchisee's development agreement at the time your agreement expires or terminates.
s. Modification of the agreement	Sections 8.2, 9.1, 23, 25.6	No modification without all parties' consent, but we can (i) make changes in the Manuals; (ii) change the advertising fee and the amount spent on local advertising; (iii) increase the royalty fee; (iv) terminate the agreement if you do not get a liquor license or some third party has superior rights in the area in our trade name; (v) change the trade name or trademark used.
t. Integration/merger clause	Section 25.5	All agreements are merged into this agreement and the development agreement (subject to state law). Any other promises may not be enforceable unless contained in this Offering Circular.
u. Dispute resolution by arbitration or mediation	None	
v. Choice of forum	Section 21.3	Litigation must be in Johnson County, Kansas. A right to a jury trial is waived.
w. Choice of law	Section 21.2	Kansas law applies.

These states have statutes which may supersede the franchise agreement in your relationship with us, including the areas of termination and renewal of your franchise agreement: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e *et seq.*], DELAWARE [Code, tit.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [815 ILCS 705/1-44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51],

MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your Franchise Agreement.

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchise.

We may, however, retain a well-known person to appear in various advertising campaigns for the Restaurants. We may also enter into an agreement with a well-known personality for his or her services which may result in a positive public image for the System.

We have engaged a celebrity chef to create menu items for the Restaurants and to publicize such items in advertising for the Restaurants to the general public.

ITEM 19 EARNINGS CLAIMS

We do not furnish or authorize our representatives to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of an Applebee's Neighborhood Grill & Bar Restaurant. Actual results vary from unit to unit, and we cannot estimate the results of any particular franchise.

ITEM 20 LIST OF OUTLETS

As of December 31, 2006, there were 1,409 Applebee's Neighborhood Grill & Bar Restaurants operating under a Franchise Agreement. A complete list of franchisees with a Development Agreement and/or Franchise Agreement, including their names, addresses, and telephone numbers is attached as Exhibit H. Also included in Exhibit H is the location of the individual franchise outlets operated by each franchisee.

As of December 31, 2006, there were 521 Applebee's Neighborhood Grill & Bar Restaurants operated by us. A complete list of the company-owned outlet locations operated by us is attached as Exhibit I.

**STATUS SUMMARY OF
DEVELOPMENT AGREEMENTS
FOR YEARS 2006/2005/2004⁽¹⁾**

State	Transfers	Cancelled or Terminated	Not Renewed	Reacquired By Franchisor	Left the System/ Other	From Left Columns	Development Agreements ⁽²⁾ at Year End
Alabama		1/0/0				1/0/0	6/6/6
Alaska							1/1/0
Arizona							2/2/2
Arkansas				0/2/0		0/2/0	2/3/3
California	1/1/0	4/0/0				5/1/0	5/10/8
Colorado							2/2/2
Connecticut							1/1/1
Delaware							1/1/1
Florida		2/0/0				2/0/0	7/8/8
Georgia							6/6/6
Hawaii							
Idaho							3/3/3
Illinois							4/4/4
Indiana	1/0/0					1/0/0	4/4/4
Iowa							4/4/4
Kansas				0/1/0		0/1/0	3/3/4
Kentucky	1/0/0					1/0/0	5/5/5
Louisiana							2/2/2
Maryland							1/1/1
Michigan							2/2/2
Minnesota				0/1/0		0/1/0	2/2/3
Mississippi		1/0/0			0/0/3	1/0/3	4/4/3
Missouri				0/2/0		0/2/0	5/5/7
Montana							2/2/2
Nebraska							4/4/4
Nevada							1/1/1
New Jersey							4/4/4