

SECURITIES AND EXCHANGE COMMISSION

FORM POS AM

Post-Effective amendments for registration statement

Filing Date: **1999-07-27**
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FILER

KFC NATIONAL PURCHASING COOPERATIVE INC

CIK: **310205** | IRS No.: **610946155** | State of Incorporation: **DE** | Fiscal Year End: **1031**
Type: **POS AM** | Act: **33** | File No.: **033-56982** | Film No.: **99670692**
SIC: **5140** Groceries & related products

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LOUISVILLE KY 40207
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As filed with the Securities and Exchange Commission on July 27, 1999
Registration No. 33-56982

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 6 TO
FORM S-1 REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

KFC NATIONAL PURCHASING COOPERATIVE, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

5199
(Primary standard industrial classification code number)

61-0946155
(I.R.S. Employer Identification No.)

950 Breckenridge Lane
Louisville, Kentucky 40207
(502) 896-5900
(Address, including zip code and telephone number, including
area code, of registrant's principal executive offices)

Daniel E. Woodside, President and Chief Executive Officer
KFC NATIONAL PURCHASING COOPERATIVE, INC.
P.O. Box 32033
Louisville, Kentucky 40232
(502) 896-5900
(Name, address including zip code, and telephone
number, including area code, of agent for service)

Copies to:
R. James Straus
James A. Giesel
BROWN, TODD & HEYBURN PLLC
400 West Market Street
32nd Floor
Louisville, Kentucky 40202-3363
(502) 589-5400

[facing sheet continues]

Approximate date of commencement of the proposed sale to the public

As soon as practicable after this amendment to the Registration
Statement becomes effective.

If any of the securities being registered on this form are to be
offered on a delayed or continuous basis pursuant to Rule 415 of the Securities
Act of 1933, check the following box.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Prospectus

KFC NATIONAL PURCHASING COOPERATIVE, INC.
950 Breckenridge Lane
P. O. Box 32033
Louisville, Kentucky 40207
(502) 896-5900

473 Shares of Membership Common Stock, no par value
Series A through G and J
451 Shares of Store Common Stock, no par value

We are offering these shares only to owners and operators of KFC retail outlets to provide working capital for the purchasing programs of the KFC Coop and, by virtue of membership, to encourage KFC operators to use the volume purchasing services of the KFC Coop. Members must purchase one share of Membership Common Stock and that number of shares of Store Common Stock which equals the total number of KFC retail outlets owned or operated by the member. Members are entitled to patronage dividends, if distributed, on the basis of the value of their annual business done with the KFC Coop.

No market for this stock exists nor is any expected to develop. You should not expect any return on your investment through stock appreciation or per share dividends.

The Offering

<TABLE> <CAPTION>	Price to Operators ----- <C>	Underwriting Discounts and Commissions ----- <C>	Proceeds to the KFC Coop* ----- <C>
<S>			
Membership Common Stock (Series A through G and J)			
Per Share	\$ 10	0	\$ 10
Total	\$ 4,730		\$ 4,730
Store Common Stock			
Per Share	\$ 400	0	\$ 400
Total	\$ 180,400		\$ 180,400
</TABLE>			

* Before deducting expenses, estimated at \$15,000, to be paid by the KFC Coop.

We are using our best efforts to sell these shares. There is no minimum number of shares that must be sold.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OF COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

_____, 1999

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PROSPECTUS SUMMARY

WHO ARE WE?

The KFC Coop is a purchasing cooperative which focuses on the purchase of the food, packaging, supplies, equipment and related services used by owners and operators of KFC restaurants, including Tricon Global Restaurants, Inc. Along with cooperatives representing owners and operators of Taco Bell and Pizza Hut restaurants, we are a member of the Unified Foodservice Purchasing Co-op, LLC, which administers our purchasing program. Tricon, together with its subsidiaries, is the franchisor and licensor of the KFC, Taco Bell and Pizza Hut concepts, the developer of products used and sold by the Tricon concepts, and an operator of many KFC, Taco Bell and Pizza Hut retail outlets.

WHY IS THIS STOCK BEING OFFERED?

The KFC Coop is offering these membership interests (a) to raise proceeds to provide working capital for the operation of the KFC Coop; (b) to encourage all KFC outlets, by virtue of membership, to use the volume purchasing services of the KFC Coop and Unified Co-op, thereby enhancing the ability of the KFC Coop and Unified Co-op to achieve economies of scale in purchasing activities; and (c) to maintain a cooperative in which the only members are Tricon, the KFC National Council and Advertising Cooperative, Inc., and KFC franchisees and licensees, thereby better enabling the KFC Coop to respond to the unique needs and requirements of KFC operators.

WHY SHOULD I PURCHASE THIS STOCK?

You should purchase KFC Coop stock to participate in the purchasing programs we offer for our members, to participate in any patronage dividend program, and to participate in our management through the election of directors. Together with the Unified Co-op, it is our goal to administer purchasing programs for our members which should significantly reduce their store delivered costs of goods and equipment. You should not expect any return on your investment through stock appreciation or per share dividends.

HOW MANY SHARES OF STOCK MUST I PURCHASE TO PARTICIPATE IN THE KFC COOP'S PROGRAMS?

If you are a KFC franchisee or licensee and wish to become a stockholder member of the KFC Coop, you must: (a) purchase one share of Membership Common Stock; and (b) purchase that number of shares of Store Common Stock which equals the total number of KFC traditional retail outlets you own and operate plus one half, rounded up to the nearest whole number, of the total number of non-traditional retail outlets you own and operate, if any.

MAY I SELL OR TRANSFER THIS STOCK?

Transfers of KFC Coop stock are restricted. No market for it exists, nor is any expected to develop. The KFC Coop expects to redeem shares of Membership Common Stock for \$10.00 per share from any member who no longer qualifies as a member. The KFC Coop may, but is not obligated to, purchase Store Common Stock. If the KFC Coop does not exercise its right to purchase such Store Common Stock, it may be sold or otherwise transferred, but only to other qualified KFC operators.

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WILL I RECEIVE PATRONAGE DIVIDENDS?

The holders of Store Common Stock are entitled to receive dividends or other distributions. However, it is currently anticipated that no dividends, other than patronage dividends, will be paid to stockholder members in good standing. See "Will I receive dividends and patronage dividends?"

HOW DO I BECOME A MEMBER?

To become a member of the KFC Coop you should read this prospectus and send your payment in the amount of \$10 for your one share of Membership Common Stock plus \$400 for each share of Store Common Stock you are required to purchase to the KFC Coop at Stockholder Records, KFC National Purchasing Cooperative, Inc., 950 Breckenridge Lane, Louisville, Kentucky, 40232.

WHO IS BEING OFFERED THIS STOCK?

We are offering Membership Common Stock (Series A-G and J) and Store Common Stock to (a) persons or entities that are franchisees or licensees of the KFC Corporation, (b) Tricon and (c) the NCAC. The series of Membership Common Stock issued to an operator is generally based on the subscriber's geographic location. See "Description of KFC Coop Stock."

HOW IS THIS STOCK BEING OFFERED?

These shares of stock are being offered through officers, directors and other affiliates of the KFC Coop. Sales will be made to KFC outlet operators only in units consisting of one share of Membership Common Stock and one share of Store Common Stock for each one traditional outlet or each two non-traditional outlets owned by such operator.

HOW WILL THESE PROCEEDS BE USED?

Any net proceeds of this offering will be used to provide working capital for the operation of the KFC Coop. The working capital needs of the KFC Coop may also be met through borrowings.

IS TRICON INVOLVED?

Tricon is a member of the KFC Coop and has purchased one share of Series K Membership Common Stock and the required number of shares of Store Common Stock to be a member in good standing of the KFC Coop. Tricon, however, is not a member of the Unified Co-op. As franchisor of the Tricon concepts and as an operator of many outlets, we believe Tricon is strongly committed to the success of the KFC Coop and Unified Co-op. Tricon entered into an expense sharing arrangement under which Tricon provided \$400,000 to the Unified Co-op to assist the Unified Co-op with organizational expenses and Tricon has agreed to purchase through the Unified Co-op virtually all of the goods and equipment needed for the Tricon operated outlets.

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SUMMARY FINANCIAL INFORMATION
(dollars in thousands)

<TABLE>
<CAPTION>

	Year Ended October 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Consolidated Statements of Income:			
Net Sales	\$664,792	\$600,132	\$580,441
Net Income	60	748	1,386
Consolidated Balance Sheets (at end of period):			
Working Capital	16,346	18,305	17,841
Total assets	61,338	49,800	49,445
Members' equity	17,896	17,586	16,802

</TABLE>

THE OFFERING

WHY IS THIS STOCK BEING OFFERED?

The KFC Coop is offering these securities (1) to raise proceeds to provide working capital for the operation of the KFC Coop; (2) to encourage all KFC operators, by virtue of membership, to use the volume purchasing services of the KFC Coop and Unified Co-op, thereby enhancing the ability of the KFC Coop and Unified Co-op to achieve economies of scale in purchasing activities; and (3) to maintain a cooperative in which only Tricon, the KFC National Council and Advertising Cooperative, and KFC franchisees and licensees are members, thereby better enabling the KFC Coop to respond to the unique needs and requirements of KFC operators.

HOW IS THIS STOCK BEING OFFERED?

This KFC Coop stock is being offered directly by officers, directors and other affiliates of the KFC Coop. None of these people will receive any commission or fee in connection with these sales. These shares are only being offered to operators of KFC retail outlets, including Tricon, and the NCAC. Sales are made only in units consisting of one share of Membership Common Stock per operator and one share of Store Common Stock for each outlet (or each two non-traditional outlets) operated by such operator. This KFC Coop stock is being offered on a continuing basis, subject to applicable legal requirements.

The KFC Coop reserves the right in its sole discretion to accept or

reject any membership subscription.

The shares of KFC Coop stock are being offered on a "best efforts" basis. There is no scheduled termination date for this offering, no minimum required purchase, nor have any

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arrangements been made to place the funds received in the offering in escrow, in trust or to make other similar arrangements.

No person is authorized by the KFC Coop to give any information or to make any representations other than those contained in this prospectus in connection with the offering described herein. This prospectus does not constitute an offer of any membership interest other than the shares of KFC Coop stock to which it relates, or an offer by any person within any jurisdiction to any person to whom such offer would be unlawful. The delivery of this prospectus at any time does not imply that the information herein is correct as of any time subsequent to its date.

As of June 30, 1999, 580 shares of Membership Common Stock and 5,465 shares of Store Common Stock were outstanding.

HOW WILL THESE PROCEEDS BE USED?

The Membership Common Stock price of \$10 per share was determined arbitrarily and bears no relation to a stockholder member's equity, income or other recognized criteria of value. Since July 1, 1983, the offering price of Store Common Stock has been \$400 per share. The KFC Coop intends to keep the price of Store Common Stock at \$400 per share through at least October 31, 1999, in order to encourage new memberships in the KFC Coop.

Any net proceeds of this offering will be used to provide working capital for the operation of the KFC Coop. As part of the consideration for its membership interest in the Unified Co-op, the KFC Coop made an initial capital contribution of \$1,000,000 to the Unified Co-op and an initial loan to the Unified Co-op of \$1,000,000. The working capital needs of the KFC Coop may also be met through borrowing. The KFC Coop currently has a \$15 million revolving line of credit with a commercial bank. See "Liquidity and Capital Resources."

HOW DO I BECOME A MEMBER?

Membership in the KFC Coop is open to all KFC operators.

To join the KFC Coop you should read this prospectus and send your payment in the amount of \$10 for your one share of Membership Common Stock plus \$400 for each share of Store Common Stock you are required to purchase to the KFC Coop at Stockholder Records, KFC National Purchasing Cooperative, Inc., 950 Breckenridge Lane, Louisville, Kentucky, 40232.

If a member at any time becomes an operator of additional KFC outlets, that member must purchase one additional share of Store Common Stock for each additional traditional outlet or each two additional non-traditional outlets.

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CAPITALIZATION

The following table shows the capitalization of the KFC Coop as of June 30, 1999, and as adjusted assuming all shares of Membership and Store Common Stock offered hereby are sold:

<TABLE>
<CAPTION>

	OUTSTANDING JUNE 30, 1999 -----	ADJUSTED ASSUMING ALL SHARES OFFERED ARE SOLD -----
<S>	<C>	<C>

Short-Term Indebtedness *.....	\$	1,000	\$	1,000
Capital Stock:				
Membership Common Stock,				
(2,000 shares authorized),				
473 shares offered,				
no par value.....		580 shares		1,053 shares
Store Common Stock,				
(10,000 shares authorized),				
451 shares offered,				
no par value.....		5,465 shares		5,916 shares

</TABLE>

* For information concerning the KFC Coop's borrowing arrangements, see "Liquidity and Capital Resources."

THE BUSINESS

WHO ARE WE?

The KFC Coop is a purchasing cooperative that operates a purchasing program through the Unified Co-op in order to provide its members with the lowest possible store delivered costs for goods and equipment used in their outlets. Our stockholder members are operators of KFC outlets, including Tricon, and the NCAC. Until March 1, 1999, we administered purchasing programs for multiple restaurant concepts, but now we only operate and only plan to operate purchasing programs for KFC operators.

History

The KFC Coop was incorporated in 1978 on the premise that one central procurement organization for KFC operators could decrease the costs of goods and equipment for KFC operators. Beginning in 1992, the KFC Coop expanded its purchasing programs to include KFC franchisees in Canada, Taco Bell franchisees in the United States and franchisees of non-Tricon related restaurant concepts.

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In March, 1999, pursuant to a corporate reorganization, the KFC Coop stopped operating its KFC-Canada, Taco Bell and non-Tricon related purchasing programs. On March 1, 1999, the KFC Coop split off its Taco Bell purchasing program business into the newly organized Taco Bell National Purchasing Coop, Inc. To effect this split off, the KFC Coop (1) transferred certain assets, liabilities and members' equity that related specifically to its Taco Bell operations to the Taco Bell Coop, and (2) offered KFC Coop stockholders who were Taco Bell operators the opportunity to exchange their shares of KFC Coop stock for shares of Taco Bell Coop stock, pursuant to a tender offer. As of March 23, 1999, the KFC Coop's Canada subsidiary transferred all of its purchasing contracts, equipment, and other assets to the Unified Purchasing Group of Canada, Inc. and no longer operates a purchasing program. As of the date of this prospectus, the KFC Coop only operates a purchasing program through the Unified Co-op for goods and equipment used by operators of KFC outlets. Our Bylaws require us to always do more than 50% of the value of our business with KFC Coop members.

On March 1, 1999, the Unified Co-op was organized with the three concept coops as its initial members: the KFC Coop, the Taco Bell Coop and the Pizza Hut National Purchasing Coop, Inc. The Unified Co-op provides the support and operational services for each concept coop through combined administrative and purchasing functions. Tricon is a member of each concept coop.

Operations

Through the Unified Co-op, the KFC Coop makes volume purchases and arranges for the purchases of goods and equipment from manufacturers and suppliers for sale to KFC operators and distributors who supply KFC operators. We work to obtain low prices by making or arranging volume purchase commitments and by assuming other purchasing functions and risks on behalf of KFC operators, distributors and suppliers. We also reduce the cost to the KFC system by assuming many credit, sales, marketing and billing functions, which would otherwise be performed by multiple suppliers. Our volume purchase commitments allow suppliers to reduce their costs since they can more effectively plan their production, purchasing, and inventory levels.

We also provide our members with advisory services relating to the distribution of goods and equipment, including industry data on distribution costs and service levels, which enable our members to negotiate more effectively with distributors and we sponsor a Distributor Monitor Program to enhance the system of independent distributors available to KFC operators.

In sum, the KFC Coop provides the convenience of "one-stop" shopping for suppliers, distributors and operators that otherwise might be required to deal with a number of third parties.

Through the ongoing membership subscription of KFC operators, we seek to maximize our number of members to enhance our ability to achieve economies of scale in our purchasing activities.

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WHAT IS THE UNIFIED CO-OP?

The mission of the Unified Co-op is to work with concept franchisees and licensees and Tricon in the development and supply of goods and equipment for each concept at the lowest sustainable outlet-delivered price.

In addition to reducing the store delivered costs of goods and equipment, the goals of the organizers of the Unified Co-op were to:

- Allow the KFC, Taco Bell and Pizza Hut franchisees to work together to identify common interests as Tricon franchisees. Historically, the KFC, Taco Bell and Pizza Hut systems were administered separately in most respects and each system's franchisees had their own franchisee organizations. Now, concept coops for each system are the members of the Unified Co-op which is governed by a board of directors with franchisees from each system;
- Allow Tricon and its franchisees to work together. There are often tensions between a franchisor and franchisees concerning a myriad of issues such as the terms of franchisee agreements, the expenditure of marketing funds, the advisability of product promotions and changes, and the franchisor's role in the procurement and distribution of goods and equipment. The Unified Co-op should substantially align the interests of Tricon as operator and franchisor and of Tricon's franchisees in the procurement of goods and equipment at the lowest possible sustainable store delivered price;
- Increase the purchasing power and leverage of the operators' purchasing cooperative by allowing the purchasing cooperative to make larger volume purchase commitments and to speak with one consistent voice with suppliers;
- Facilitate taking advantage of both title and non-title transactions. Historically, the KFC Coop took title to goods and equipment purchased from vendors and resold them to operators and their distributors. By taking title, the KFC Coop assumed the administrative burden of obtaining payment from operators and their distributors. Historically, Tricon's Supply Chain Management negotiated terms with suppliers pursuant to which suppliers would sell goods and equipment directly to Tricon and other franchisee operators and their distributors, without assuming any credit risks. For instance, prior to the organization of the Unified Co-op, suppliers of goods to AmeriServe Food Distribution, Inc. for resale by AmeriServe to Tricon took the credit risk of payment for those goods, while suppliers that sold to distributors through the KFC Coop looked to the KFC Coop rather than to the distributor for payment. The Unified Co-op combined the KFC Coop's expertise with respect to title transactions and Supply Chain Management's expertise with respect to non-title transactions, allowing the Unified Co-op to evaluate on an item by item, program by program and distributor by distributor basis which kind of transaction will result in the lowest possible sustainable store delivered prices;

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- Allow a higher level of sophistication in purchasing programs and partnerships with suppliers by combining the expertise in each purchasing program and by allowing more specialized purchasing supported by a larger organization;
- Eliminate most sheltered income, which includes rebates, volume

discounts, and promotional allowances, that does not benefit all operators equally. Tricon has agreed to forego the collection of most sheltered income from suppliers and distributors which franchisees believe will allow suppliers and distributors to charge lower prices; and

- End confusion for valued suppliers and distributors which was caused by uncoordinated, separate communication to suppliers and distributors from Tricon's Supply Chain Management division and a separate franchisee purchasing organization such as the KFC Coop concerning such matters as requirements and purchase commitments and over who "speaks" for the restaurant system.

In conjunction with our membership in the Unified Co-op, we operate a KFC purchasing cooperative business. Although this business is outsourced to and administered by the Unified Co-op, the KFC purchasing program is subject to significant control, advice and counsel of the KFC Coop. The KFC Coop Board of Directors exercises policy making decisions and administers the patronage dividend program. Although the KFC Coop is an independent corporation, its success is, in large part, linked to the success of the Unified Co-op and the ability of the Unified Co-op to administer purchasing programs which utilize economies of scale to reduce the store delivered costs of goods and equipment to operators.

ORGANIZATIONAL STRUCTURE

The KFC Coop, the Taco Bell Coop, and the Pizza Hut Coop are the parties to the Operating Agreement for the Unified Co-op dated as of March 1, 1999. The Unified Co-op is a Kentucky limited liability company. Tricon is a recognized third party beneficiary of the Operating Agreement. The Operating Agreement describes the business of the Unified Co-op. The Unified Co-op combines the purchasing volume for goods and equipment within and across Tricon's KFC, Taco Bell and Pizza Hut concepts in order to achieve the lowest possible store delivered costs for outlet operators. The Unified Co-op manages and operates purchasing programs for each of the concept coops consistent with the terms of management agreements between the Unified Co-op and each concept coop. (See "Purchasing Programs.")

Separate Capital Accounts. Each concept coop has a capital account balance, representing that concept coop's property interest in the Unified Co-op. The capital accounts were initially credited with the fair market value of the assets contributed to the Unified Co-op by each concept coop, plus that concept coop's share of the Unified Co-op's liabilities, minus the amount of the concept coop's liabilities assumed by the Unified Co-op. A concept coop's capital account balance increases by an amount equal to any profits allocated to the concept coop and decreases by an amount equal to any allocations of losses or distributions of net cash flow.

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Increases or decreases in a concept coop's share of the Unified Co-op's liabilities will also increase or decrease the concept coop's capital account balance.

Except as expressly provided in the Operating Agreement, no concept coop is entitled to withdraw any part of its capital contributions or capital account, or to receive any distribution from the Unified Co-op.

Distributions to Members. The Unified Co-op's net cash flow (defined generally to mean revenues minus expenses and reserves) is retained by the Unified Co-op for reinvestment in the Unified Co-op's business. However, such net cash flow is distributed annually to the concept coops in an amount equal to the federal and state income taxes due with respect to the Unified Co-op's profits for a given year, assuming that the Unified Co-op's profits are taxed at the highest applicable marginal rates. The Unified Co-op may also determine to distribute additional net cash flow over and above the amount necessary to cover the concept coops' taxes. The Unified Co-op's net cash flow arising out of its profits in a given taxable year is distributed among the concept coops in accordance with their relative annual patronage for such year. Any distributions of net cash flow in a given tax year in excess of that amount is distributed among the concept coops in accordance with their relative capital account balances (calculated by excluding each concept coop's initial capital account balance). No member of a concept coop is entitled to receive patronage dividends from the Unified Co-op. Members of a concept coop are entitled to patronage dividends only as provided by the certificate of incorporation and bylaws of their concept coop. See "Will I receive dividends and patronage dividends?"

Additional Members. The Unified Co-op may admit additional members from time to time at the election of the Unified Co-op Board of Directors, upon the terms and conditions determined by the Unified Co-op Board. A prerequisite to admission to membership in the Unified Co-op is the written agreement by the additional member to be bound by the terms of the Operating Agreement.

The Unified Co-op Board of Directors. The business and affairs of the Unified Co-op is managed by the Unified Co-op Board. The Unified Co-op Board constitutes the "manager" of the Unified Co-op.

The number of full voting directors is eight. Unless otherwise provided in each concept coop's bylaws, the Unified Co-op Board consists of (i) the chairperson of the board of each of the concept coops, (ii) one additional representative selected by each of the concept coops, and (iii) two representatives selected by Tricon. Directors are appointed annually by each of the concept coops and Tricon. No director of the Unified Co-op who is appointed by a concept coop may be affiliated with Tricon in any manner other than as a KFC, Taco Bell or Pizza Hut franchisee. Each franchisee member of the Unified Co-op Board must also be a voting member of the board of directors of a concept coop.

Canadian Operations. On March 23, 1999, the Unified Purchasing Group of Canada, Inc. began its operations as a new unified purchasing cooperative for KFC, Taco Bell, and Pizza Hut operators in Canada. The Canada Coop is a party to the Operating Agreement for the Unified Co-op, but is not a member of the Unified Co-op. The Canada Coop is represented on

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the Unified Co-op Board by a director who has no vote, except on Canada matters, as defined in the Operating Agreement. The Canada Coop also entered into a purchasing cooperative agreement with Tricon, on terms similar to the Tricon Purchasing Coop Agreement discussed below, that describes Tricon's commitment to the Canada Coop and its purchasing programs.

PURCHASING PROGRAMS

The Unified Co-op and each concept coop entered into a Purchasing Program Management Agreement. These Management Agreements set forth the terms pursuant to which the Unified Co-op administers purchasing programs on behalf of each concept coop. The initial term of each Management Agreement extends through December 31, 2003 and may be terminated then or on any December 31 thereafter upon one year's notice of termination.

In general, the management services provided by the Unified Co-op include:

- Negotiating the lowest possible sustainable prices for goods and equipment from suppliers approved by Tricon for sale through the Unified Co-op or directly by the supplier to Tricon-approved distributors selected by the concept coops and the outlet operators;
- Assisting the concept coops and outlet operators in negotiating and monitoring freight and distribution arrangements;
- Administering related insurance and other service programs; and
- Negotiating arrangements such as master beverage agreements and regional poultry contracts.

Examples of some specific programs the Unified Co-op administers for the KFC Coop and its operators are:

- Corn Program: The Unified Co-op makes large purchase commitments for frozen cob corn at the beginning of each crop year and takes physical possession of this corn shortly thereafter. The corn is stored by the Unified Co-op in freezer equipped storage facilities until it is resold to distributors or franchisees.
- Insurance Program: Through its subsidiary, Kenco Insurance Agency, Inc., the Unified Co-op sponsors property, casualty and workers' compensation insurance programs and employee benefits programs, including life, health, dental and long-term disability coverage for KFC operators. The Unified Co-op monitors and maintains these insurance programs and distributes general information about these programs to KFC operators.

- Equipment Staging: The Unified Co-op performs equipment staging services for KFC operators by purchasing and warehousing equipment while it is consolidated into packages for timely and convenient shipment to an operator. The Unified

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Co-op currently leases warehouse space in Louisville, Kentucky for its equipment staging operation.

Payment to the Unified Co-op. To provide these services, the concept coops agreed in the Management Agreements that the Unified Co-op purchasing programs must be appropriately capitalized, financially self-sustaining, and operated on a cooperative basis. Thus, in exchange for administering these services, the Unified Co-op may retain 10% of the net income generated by each purchasing program. The Unified Co-op distributes the remaining net income to the concept coops on a quarterly and annual basis. However, each concept coop is required to reimburse the Unified Co-op for any net losses. See "Distributions to Members."

Margins and Distributor Fees. To maintain prudent working capital reserves and provide a sound operational basis for its purchasing programs, the Unified Co-op also generates income by charging distributors (a) mark-ups, or margins, on goods and equipment for which the Unified Co-op takes title or (b) service fees on goods and equipment for which the Unified Co-op does not take title.

Federal Income Tax Consequences of Patronage Income. Under the Management Agreements, income generated through the management services provided by the Unified Co-op is retained in part as consideration for the Unified Co-op's services, with the balance paid to each concept coop. We believe, based on applicable authorities, that such payments qualify for patronage dividend characterization under Section 1381 through 1388 of the Internal Revenue Code of 1986, as amended, so long as such amounts that are not retained by the KFC Coop for capital and reserves are distributed to our shareholders in accordance with our Certificate of Incorporation and Bylaws. The KFC Coop, however, has not and does not intend to apply for a ruling from the IRS with respect to the characterization of the payments for federal income tax purposes. If the IRS challenged the characterization of the payments and was successful, then we would be liable for taxes and interest for any amounts disallowed as exclusions from its taxable income. See "Will I receive dividends and patronage dividends?"

DISTRIBUTION

Notwithstanding the Unified Co-op's coordination of the distribution of many goods and equipment to operators, each operator may individually choose their own Tricon-approved distributors. Furthermore, operators may buy goods and equipment directly from the Unified Co-op, directly from distributors (whether or not the distributor purchases from or through the Unified Co-op), or directly from suppliers. All Tricon-approved distributors may buy goods and equipment from or through the Unified Co-op for sale or resale to operators, subject to their agreement to enter into a Distributor Participation Agreement with the Unified Co-op. Pursuant to the Distributor Participation Agreement, a distributor agrees to, among other things, remain in compliance with the Unified Co-op's credit standards and policies, provide information to the Unified Co-op regarding its sales to operators, forego most sheltered income, and pay the Unified Co-op a service fee for its purchasing services.

Distributors purchasing from or through the Unified Co-op usually consolidate orders received from individual operators and place bulk orders with the Unified Co-op and suppliers.

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The Unified Co-op consolidates such orders from all distributors and operators for a given item and issues shipping and sales instruction to suppliers. The supplier then ships the goods or equipment directly to the operators or to local distributors who, in turn, deliver the merchandise to operators.

Title Transactions. For transactions in which the Unified Co-op takes title, suppliers bill the Unified Co-op which, in turn, bills the distributor or operator for any goods or equipment shipped. In title transactions, the Unified Co-op takes title to the goods or equipment and assumes the risks related to taking title, even though the Unified Co-op does not take physical delivery of most merchandise. Also in title transactions, the Unified Co-op extends

short-term trade credit to its customers; therefore, it bears the risk that accounts receivable may become uncollectible or may not be paid in accordance with usual terms if an operator experiences financial difficulties.

Non-Title Transactions. In transactions in which the Unified Co-op does not take title, suppliers bill the distributors directly for the goods or equipment purchased pursuant to the Unified Co-op's orders.

Other Programs. The Unified Co-op operates a Distributor Monitoring Program which monitors prices and provides reports to franchisees and franchisee committees to assist them in negotiating with and selecting among distribution alternatives in order to receive the best pricing and service. On occasion, the Unified Co-op may provide certain clerical and administrative assistance to such franchisee committees. The Unified Co-op believes that the monitoring program and the formation of purchasing committees strengthens the system of independent distributors since it fosters competition among such distributors.

The Unified Co-op also maintains an information bank which provides members, upon request, with the following:

- information concerning prices being paid by distributors for merchandise purchased from or through the Unified Co-op so that members can compare store-delivered cost with the distributors' cost for the goods or equipment;
- industry data to assist them in analyzing cash discounts, earned weight discounts and other elements of the distributors' costs;
- industry data on average distributor markups, order size discounts, cash discounts, distributor service levels and other distributor performance guidelines; and
- information on expected supply levels (especially possible shortages) and on expected changes in prices of goods and equipment.

The Unified Co-op also provides its members with assistance in resolving a wide variety of procurement problems including "out-of-stock" conditions, shipping problems and returned goods disputes.

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THE TRICON PURCHASING AGREEMENT

The Unified Co-op and Tricon entered into the Tricon Purchasing Coop Agreement and the SCM Transfer Agreement, both dated as of March 1, 1999. The Tricon Purchasing Coop Agreement sets forth Tricon's commitment to the purchasing programs of the Unified Co-op and the concept coops, Tricon's supplier and distributor processes, aspects of the relationships between Tricon and suppliers and distributors, and coordination of the Unified Co-op's purchasing activities with the marketing, promotion, and other programs and projects of Tricon. The SCM Transfer Agreement sets forth provisions concerning the Unified Co-op's employment of former Tricon SCM personnel and the assumption by the Unified Co-op of certain SCM purchasing arrangements for goods and equipment.

Tricon's Commitment. Tricon designated the Unified Co-op as the exclusive administrator of purchasing programs, operated on behalf of the concept coops, for all Tricon owned and operated concept outlets. Tricon also entered into an expense sharing arrangement under which Tricon provided \$400,000 to the Unified Co-op to assist the Unified Co-op with specific expenses incurred in its organization and in establishing its purchasing programs. Tricon is a member of each concept coop in accordance with their respective policies and requirements.

Pursuant to the terms of the Tricon Agreements, Tricon purchases through the Unified Co-op virtually all of the goods and equipment needed for the Tricon operated outlets. Furthermore, Tricon transferred to the Unified Co-op, and the Unified Co-op assumed, certain Tricon contracts and commitments involving the purchase or sale of goods and equipment. The Unified Co-op also made offers of employment to all of the employees of Tricon who were engaged primarily in the purchase or sale of goods and equipment for use or consumption by outlet operators.

Tricon has the exclusive right and obligation with respect to the purchase and distribution of goods and equipment used by outlet operators to (i) designate and terminate approved suppliers and approved distributors, with significant franchisee involvement, (ii) designate approved goods and equipment, and (iii) develop, designate, modify and update specifications for goods and

equipment.

Sheltered Income. As used in the Tricon Purchasing Coop Agreement, "sheltered income" means so called earned income, rebates, kickbacks, volume discounts, tier pricing, purchase commitment discounts, sales and service allowances, marketing allowances, advertising allowances, promotional allowances, label allowances, back-door income, application fees, inspection fees, quality assurance fees, etc. Sheltered income includes, among other items:

- fees charged suppliers and distributors in the supplier and distributor approval process;
- fees charged suppliers and distributors for quality inspections and "hot line" inquiries and complaints;

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- license or trademark fees or rebates charged or expected as a condition of supplier or distributor approval or use, typically paid as a percentage of system-wide volume;
- higher prices permitted suppliers to amortize research and development expenses undertaken by suppliers at the request of Tricon or otherwise;
- higher prices permitted suppliers to amortize the cost of excess inventory;
- higher prices permitted suppliers to amortize the cost of graphics and other product changes;
- special or atypical payment terms;
- payments and allowances to distributors from suppliers based on distributor volume which are not reflected as a reduction in distributor cost or prices; and
- special favors, gifts and entertainment.

Tricon will abide by the terms of the sheltered income provisions of the Tricon Purchasing Coop Agreement which provide that neither Tricon nor the Unified Co-op will receive or benefit from any sheltered income in connection with goods or equipment purchased or used by any outlets. Additionally, neither Tricon nor the Unified Co-op will authorize any approved supplier, approved distributor, or concept coop to receive or benefit from sheltered income, subject to a few exceptions, including an exception for certain disclosed sheltered income permissible for AmeriServe to receive and retain under its distributor agreement with Tricon. The Tricon Purchasing Coop Agreement does not, however, limit or prohibit the right of the Unified Co-op or any concept coop to benefit from any sheltered income, provided that the Unified Co-op shares, and causes each concept coop to share, such sheltered income among each applicable operator (including Tricon) based on the dollar volume of the purchases of such operator that gave rise to the receipt or benefit of such sheltered income.

PRINCIPAL CUSTOMERS

Although the Unified Co-op sells food and packaging primarily to distributors, the ultimate customers for the goods sold by the Unified Co-op are operators, including Tricon. There can be no assurance that operators will continue to make substantial purchases through the Unified Co-op even if the Unified Co-op's prices and services are competitive with those which can be obtained from other sources. Other than advance purchase commitments for cob corn, frozen chicken products, shortening, promotional items and certain equipment used by certain operators, no member of the KFC Coop, other than Tricon, has any contractual or other obligation to purchase from or through the Unified Co-op. See "Tricon's Commitment."

On behalf of the KFC Coop, the Unified Co-op sells or arranges for the sale of goods to approximately 30 independent distributors on a regular basis. The KFC Coop had sales to certain distributors in fiscal 1998 in excess of 10% of the KFC Coop's net sales. McLane Foodservice

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Group sales for fiscal 1998 were \$134,000,000, primarily in support of the Taco Bell system. In fiscal 1998, sales to Sysco Corporation were approximately \$94,800,000.

In fiscal 1998, the KFC Coop's sales to AmeriServe were approximately \$94,700,000. In October 1997, PepsiCo spun off its three primary restaurant divisions, KFC, Taco Bell and Pizza Hut, into Tricon. Also during fiscal 1997, PepsiCo sold PepsiCo Food Systems, Inc., to AmeriServe. Through PFS, PepsiCo had previously purchased equipment and supplies for distribution to corporate-owned and franchisee-owned KFC and Taco Bell retail outlets. AmeriServe has been and continues to be a principal customer of the KFC Coop and Unified Co-op, respectively, purchasing goods and equipment for distribution to KFC franchisees.

SOURCES OF SUPPLY

The Unified Co-op purchases or arranges for the purchase of goods and equipment from Tricon-approved suppliers for those items which operators require, giving all approved suppliers an opportunity to compete for the Unified Co-op's business. The Unified Co-op does not approve suppliers itself, but is involved in the approval process. See "Tricon's Commitment." The Unified Co-op may also from time to time suggest to potential suppliers that they seek approval for their products or facilities. The Unified Co-op's ability to obtain low prices for goods and equipment, subject to Tricon's approval is, in part, dependent upon Tricon approving enough suppliers for any particular product so that there is price competition among approved suppliers. Generally, many suppliers are available to sell any given item purchased or contracted for by the Unified Co-op. However, KFC proprietary original recipe seasoning products are available only through one or a limited number of suppliers. For any item sold by or through the Unified Co-op for which approval is not required, the Unified Co-op purchases products from a wide variety of sources, ranging from local suppliers to large multinational corporations. Approved suppliers generally establish minimum order quantities. The Unified Co-op, in conjunction with Tricon, frequently monitors product quality and services of approved suppliers.

COMPETITION

The Unified Co-op faces competition from manufactures who sell goods and equipment directly to distributors and operators. Since the Unified Co-op does not provide warehousing and local transportation services, it generally does not compete with distributors for sales to operators which require the distributor to provide such services. However, the Unified Co-op does compete with distributors such as AmeriServe whose functions and services overlap with those of the Unified Co-op in direct sales of equipment.

SEASONALITY

The KFC Coop's past sales reflect the somewhat seasonal nature of the volume of business done by operators. The sales of the Unified Co-op are expected to continue this seasonal nature. The sales are generally expected to be at their relatively lowest levels during the winter months and are generally expected to be at their relatively highest levels in the summer months.

PROPERTIES

The KFC Coop does not own or lease any real property or warehousing facilities. As assigned from the KFC Coop, the Unified Co-op currently leases approximately 51,474 square feet of office space at 950 Breckenridge Lane, in Louisville, Kentucky, for its executive offices under leases expiring on February 28, 2005. As assigned from the KFC Coop, the Unified Co-op leases commercial frozen food warehouse facilities on a short-term basis in various locations in connection with its frozen cob corn purchase program. As assigned from the KFC Coop, the Unified Co-op currently leases approximately 19,650 square feet of warehouse space in Louisville, Kentucky, for its equipment staging operation.

SELECTED FINANCIAL DATA
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

Six Months Ended April 30,		Year Ended October 31,				
1999	1998	1998	1997	1996	1995	1994
----	----	----	----	----	----	----

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Consolidated Statements of							
Income:							
Net sales	\$240,357	\$303,320	\$664,792	\$600,132	\$580,441	\$537,116	\$528,010
Income before patronage							
dividend and income taxes	1,840	1,589	2,757	4,153	5,057	2,771	1,343
Patronage dividend	1,714	1,306	2,619	2,890	2,762	1,246	569
Net income	74	159	60	748	1,386	909	461
Consolidated Balance Sheets							
(at end of period):							
Total assets	\$20,176	\$48,971	\$61,338	\$49,800	\$49,445	\$42,831	\$42,767
Long-term obligation	--	3,000	0	3,000	3,000	3,000	3,000

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RECENT CORPORATE REORGANIZATION

On March 1, 1999, pursuant to a corporate reorganization discussed above, the KFC Coop joined with Tricon and franchisee owners and operators of KFC, Taco Bell and Pizza Hut restaurants to form the Unified Coop. The KFC Coop believes that the Unified Coop will enable KFC, Taco Bell and Pizza Hut restaurant owners and operators to reduce their store delivered costs of goods and equipment.

To facilitate the corporate reorganization, the KFC Coop (i) executed agreements which, among other things, facilitated (a) the KFC Coop's membership in the Unified Coop and (b) the spin off of the KFC Coop's Taco Bell business and (ii) amended its bylaws to conform its

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patronage dividend program to the operations of the Unified Coop and to make other changes which reflect the spin off of its Taco Bell business.

In exchange for its membership interest in the Unified Coop, the KFC Coop contributed certain operating assets and cash to the Unified Coop. Pursuant to the Asset Contribution and Liability Assumption Agreement, the KFC Coop assigned, transferred, delivered, and generally set over to the Unified Coop, and the Unified Coop accepted and assumed, certain "Assets," which mean certain of the KFC Coop's contracts, leases, equipment, and prepaid assets (other than any of the same which were transferred to the Taco Bell Coop pursuant to the Agreement and Plan of Corporate Separation), as defined in the Asset Contribution and Liability Assumption Agreement. The Assets did not include any other assets of the KFC Coop, including, without limitation, any accounts receivable, cash or cash equivalents, or goodwill. In return, the Unified Coop assumed and agreed to perform and discharge in full any and all of the KFC Coop's obligations and liabilities under its contracts and leases. The Unified Coop also made offers of employment to all of the employees of the KFC Coop on terms and conditions substantially similar in the aggregate to those in effect before the corporate reorganization, except for Thomas D. Henrion, the KFC Coop's then president and chief executive officer. The KFC Coop and the Unified Coop entered into a Separation and Consulting Agreement with Mr. Henrion.

Before the corporate reorganization, the KFC Coop organized the Taco Bell Coop as a wholly owned subsidiary. On March 1, 1999, the Agreement and Plan of Corporate Separation effected a division of the KFC Coop's business by transferring all of the KFC Coop's Taco Bell related assets and liabilities to the Taco Bell Coop and spinning off the Taco Bell Coop as an independent entity to the Taco Bell operators who were stockholder members of the KFC Coop and who tendered their shares of the KFC Coop's membership common stock and store common stock pursuant to a tender offer dated January 28, 1999. The nature and amount of consideration given and received and the principle followed in determining the amount of such consideration in the Agreement and Plan of Corporate Separation were determined through negotiations among the KFC Coop, the Taco Bell Coop, and Taco Bell franchisees and their representatives.

The Taco Bell assets and liabilities included Taco Bell product inventory and equipment, records of Taco Bell operations, miscellaneous Taco Bell supplies and signs, purchase commitment liabilities, intercompany liabilities attributable to accounts payable and other liabilities related to Taco Bell operations paid or assumed by the KFC Coop, and members' equity related to the KFC Coop's Taco Bell operations including retained earnings from prior years of \$518,347. In exchange for and in consideration for the transfer of the Taco Bell assets and liabilities to the Taco Bell Coop, the Taco Bell Coop transferred to the KFC Coop the original issue of one share of Taco Bell Coop membership common stock for each tendering member's share of the KFC Coop's

membership common stock and one share of Taco Bell Coop store common stock for each share of the KFC Coop's store common stock owned by each tendering member.

The Taco Bell Coop's obligation to reimburse the KFC Coop for the intercompany liability is reflected in a promissory note at 7.75% for a maximum six month period. The original principal amount of \$8,608,568 is collateralized by security interests granted by the Taco Bell Coop to the

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KFC Coop pursuant to a security agreement. As of April 30, 1999, the remaining principal balance on the note was \$378,592, excluding accrued but unpaid interest.

The KFC Coop and Taco Bell Coop entered into the Agreement and Plan of Corporate Separation, in part, so that Taco Bell operators could become members of a concept purchasing cooperative in which only Tricon and Taco Bell franchisees are members and the members of the KFC Coop would be members of a concept purchasing cooperative in which only Tricon and KFC franchisees are members.

The success of the Unified Co-op depends on management's ability to continue to integrate the purchasing operations of the KFC Coop and Tricon's Supply Chain Management, including operational, financial and management information systems.

The following is a discussion and analysis of the financial condition and the condensed consolidated results of operations of the KFC Coop for the three months ended April 30, 1999. The results of operations for the three months ended April 30, 1999, are not necessarily indicative of the operating results for the entire year.

RESULTS OF OPERATIONS

Second Three Months of Fiscal 1999 Compared to the Second Three Months of Fiscal 1998

The KFC Coop's corporate reorganization has materially affected its results of operations. As a result of the corporate reorganization, the KFC Coop's primary source of revenues effective March 1, 1999 has been payments pursuant to the KFC Coop's Purchasing Program Management Agreement with the Unified Coop. Because net sales previously recorded by the KFC Coop became net sales of the Unified Coop effective March 1, 1999, the KFC Coop's net sales for the three months ended April 30, 1999, decreased significantly from the same period ended April 30, 1998. Set forth below is comparative information concerning net sales of the KFC Coop and the Unified Coop for the relevant periods.

<TABLE>
<CAPTION>

SALES
(dollars in thousands)

	QUARTER ENDED 4/30/99 -----	QUARTER ENDED 4/30/98 -----
<S>	<C>	<C>
KFC Coop	\$ 61,819	\$153,741
Unified Coop	104,699	N/A
	-----	-----
	\$166,518	\$153,741
	=====	=====

</TABLE>

Aggregate sales of the KFC Coop and the Unified Coop increased by \$12,777,000 or 8.3% for the three months ended April 30, 1999 compared to the same quarter in 1998. Of the aggregate amount, food and packaging sales increased by \$11,936,000 or 9%, in part due to the Unified Coop's implementation of the Pizza Hut purchasing program which contributed \$23,237,000 in food and packaging sales. Combined sales for KFC-Canada, Dairy Queen, Long John Silvers and

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Fazoli's decreased by \$17,485,000. The decrease is in part a result of the

termination of those programs at the time of the formation of the Unified Co-op and the focus solely on the three Tricon brands (KFC, Taco Bell and Pizza Hut). KFCU.S. food and packaging sales increased by \$4,221,000 for the three months ended April 30, 1999, compared to the same quarter in 1998. Aggregate equipment sales for the second fiscal quarter 1999 increased \$1,256,000 over 1998. KFC-U.S. equipment sales increased by \$2,969,000. This increase was mitigated by the decrease in volumes as a result of the termination of purchasing programs related to the nonTricon brands, similar to food and packaging, as discussed previously.

For the quarter ended April 30, 1999 and future quarters, the KFC Coop will generally recognize its portion of the income (loss) generated through the Unified Co-op in accordance with the Purchasing Program Management Agreement. Included in the income statement as of April 30, 1999, is \$618,926 which represents the KFC Coop's share of the profit generated from the Unified Co-op. In accordance with the Operating Agreement of the Unified Co-op, the operations of the three concept coops were assigned to the Unified Co-op and the synergies in purchasing, in addition to the sharing of expenses, are expected to result in an overall savings to the three brands. Future quarters for the KFC Coop will primarily reflect its share of earnings from the Unified Co-op. For the two months ended April 30, 1999, Taco Bell Coop's and Pizza Hut Coop's equity in earnings of the Unified Co-op were \$49,121 and \$(443,562), respectively.

A comparison of selling, general and administrative expenses for the quarters ended April 30, 1999 and 1998 reflects a significant decrease. The 1999 quarter reflects expense through February 28, 1999. On March 1, 1999, with the formation of the Unified Co-op, the employees of the KFC Coop and Tricon's Supply Chain Management became employees of the Unified Co-op.

As part of the formation of the Unified Co-op, Kenco Insurance Agency, Inc., a subsidiary of the KFC Coop, was transferred to the Unified Co-op. Before the transfer, Kenco declared a dividend payable to the KFC Coop in the amount of \$902,669, representing earnings before March 1, 1999, the effective transfer date.

Income before patronage dividend and income taxes increased by \$229,723 or 37.8% which is attributable to the higher sales volumes for KFC-U.S. offset by the absorption of various expenses in the formation of the Unified Co-op. These expenses are primarily associated with a deferred compensation package for the former president of the KFC Coop.

Patronage dividend exceeds the income before patronage dividend and income taxes as a result of a losses in the international and insurance divisions which are excluded from the patronage dividend calculation for the quarter.

First Six Months of Fiscal 1999 Compared to the First Six Months of Fiscal 1998

A comparison of material changes between the six months ended April 30, 1999 and the comparable period for the previous year shows:

The corporate reorganization affected the KFC Coop's results of operations for the six months ended April 30, 1999, similarly to the effects on the three month period ended April 30,

1999 discussed above. The chart set forth below reflects the sales volume of the two entities for the six months periods ending April 30, 1999 and 1998:

<TABLE>
<CAPTION>

		NET SALES	
		(dollars in thousands)	
		SIX MONTHS ENDED	SIX MONTHS ENDED
		1999	1998
		----	----
<S>	<C>		
	KFC Coop	\$240,357	\$303,321
	Unified Co-op	104,699	N/A
		-----	-----
		\$345,056	\$303,321
		=====	=====

</TABLE>

Total sales for the combined entities increased by \$41,735,000 or

13.8%. Total food and packaging sales increased by \$37,892,000. Food and packaging sales related to the Pizza Hut concept increased by \$39,724,000, Taco Bell related sales increased by \$10,505,000 and KFC-U.S. related sales increased by \$7,485,000. The year to date reduction in food and packaging attributed to KFC-Canada, Dairy Queen, Long John Silvers and Fazoli's sales was approximately \$21,000,000. With respect to the equipment business, KFC, Taco Bell and Pizza Hut related sales had increases of \$4,950,000, \$4,620,000 and \$2,690,000, respectively. Equipment sales for terminated programs reflected decreases of approximately \$7,800,000.

Income before patronage dividend and income taxes increased by \$251,360 primarily due to the reduction in expenses associated with the formation of the Unified Co-op and the assumption thereof of certain expenses as previously discussed.

Management believes the current provision for losses on uncollectible accounts to be adequate.

The provision for patronage dividend for 1999 has been calculated and accrued on a formula approved by the Board of Directors. For the second quarter of fiscal 1999, the provision was \$1,714,176, an increase of \$408,049 over the same period last year. The increase is primarily associated with the income from the Unified Co-op based on the allocation to the KFC Coop.

Fiscal 1998 Compared to Fiscal 1997 and Fiscal 1996

Before the KFC Coop's corporate reorganization on March 1, 1999, the KFC Coop's increases in net sales over the years resulted primarily from increased sales volume, the expansion of product lines and services, and the addition of new customers.

Net sales for fiscal 1998 were \$664,792,000 compared to \$600,132,000 for fiscal 1997, an increase of 10.8%. The fiscal 1998 increase is primarily attributable to sales related to the Taco Bell concept. Taco Bell food and packaging sales increased 41.5% while Taco Bell's equipment sales increased 52% in fiscal 1998. The KFC Coop's overall food and packaging sales increased 13.1% in fiscal 1998 from fiscal 1997. Overall sales to KFC operators located in the United States increased approximately 7.0% in fiscal 1998 from fiscal 1997. The termination

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of sales related to the Fazoli's and Dairy Queen restaurant concepts and the bankruptcy of Long John Silver's decreased sales during fiscal 1998.

Net sales for fiscal 1997 were \$600,132,000 compared to \$580,441,000 for fiscal 1996, an increase of 3.4%. The fiscal 1997 increase is primarily attributable to sales related to the Taco Bell, Dairy Queen and Fazoli's concepts and sales to KFC Operators located in the United States. The KFC Coop's food and packaging sales increased 2.2% in fiscal 1997 from fiscal 1996, with significant percentage increases from the Fazoli's and Long John Silver's concepts. The KFC Coop's equipment sales increased by 12.2% in fiscal 1997 from fiscal 1996. Overall sales to KFC-U.S. increased approximately 2.5% in fiscal 1997 from fiscal 1996. KFC-U.S. equipment sales increased by approximately 19.2% in fiscal 1997. Sales related to the KFC Coop's Canadian subsidiary increased approximately 1.5% in fiscal 1997 from fiscal 1996, primarily driven by increased equipment sales. Dairy Queen sales increased approximately 3.3% for fiscal 1997 compared to fiscal 1996, attributable primarily to an increase in food and packaging sales. Taco Bell sales increased approximately 9.7% for fiscal 1997 compared to fiscal 1996. Sales related to Fazoli's increased 5.4% in fiscal 1997 compared to fiscal 1996.

During fiscal 1997, PepsiCo sold its restaurant distribution subsidiary, Pepsi Food Systems to AmeriServe Food Distribution, Inc. AmeriServe is the third largest KFC Coop customer, purchasing goods for distribution to primarily KFC franchisees. When AmeriServe purchased PFS, it acquired rights under a distribution agreement which, as amended, may extend until 2007. This agreement binds Tricon to use AmeriServe distribution services for Tricon-owned KFC, Taco Bell, and Pizza Hut outlets. The agreement also extends to Taco Bell and Pizza Hut restaurants sold as part of Tricon's announced program of refranchising certain Tricon-owned restaurants to existing and new franchisees. On May 21, 1998, AmeriServe acquired ProSource, Inc. For the year ended October 31, 1997, ProSource was the KFC Coop's sixth largest distributor with total sales of approximately \$19,000,000. AmeriServe has stated in its public filings that AmeriServe is and will continue to be highly leveraged as a result of the indebtedness incurred primarily in connection with its acquisition of PFS. The KFC Coop and its members continue to monitor their relationship with AmeriServe. The impact of AmeriServe's acquisition of PFS and the merger with ProSource on

the business of the KFC Coop remains uncertain.

The operations of the Canadian subsidiary (in U.S. dollars) contributed approximately \$48,219,000, \$51,397,000 and \$50,600,000 in sales in fiscal 1998, 1997 and 1996, respectively. The Canadian subsidiary contributed net income of approximately \$14,000 in 1998 and \$62,000 in each of 1997 and 1996. As of October 31, 1998, 1997 and 1996, the Canadian subsidiary had identifiable assets (in U.S. dollars) of approximately \$2,721,000, \$3,829,000 and \$4,300,000, respectively, consisting of accounts receivable, property and equipment, and amortizable costs. As of March 23, 1999, the KFC Coop no longer operates a purchasing program for operators of KFC outlets in Canada. See "Canadian Operations."

Income before patronage dividend and income taxes for fiscal 1998 was \$2,757,000, a decrease of \$1,396,000 compared to fiscal 1997. The decrease is primarily attributable to an increase in selling, general and administrative expenses and an increase in provisions for bad debt reserve. The cost associated with the operation of the KFC Coop's international subsidiary

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for an entire year in 1998, along with increased travel associated with the KFC Coop's efforts to focus on working more closely with its customers and additional board meetings were the primary contributors to the increase in expenses. The increase in the provision for losses on receivables was a result of the bankruptcy filing of Long John Silver's in October 1998. Management believes it has adequately reserved for the impact of the potential loss. The carrying values of all intangibles are periodically reviewed by management and impairments are recognized when the expected undiscounted future operating cash flows derived from operations associated with such intangible assets are less than their carrying value. As a result of this review all remaining goodwill was written off in the year ended October 31, 1998 resulting in a charge to earnings of approximately \$303,000.

Income before patronage dividend and income taxes for fiscal 1997 was \$4,153,000, a decrease of \$904,000 over fiscal 1996. The decrease is attributable to an increase in selling, general and administrative expenses, primarily associated with additional staff positions to support expanded involvement with the customer base, including services relative to distribution and project teams, and the related expanded travel costs. The development of the international division, including new staff positions and startup cost, accounts for approximately one-third of the total increase in expenses.

Other income (expenses) for fiscal 1998 decreased by \$40,000 compared to fiscal 1997. The two major components of this change were (i) a net decrease in interest income (expense) of \$79,000, due primarily to lower cash balances available for investment, and (ii) and a \$29,000 decline in service charge income.

Other income (expense) for fiscal 1997 decreased by \$45,000 compared to fiscal 1996. Service charge income doubled in fiscal 1997, primarily as a result of the payment practice of one distributor customer who chose to make late payments on a significant number of invoices for which service charges were collected. Interest income was lower in fiscal 1997 reflecting the effect of the increased equipment volume on the KFC Coop's cash flow needs.

Selling, general and administrative expenses for fiscal 1998 increased by approximately 10.9% compared to fiscal 1997. As a percentage of sales, the expenses remained constant at 2.0% in 1998 compared to fiscal 1997. The KFC Coop is constantly monitoring costs to provide the required service at the lowest cost to the stockholder members. Improvements in the area of technology have allowed the KFC Coop to deliver on this objective.

Selling, general and administrative expenses for fiscal 1997 increased by approximately 11.5% compared to fiscal 1996. As a percentage of sales, the expenses went from 1.9% in fiscal 1996 to 2.0% in fiscal 1997. Four factors contributed to the increase in expenses for fiscal 1997. First, in response to employees leaving the KFC Coop for other jobs in the headquarters' community, a wage and salary survey was conducted and, based on the results, a significant number of employees received upward adjustments in compensation to be competitive in the Louisville market for comparable positions. Second, additional staff was added to focus more directly on the franchisee customers. Field representatives were added to all concepts to work directly with the franchisees and the franchisor on project teams. Third, five new positions were added in fiscal 1997 to form the international division. The growth in our equipment business is

the fourth contributing factor. Expenses associated with equipment are significantly higher than expenses associated with food and packaging.

In fiscal 1998, the KFC Coop terminated its business with operators of non-member concepts in anticipation of establishing the Unified Co-op. During fiscal 1998, sales to operators of retail outlets of quick service restaurant systems other than KFC and Taco Bell in the United States were approximately 17% of sales.

The KFC Coop pays its member stockholders a patronage dividend based on a formula approved by the board of directors. The percentage of patronage earnings to be paid as patronage dividends increased for fiscal 1998 compared to 1997. For fiscal 1998, the dividend to be paid is \$2,619,000 compared to \$2,890,000 in fiscal 1997.

Net income for fiscal 1998 was \$60,000, a decrease of \$688,000 compared to fiscal 1997. The decrease is due primarily to the increase in selling, general and administrative expenses, and the provision for losses in fiscal 1998 and the board of directors' decision to pay out a greater percentage of patronage earnings as patronage dividends for fiscal 1998 compared to fiscal 1997.

Net income for fiscal 1997 was \$748,000, a decrease of \$638,000 compared to fiscal 1996. The decrease is primarily attributable to the increase in selling, general and administrative expenses in fiscal 1997 and the board of directors' decision to pay out a greater percentage of patronage earnings as patronage dividends for fiscal 1997 compared to fiscal 1996.

Inflation

The prices paid for goods and equipment are, of course, subject to the effects of inflation. In an effort to mitigate the effects of inflation on both the KFC Coop and its customers, the KFC Coop has made advance purchase commitments (but did not take delivery, except for certain items, such as cob corn and equipment for staging) at fixed prices for the volume of goods and equipment it anticipated selling within a reasonable period of time. The KFC Coop has provided its customers with the benefit of forward purchase commitments on price-volatile commodities.

Capital Expenditures

In fiscal 1998, the KFC Coop invested approximately \$508,000 in office furniture and equipment. The KFC Coop spent approximately \$174,000 to purchase personal computers. The balance was expended to upgrade the telephone and voice mail systems, purchase office furniture, and upgrade hardware and software for the mainframe computer. Following the corporate reorganization consummated on March 1, 1999, the KFC Coop does not believe it will have significant capital expenditures in the coming fiscal year.

Liquidity and Capital Resources

Net working capital at April 30, 1999, was \$13,432,140, which was a decrease of \$2,463,343 since October 31, 1998. The investment and loan to the Unified Coop is the primary use of this working capital. Cash and cash equivalents, notes receivable from Unified Co-op, notes

receivable from related parties and deferred income taxes increased by \$2,234,103, \$5,865,591, \$378,592 and \$16,388, respectively. Short term borrowings, notes payable, accounts payable, accrued expenses, premium deposits, and patronage dividends decreased by \$443,302, \$3,000,000, \$32,968,021, \$2,792,095, \$328,807 and \$904,739, respectively. These working capital items were offset by decreases in accounts receivable, inventories and prepaid expenses and other current assets of \$46,228,849, \$5,008,011 and \$158,121, respectively.

The balance sheet is indicative of the transactions associated with the formation of the Unified Co-op. The KFC Coop, on March 1, 1999, contributed certain assets, primarily office equipment, to the Unified Co-op as part of the capital contribution. In addition, the KFC Coop loaned an additional \$1,000,000 in the form of a note. The other two members also contributed capital and loans of equal amounts which provided the Unified Co-op capital and loans of

\$6,000,000 to fund its operations and start up. Based on the formulas to determine working capital requirements by concept (KFC, Taco Bell, and Pizza Hut) each member of the Unified Co-op is required to provide individually their funds. Each concept coop has its own line of credit and borrows or funds out of its own working capital the needs required to support its own programs with the Unified Co-op. The KFC Coop's current line of credit with its primary bank is \$15,000,000. As of April 30, 1999, KFC Coop had provided the Unified Co-op with \$5,865,591 in working capital loans in addition to its capital contribution. The KFC Coop also funded, through a note, the spin off of the Taco Bell assets and equity to the Taco Bell Coop. As of April 30, 1999 the balances of this note was \$378,592.

Since the Unified Co-op provides the operational support for the concept coops, the balance sheet of the KFC Coop has substantially changed. After March 1, 1999 receivables and inventory are assets of the Unified Co-op, so the KFC Coop is winding down the collection of its receivables and transferring inventory to the Unified Co-op as needed. Once this is accomplished, the balance sheet of the KFC Coop will primarily consist of cash, investments in and loans to the Unified Co-op, and members' equity.

YEAR 2000

On March 1, 1999 the software and systems were transferred to the Unified Co-op. The Year 2000 project is addressing the ability of computer programs and embedded computer chips to distinguish the 20th century date from the 21st century date, and is considering our trading partners, application systems, central & distributed computing infrastructure, telephone communications, and physical systems. The Unified Co-op has contracted with EDS data systems to review the results of our Y2K testing and to certify that the all actions, detailed below, are complete in minimizing risk. The Unified Co-op is jointly working with Tricon to address certification for our suppliers and distributors. Contingency plans will be developed for suppliers & distributors which are considered to be "high risk" to our business operations.

The KFC Coop's core business operations, supported by the Unified Co-op, are run on a third party software that was purchased from American Software, Inc (ASI) in 1989, which have been heavily enhanced inhouse. These systems are comprised of accounting systems, supply chain systems, and Electronic Data Interchange (EDI). In 1996, the KFC Coop contracted with a consulting firm to modify all accounting applications, which was completed in January 1997. The

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KFC Coop's supply chain systems had been modified to be Y2K compliant by the KFC Coop internal programming staff. Changes to EDI communications have been upgraded to support either Y2K compliant or noncompliant EDI document specifications. The Unified Co-op is working closely with their EDI partners as they are upgrading to facilitate continued uninterrupted operations. The Unified Co-op is utilizing third party vendors for payroll processing through ADP, which has provided documentation that their system is Y2K compliant. Non-title business information is supported by a third party arrangement with Tricon, which is in the process of providing written documentation that this system is also Y2K compliant.

The Unified Co-op's core business operations are supported on an IBM AS/400. IBM AS/400 has been verified as Y2K compliant, both for hardware and operating systems, which the Unified Co-op has confirmed through independent testing. The Unified Co-op's NT based LAN environment has been upgraded to the latest Microsoft Y2K compliant software. The Unified Co-op has researched its routers, and network equipment vendors, and has been provided with certification of Y2K compliance. Kenco, a division of the Unified Co-op, operates on a separate system to support its billing and accounting functions. Kenco will upgrade its Novell server to address Y2K compliance. The Unified Co-op's desktop PC's have been upgraded or replaced and the telephone systems' hardware and software has been upgraded such that both are Y2K compliant. Other hardware devices have been confirmed to be Y2K compliant by their respective vendors.

Management believes that external total cost incurred in connection with the Year 2000 project, for the KFC Coop, was approximately \$80,000. The KFC Coop does not expect any subsequent costs to have a material effect on its results of operations or financial conditions. Any additional cost will be borne by the Unified Co-op.

Based on the progress the Unified Co-op has made in addressing its Y2K issues, management does not foresee interruption in normal business activities or operations associated with its Y2K compliance at this time. However, if the Unified Co-op identifies significant risks related to its compliance management, then it will develop a contingency plan to address those risks. Even given best

efforts and execution of the aforementioned planning and testing, disruptions and unexpected business problems may occur as a result of the Y2K issue.

The failure to correct a material Y2K problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially adversely affect the company's results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the Y2K problem, resulting in part from the uncertainty of the Y2K readiness of customer and thirdparty suppliers, including utility companies and customers, the company is unable to conclude that the consequences of Y2K failures will not have a material impact on the company's results of operations, liquidity or financial position.

The discussion and analysis of the Year 2000 issue included herein contains forwardlooking statements and is based on management's best estimates of future events. Risks related to completing the Unified Co-op's Y2K plan include the availability of resources, the Unified Co-op's ability to timely discover and correct the potential Y2K sensitive problems which could have a serious impact on and Unified Co-op's operations, the ability of suppliers to bring

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their systems into Y2K compliance, and the Unified Co-op's ability to identify and implement effective contingency plans to address Y2K failures.

FORWARD LOOKING STATEMENTS

This prospectus contains forwardlooking statements under the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Although the KFC Coop believes that the forward-looking statements are based upon reasonable assumptions, there can be no assurance that the forward-looking statements will prove to be accurate. Factors that could cause actual results to differ from the results anticipated in the forward-looking statements include, but are not limited to: economic conditions (both generally and more specifically in the markets in which the KFC Coop and its customers operate); competition for the KFC Coop's customers from other distributors; material unforeseen changes in the liquidity, results of operations, or financial condition of the KFC Coop's customers; material unforeseen complications related to addressing the Year 2000 Problem experienced by the KFC Coop, its suppliers, customers and governmental agencies; and other risks detailed in the KFC Coop's filings with the Securities and Exchange Commission, all of which are difficult to predict and any of which are beyond the control of the KFC Coop. The KFC Coop undertakes no obligation to republish forwardlooking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

WILL I RECEIVE DIVIDENDS AND PATRONAGE DIVIDENDS?

INTRODUCTION

Although the KFC Coop does not engage in business to generate profits, it may nonetheless, in any fiscal year, generate revenues in excess of amounts needed to cover expenses, amortize indebtedness, and provide for reasonable reserves. Thus, even though the KFC Coop endeavors to minimize purchasing fees and mark-ups on goods and equipment to the least amount required to cover its anticipated cost of operations, the KFC Coop may have funds available for distribution to members as patronage dividends.

Dividends may not be declared or paid with respect to Membership Common Stock. There is no current intention to pay any dividends in the future on Store Common Stock on a per share basis.

PATRONAGE DIVIDEND PROGRAM

When, in the judgment of the KFC Coop Board of Directors, we should distribute patronage dividends to our members, it will be done in accordance with Article 9 of the Bylaws. (Article 9 of the Bylaws is attached to this prospectus as Exhibit A.) Following, is a brief description of some of the features of the patronage dividend program:

- Only stockholder members of the KFC Coop are eligible to receive patronage dividends.

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- Patronage dividends are distributed to members on the basis of the value of business done by the KFC Coop or through the Unified Co-op with each member, respectively.
- For fiscal 1999, the KFC Coop Board has determined that the KFC Coop would pay patronage dividends to its stockholder members in an aggregate amount equal to the lesser of (a) 80% of the KFC Coop's total "pre-tax income," as defined in the KFC Coop's 1999 fiscal year budget, or (b) the amount of the KFC Coop's total "pre-tax income" for fiscal 1999 reasonably allocable to sales with respect to which a patronage dividend is payable.
- Members who are United States residents must consent to report any patronage dividends received as gross income for federal income tax purposes. The KFC Coop will file a report with the IRS currently on Form 1099-PATR, of the amount of patronage dividends paid to each member.
- Members resident of countries other than the United States generally are subject to a flat United States tax of 30% on the amount of patronage dividends paid by the KFC Coop. The KFC Coop is required to withhold the 30% tax from the patronage dividend payment, unless the treaty between the United States and a particular country provides for a lower withholding rate.
- Solely for the purpose of determining the amount of patronage dividends distributable to a particular member, our board of directors may, by resolution, segregate the KFC Coop's business with members into two distinct pools: (i) the "Title Pool," under which will be our net earnings from business with our members in which we take title to goods; and (ii) the "Non-Title Pool," under which will be our net earnings from business with our members in which do not take title to goods.
- Revenues generated from our purchasing programs administered by the Unified Co-op will be the primary source of funds for any patronage dividends distributed. After the Unified Co-op makes tax distributions to the concept coops, the Unified Co-op may distribute additional net cash flow, whether resulting from patronage or non-patronage sources, to the concept coops in accordance with their relative annual patronage for such year. No concept coop is itself entitled to patronage, but rather may pass such distributions on to its members in accordance with the provisions of its respective patronage dividend program. See "The Business - Organizational Structure - Distributions to Members."
- The KFC Coop is authorized to make patronage dividend distributions, in part, in a form other than cash. Subject only to the payment of at least 20% of each member's patronage dividend payment, if any, in cash, we may pay each stockholder member all or any portion of any annual patronage dividend in promissory notes. These notes may be subordinated to any liabilities or obligations of a member to the KFC Coop. Additionally, the portion of any

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patronage dividends which would otherwise be payable in cash to a member may be applied to the payment of any indebtedness, the repayment of which is in default, owed to us by any such member to the extent of such indebtedness; provided, however, that an amount equal to 20% (or, in some cases, 30%) of the total annual patronage dividends distributable for the applicable year to any such member must nevertheless be paid in cash if any such member so requests in writing.

- The KFC Coop paid a cash patronage dividend totaling \$2,890,000 in March 1998 for patronage in fiscal 1997. The KFC Coop paid a patronage dividend totaling \$2,619,000 in March 1999 for patronage in fiscal 1998.

MANAGEMENT OF THE KFC COOP

The KFC Coop's Bylaws provide for a board of directors consisting of up to 21 members, plus the Chief Executive Officer of the KFC Coop who is a

non-voting ex-officio member of the board. The directors representing each series are nominated by the stockholder members of each series. Each of Series A - H, J, M and N is entitled to elect, as a series, one member of the Board of Directors, and each of Series K and L is entitled to elect, as a series, two members of the Board of Directors. A vacancy currently exists with respect to the Series N director, which vacancy the KFC Coop does not expect to be filled.

In addition, the Board of Directors nominates an independent director, who is elected by a plurality vote of the outstanding shares of Membership Common Stock at the annual meeting of members.

The Board of Directors may also from time to time appoint non-voting members of the Board of Directors who serve unspecified terms at the pleasure of the Board and upon terms and conditions set by the Board. There are currently three non-voting members of the Board. Paul Houston, President of Scott's Restaurants, Inc. in Canada, was appointed a non-voting director in order to facilitate communication between KFC franchisees in the United States and Canada. William Hecht, President of Hecht Management Company, was appointed a non-voting director with the advice and counsel of the Association of Kentucky Fried Chicken Franchisees, Inc. in order to facilitate communication between the AKFCF and the KFC Coop. Don Parkinson, Senior Vice President of Franchising for KFC Corporation, was appointed a non-voting director in order to further facilitate communication between KFC Corporation and the KFC Coop.

The affirmative vote of three-fifths of all voting members of the Board of Directors is, except as otherwise specifically provided for in the Bylaws, the act of the Board of Directors on any matter properly submitted to the Board of Directors. The Chairman of the Board is elected at each annual meeting by the affirmative vote of three-fifths of the entire board of directors. The independent director may receive compensation as determined by the board of directors. All other members of the Board of Directors serve without compensation, but are reimbursed for reasonable expenses incurred by virtue of their duties as directors.

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With the exception of the independent director and the president, all directors of the KFC Coop are stockholder members of the KFC Coop or an officer, shareholder, employee or partner of an entity which is stockholder member of the KFC Coop. All purchases of goods and equipment made by directors or their affiliates from or through the KFC Coop are made on the same terms and conditions as purchases made by any other KFC operator.

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The following table lists, in addition to other information, the current directors and executive officers of the KFC Coop as of the date of this prospectus, their position with the KFC Coop, and their present principal occupations.

<TABLE>
<CAPTION>

NAME AND ADDRESS	AGE	POSITIONS	YEAR	TERM AS DIRECTOR EXPIRES	SERIES REPRESENTED	PRESENT PRINCIPAL OCCUPATION	STORE COMMON STOCK OWNERSHIP	PERCENT OF STORE STOCK OUTSTANDING
		AND OFFICES CURRENTLY HELD WITH THE KFC COOP	FIRST BECAME DIRECTOR OR OFFICER					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
William E. Allen 1624 Lloyd Lane Cedar Falls, Iowa 50613	59	Director, Secretary	1988	2000	F	Operator	6	**

Christian L. Campbell Tricon Global Restaurants, Inc. P.O. Box 32070 Louisville, Kentucky 40232	48	Director	1999	2001	K	Sr. Vice President, Tricon Global Restaurants, Inc.	---	---
William R. Carden The Carden Group 4800 Lakewood, Suite 2 Waco, Texas 76702-3222	62	Director	1999	2000	Independent	President, The Carden Group	---	---
Bob Carle 6921 Brayton Drive, Suite 105 Anchorage, Alaska 99507	42	Director	1998	1999	D	Operator	7	**
James G. Cocolin 17 James Street Kingston, Pennsylvania 18704	49	Director	1996	1999	C	Operator	10	**
Ben E. Edwards West Texas Foods, Inc. P.O. Box 64490 Lubbock, Texas 79464	56	Director	1998 ++	1999	B	Operator	10	**

</TABLE>

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<TABLE>
<CAPTION>

NAME AND ADDRESS	AGE	POSITIONS AND OFFICES CURRENTLY HELD WITH THE KFC COOP	YEAR FIRST BECAME DIRECTOR OR OFFICER	TERM AS DIRECTOR EXPIRES	SERIES REPRESENTED	PRESENT PRINCIPAL OCCUPATION	STORE COMMON STOCK OWNERSHIP	PERCENT OF STORE STOCK OUTSTANDING
<S> Lois G. Foust 4000 Chestnut Avenue Long Beach, California 90807	<C> 54	<C> Director	<C> 1997	<C> 2001	<C> L	<C> Operator	<C> 2	<C> **
William B. Hecht P.O. Box 1031 St. Charles, Missouri 63302	59	Non-Voting Director	1999	---	---	Operator	5	**
Edward J. Henriquez, Jr. 610 Valencia Avenue #503 Coral Gables, Florida 33134	61	Director	1994	1999	J	Operator	12	**
David G. Neal JRN, Inc. P.O. Box 1257 Columbia, Tennessee 38402	52	Director, Chairman of the Board	1991 +	2000	E	Operator	94	1.4
James D. Olson Harman Management Corp. 199 First Street, Suite 212 Los Altos, California 94022	48	Director	1997	2000	H	President, Harman Management Corporation	266	4.0
Don E. Parkinson P.O. Box 32070 Louisville, Kentucky 40232	56	Non-voting Director	1999	---	---	Sr. Vice President Franchising, KFC Corporation	---	---
Darlene Pfeiffer P.O. Box 1185 Port Ewen, New York 12466	61	Director	1997	2001	L	Operator	4	**

</TABLE>

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<TABLE>
<CAPTION>

NAME AND ADDRESS	AGE	POSITIONS AND OFFICES CURRENTLY HELD WITH THE KFC COOP	YEAR FIRST BECAME DIRECTOR OR OFFICER	TERM AS DIRECTOR EXPIRES	SERIES REPRESENTED	PRESENT PRINCIPAL OCCUPATION	STORE COMMON STOCK OWNERSHIP	PERCENT OF STORE STOCK OUTSTANDING
<S> Charles E. Rawley, III Tricon Global Restaurants, Inc. P.O. Box 32070 Louisville, Kentucky 40232	<C> 48	<C> Director	<C> 1999	<C> 2001	<C> K	<C> President and Chief Operating Officer, KFC U.S.A.	<C> ---	<C> ---
James B. Royster 1110 West Michigan Avenue Jackson, Michigan 49202	60	Director, Vice Chairman	1998 ++	2000	A	Operator	4	**
Dean M. Sorgdrager 6851 Beach Boulevard Buena Park, California 90620	36	Director	1996	1999	G	Operator	1	**
Ronald J. Young El Rancho Food Services 2929 Melville Street Saskatoon, Saskatchewan Canada S7J 5A6	40	Director	1993	2000	M	Operator	14	**
Daniel E. Woodside Unified Foodservice Purchasing Co-op 950 Breckenridge Lane Louisville, Kentucky 40207	52	Director, President, Chief Executive Officer	1999	--	--	President, Unified Co-op	---	---
William L. Bickley Unified Foodservice Purchasing Co-op 950 Breckenridge Lane Louisville, Kentucky 40207	46	Chief Financial Officer	1999	---	---	Chief Financial Officer, Unified Co-op	---	---

</TABLE>

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<TABLE>
<CAPTION>

NAME AND ADDRESS	AGE	POSITIONS AND OFFICES CURRENTLY HELD WITH THE KFC COOP	YEAR FIRST BECAME DIRECTOR OR OFFICER	TERM AS DIRECTOR EXPIRES	SERIES REPRESENTED	PRESENT PRINCIPAL OCCUPATION	STORE COMMON STOCK OWNERSHIP	PERCENT OF STORE STOCK OUTSTANDING
<S> Alice LeBlanc Unified Foodservice Purchasing Co-op 950 Breckenridge Lane Louisville, Kentucky 40207	<C> 41	<C> Vice President	<C> 1998	<C> ---	<C> ---	<C> Vice President, Unified Co-op	<C> ---	<C> ---
All voting and non-voting directors and officers as a group (20 persons)+++							435	7.9

</TABLE>

- ** Less than one-half of one percent.
- + Mr. Neal has previously served on the Board as one of the two directors representing the National Franchise Advisory Council, the former holder of the Series L share of Membership Common Stock. He first began serving on the Board as a representative of Series E in February 1991.
- ++ Previously served as a director appointed by the National

+++ Each director, other than Messrs. Woodside and Carden, is, or is affiliated with a member which is, the owner of one share of Membership Common Stock. All voting and non-voting directors and officers as a group (20 persons) own 13 shares of Membership Common Stock, 2.4 percent of the total number of Shares of Membership Common Stock outstanding. The Store Common Stock ownership reflects the number of shares which each director, other than Messrs. Woodside and Carden, beneficially owns. Except as required by law, Store Common Stock has no voting rights. Messrs. Woodside and Carden are neither the owners, nor affiliated with the owners, of any Membership or Store Common Stock.

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During the last five years, Directors Allen, Carle, Cocolin, Edwards, Foust, Hecht, Henriquez, Neal, Olson, Pfeiffer, Royster, Sorgdrager, and Young have been principally engaged in business as Operators, and Mr. Carden has been owner and President of The Carden Group, a management and financial consulting company. Charles E. Rawley, III is President and Chief Operating Officer of KFC U.S.A. Mr. Rawley joined KFC in 1985 as a Director of Operations. He served as Vice President of Operations for the Southwest, West, Northeast, and Mid-Atlantic Divisions from 1988 to 1994, when he became Senior Vice President, Concept Development for KFC. Mr. Rawley assumed his position of Chief Operating Officer in 1995 and President in 1998. Christian L. Campbell is Senior Vice President, General Counsel and Secretary of Tricon. He has served in this position since September 1997. From 1995 to September 1997, Mr. Campbell served as Senior Vice President, General Counsel and Secretary of Owens Corning, a building products company. Before joining Owens Corning, Mr. Campbell served as Vice President, General Counsel and Secretary of Nalco Chemical Company in Naperville, Illinois, from 1990 through 1994. Don E. Parkinson is Senior Vice President, Franchising of KFC, a position he has held since 1990.

Since March 1, 1999, Daniel E. Woodside has served as the President and Chief Executive Officer of the KFC Coop and the Unified Co-op. From September 1997 through February 1999, Mr. Woodside served as Chief Operating Officer of UniPro Foodservice, Inc. UniPro was formed by the merger of EMCO Food Service Systems, Inc. and ComSource Independent Food Distribution in September 1997. Mr. Woodside served as President of EMCO from 1991 to September 1997. Before his service with EMCO, Mr. Woodside served in various positions with General Foods Corporation for 21 years.

William L. Bickley is Vice President and Chief Financial Officer of the KFC Coop. He is also Sr. Vice President and Chief Financial Officer of the Unified Co-op. Before joining the KFC Coop and Unified Co-op in March 1999, Mr. Bickley had served PepsiCo, Inc./Tricon Global Restaurants, Inc. Since 1983, his positions with PepsiCo/Tricon included Vice President, Acquisitions and Divestitures - Kentucky Fried Chicken (1996 - 1999); Vice President, North American SmartSourcing-PepsiCo Restaurant Services (1995 - 1996); and Senior Director, Business Planning - Kentucky Fried Chicken (1992 - 1995).

Alice LeBlanc is Vice President of the KFC Coop and Vice President - KFC Operations for the Unified Co-op. Ms. LeBlanc previously served as the KFC Coop's Vice President and General Manager - KFC Domestic & Canada and Vice President and General Manager of Canadian Operations. From 1992 to 1996, Ms. LeBlanc was the Director of Purchasing for Cara Operations Limited. From 1985 to 1992, she was Director of Purchasing and Technical Services for PepsiCo Food Service International.

Except for Mr. Woodside, all officers of the KFC Coop who are also directors serve in such offices on a limited, part-time basis without remuneration.

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EXECUTIVE COMPENSATION

The following table shows all cash compensation paid by the KFC Coop for the years ended October 31, 1998, 1997 and 1996 to the most highly compensated executive officers, whose total cash and cash-equivalent remuneration exceeded \$100,000 during fiscal 1998(1).

Summary of Annual Compensation

<TABLE>

<CAPTION>

Name and Principal Position	Fiscal Year	Salary	Bonus (2)	All Other Compensation (3)
<S>	<C>	<C>	<C>	<C>
Thomas D. Henrion	1998	\$212,127	\$90,640	16,200
President and Chief Executive Officer	1997	208,460	49,940	20,583
	1996	191,798	58,466	22,578
William V. Holden	1998	111,011	27,126	8,926
Vice President and Chief Financial Officer	1997	103,665	16,500	12,010
	1996	95,421	16,432	12,444
John W. Inwright	1998	108,937	27,192	8,896
Vice President	1997	103,178	18,150	12,317
	1996	88,656	20,000	11,929
Kenneth L. Hartung	1998	108,233	26,512	8,755
Vice President	1997	102,733	16,838	11,802
	1996	93,896	15,288	12,662
Alice LeBlanc	1998	87,216	24,720	72,922
Vice President				

</TABLE>

(1) As of March 1, 1999, the executive officers of the KFC Coop are: Daniel E. Woodside, President and Chief Executive Officer; William L. Bickley, Chief Financial Officer; and Alice LeBlanc, Vice President.

(2) The KFC Coop had bonus programs for all officers under which, if they achieved certain objectives, they received a bonus of not greater than 40% of their base salaries.

(3) Includes employer contribution to the KFC Coop's Money Purchase Pension Plan in fiscal 1998 as follows: Mr. Henrion \$11,200; Mr. Holden \$8,926; Mr. Inwright \$8,896; Mr. Hartung \$8,755; and Ms. LeBlanc \$6,105. For Mr. Henrion, the fiscal 1998 amount includes \$5,000, representing the value to Mr. Henrion of the KFC Coop's payments with respect to the insurance policy described below. For Ms. LeBlanc, the fiscal 1998 amount includes \$66,817 paid

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to Ms. LeBlanc in connection with moving expenses and the sale of her home to relocate from Toronto to the KFC Coop's headquarters in Louisville.

In addition, as part of the KFC's Coop's corporate reorganization discussed above, Thomas D. Henrion, the KFC Coop, and the Unified Co-op executed a Separation and Consulting Agreement. The Separation and Consulting Agreement provided for Mr. Henrion to resign his employment on March 1, 1999 and, thereafter, to provide consulting services to the Unified Co-op and KFC Coop for two years. Mr. Henrion also agreed to non-compete provisions whereby, for two years following the date of the Separation and Consulting Agreement, Mr. Henrion will not work for companies that are specifically listed in the Separation and Consulting Agreement. Under the Separation and Consulting Agreement, Mr. Henrion was paid \$500,000 on March 1, 1999 and will be paid \$456,300 on the first business day of January 2000 along with health insurance coverage for 10 years.

COMPENSATION OF DIRECTORS AND OFFICERS

No director, other than the Independent Director, receives any remuneration from the KFC Coop other than reimbursement for long distance travel, hotel accommodations, and \$400 per board meeting for out-of-pocket expenses. The Independent Director receives an annual fee of \$10,000, plus fees of \$1,000 per board meeting attended.

As of March 1, 1999, the KFC Coop pays no salary or other similar compensation to any officer or employee.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Personnel Committee is comprised of Messrs. Houston, Olson, and Ms. Pfeiffer and met four times during fiscal 1998. Before his resignation as a

director, Robert P. Peck served as a member of the Personnel Committee during fiscal 1998. Pursuant to a former provision of the KFC Coop's Bylaws, Mr. Peck, as Chairman of the Board, served as the KFC Coop's Chief Executive Officer until May 1993; he received no compensation from the KFC Coop except for the reimbursement for expenses as set forth above in "Compensation of Directors." The Personnel Committee considers personnel policy and practices of the KFC Coop and makes recommendations to the Board of Directors concerning the compensation of all officers.

TRANSACTIONS WITH STOCKHOLDERS, DIRECTORS AND OFFICERS

All present voting members of the Board of Directors and nominees for the Board, except the Independent Director, are operators or represent operators and have purchased or may purchase equipment and supplies from the KFC Coop or from distributors who purchase from the KFC Coop. All purchases by directors and nominees or their affiliates from the KFC Coop are made on the same terms and conditions as purchases by any other operator. Several operators are also in the business of purchasing equipment and supplies for sale and distribution to other operators and may purchase such equipment and supplies from the KFC Coop.

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KFC COOP STOCK

LACK OF MARKET FOR KFC COOP STOCK

No class of the KFC Coop's capital stock is or will be listed on an exchange or traded in any other public trading market. All KFC Coop stock is and will be issued only to operators of KFC concept outlets, including Tricon, and the NCAC. You should purchase KFC Coop stock to participate in our programs we offer for members, including the patronage dividend program and purchasing programs, and to participate in management through the election of directors. You should not purchase KFC Coop stock with any expectation of a return on your investment through stock appreciation or per share dividends. Membership Common Stock is priced at \$10 per share and Store Common Stock is priced at \$400 per share. Transfers of KFC Coop stock to third parties are restricted. Consequently, no market exists, nor is expected to develop for these membership interests.

DESCRIPTION OF KFC COOP STOCK

Introduction

Each qualified operator desiring membership in the KFC Coop is required to purchase one share of Membership Common Stock and that number of shares of Store Common Stock which equals the total number of KFC outlets located in the United States owned and operated by such person, firm or entity. For purposes of calculating the number of shares of Store Common Stock required to be purchased by a KFC operator, the total number of retail outlets equals the total number of traditional retail outlets plus one-half, rounded up to the nearest even number, of the total number of non-traditional retail outlets. A non-traditional retail outlet means a retail outlet with more than one of the following characteristics: (1) a five year or shorter license, (2) a limited menu, (3) sales from a kiosk or other transportable unit, (4) sales from a segregated food service area at a location in a facility (such as an airport, athletic stadium, university or school) established for a primary purpose other than selling food for reasonably immediate consumption, (5) anticipated sales volume less than anticipated sales volume for a traditional retail unit, (6) sales in conjunction with sales of another food concept, or (7) such other characteristics as the KFC Coop Board of Directors may determine are indicative of a nontraditional retail outlet. If a member at any time becomes an operator of additional KFC outlets, he or she is required to purchase one additional share of Store Common Stock for each such additional traditional retail outlet or for each two additional non-traditional retail outlets, as the case may be.

KFC Coop stock is available to all KFC operators on a nondiscriminatory basis and the purchase of our stock is completely voluntary. While KFC operators do not need to own stock in the KFC Coop to purchase goods and equipment from or through us, our bylaws require that more than 50% of the value of our business be conducted with KFC Coop members.

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KFC Coop Membership Common Stock

The KFC Coop is authorized to issue 2,000 shares of Membership Common Stock, no par value. The following description of Membership Common Stock is qualified in all respects by the KFC Coop certificate of incorporation and bylaws.

Issuance in Series. Membership Common Stock may be offered and issued in 26 series, designated A-Z. Except for Series H, K and L, which consist of one share each, the KFC Coop Board of Directors has the right, power and authority to establish and increase or decrease the number of shares of each series, except that in no event will the aggregate number of authorized shares of Series A-J and M-Z, inclusive, exceed 1,997 shares.

Operators of KFC outlets, except for Tricon, Harman, and the NCAC are entitled to purchase one share of Membership Common Stock of one of the following series set forth in Column 1 below, but only if such stockholder member owns or operates, or is deemed to own or operate, a KFC retail outlet in one or more of the areas set forth in the corresponding line(s) of Column 2 below:

<TABLE> <CAPTION>	
COLUMN 1 -----	COLUMN 2 -----
SERIES -----	AREA ----
<S>	<C>
A	Indiana, Michigan, Ohio and West Virginia
B	Arkansas, Colorado, Kansas, Missouri, New Mexico, Oklahoma and Texas
C	Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont
D	Alaska, Hawaii, Idaho, Montana, Oregon, Washington and Wyoming
E	Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Virginia
F	Illinois, Iowa, Minnesota, Nebraska, North Dakota, South Dakota and Wisconsin
G	Arizona, California, Nevada and Utah
J	Foreign Territories other than Canada
M	Canada

</TABLE>

Harman, Tricon and the NCAC shall be entitled to purchase one share of one of the Series of Membership Common Stock set forth below opposite its name:

<TABLE> <CAPTION>	
STOCKHOLDER MEMBER -----	SERIES -----
<S>	<C>
Harman	H
KFC National Management Company	K
NCAC	L

</TABLE>

However, if Harman shall at any time own or operate less than 100 KFC outlets in the United States, then the share of Membership Common Stock owned by Harman shall be exchanged for one share of Membership Common Stock of such other Series as it is eligible to purchase.

Voting Rights. Each KFC Coop member who holds a share in Series A-H, J

and M is entitled to cast one vote to elect one member of the KFC Coop Board of Directors to represent its series. As the sole holder of Series K and L, respectively, KFC National Management Company and NCAC are entitled to cast one vote to elect two members of the KFC Coop Board of Directors to represent its series. As to all other matters on which each KFC Coop member is entitled to vote, each share of Membership Common Stock is entitled to one vote on each matter.

Limitations on Ownership and Transfer; Redemption. Membership Common Stock may be issued only to persons who satisfy the membership requirements, as set forth above. In general, no more than one share of Membership Common Stock will be issued to any one KFC operator. The KFC Coop Bylaws reflect our one franchisee, one vote principle. When a corporation, partnership or other entity is a franchisee operator, the owner of more than fifty percent of the corporation, partnership or other entity is deemed to be the owner of the shares of Membership Common Stock. Where no person, corporation, partnership or other entity owns more than fifty percent of the outstanding ownership interest of a franchisee operator, the owners of the corporation, partnership or other entity must designate among themselves who is to be deemed to own the share of Membership Common Stock.

The KFC Coop Bylaws set forth who is entitled to vote certain shares of Membership Common Stock in situations involving individuals who, through different corporations, partnerships or other affiliations, may have an interest in more than one share of Membership Common Stock. In general, the KFC Coop Bylaws provide that no person, firm or entity is entitled to own or have an interest in, directly or indirectly, more than one share of Membership Common Stock.

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Unless otherwise prohibited by law, the KFC Coop will promptly redeem shares of Membership Common Stock held by persons, firms or entities who no longer qualify as KFC Coop members. The redemption price for each share of Membership Common Stock is \$10.00 which will be payable in cash, except that, if the KFC Coop is prohibited by law from redeeming such share in cash because the payment would impair the capital of the KFC Coop, the KFC Coop will issue a non-interest bearing promissory note payable whenever the KFC Coop is no longer prohibited by law from making such payment. Membership Common Stock is not transferrable and may only be redeemed by the KFC Coop, as discussed above.

Liquidation Rights. In the event of any dissolution, liquidation, or other disposition of our assets, after the KFC Coop pays all of its debts and liabilities, the holders of Membership Common Stock will be entitled to receive \$10.00 per share. The remaining assets of the KFC Coop will be distributed to the holders of Store Common Stock, as described below.

General. Membership Common Stock has no preemptive rights. The shares of Membership Common Stock issued in accordance with the terms and conditions of this prospectus are, when issued, duly authorized, validly issued, fully paid and nonassessable and the holders thereof are not liable for any payment of the KFC Coop's debts.

KFC Coop Store Common Stock

The KFC Coop is authorized to issue 10,000 shares of Store Common Stock, no par value. The following description of Store Common Stock provisions is qualified in all respects by the KFC Coop certificate of incorporation and bylaws.

Voting Rights. The holders of Store Common Stock are not entitled by virtue of their ownership of Store Common Stock to vote for directors, to participate in meetings or management of the KFC Coop or to vote in any proceedings, except as required by law.

Limitations on Ownership and Transfer; Redemption. Only holders of record of Membership Common Stock are permitted to purchase shares of Store Common Stock.

In the event that a holder of Store Common Stock receives a bona fide offer to purchase its shares of Store Common Stock and such holder desires to sell or otherwise convey such shares, such shareholder must first offer to sell the shares to the KFC Coop on the same terms as stated in the offer. The KFC Coop may repurchase the shares on the terms set forth in the offer. However, if the KFC Coop rejects the offer or fails to respond to the offer within 90 days, the holder of the shares of Store Common Stock may sell or otherwise transfer such shares to the person named in the bona fide offer on terms no less favorable than those set forth in the bona fide offer. However, such a transfer may only be made to a person, firm or entity which qualifies as a member of the KFC Coop. The KFC Coop may also, from time to time, purchase shares of Store

Common Stock at the request of holders who no longer operate KFC outlets, with respect to the offered shares.

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Distribution and Liquidation Rights. In the event of any distributions by the KFC Coop to our members, liquidation, or other disposition of our assets, after the payment of all of our debts and liabilities and the payment of \$10.00 per share to holders of Membership Common Stock, our remaining assets will be distributed to the holders of Store Common Stock on the basis of each member's past patronage insofar as such distribution is practicable.

General. Store Common Stock has no preemptive or conversion rights. The shares of the Store Common Stock issued in accordance with the terms and conditions of this prospectus are, when issued, duly authorized, validly issued, fully paid and nonassessable and the holders thereof are liable for any payment of the KFC Coop's debts.

MISCELLANEOUS

INDEMNIFICATION AND LIMITS ON MONETARY LIABILITY

Article 8 of our Certificate of Incorporation provides that a director will not be personally liable to the KFC Coop or its stockholder members for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to the KFC Coop or its members, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) for the payment of dividends or approval of stock repurchases or redemptions that are prohibited by Delaware law, or (4) for any transaction from which the director derived an improper personal benefit. Only directors, not officers, may benefit from the provisions of Article 8. The limitations of liability extend only to the elimination of a recovery of a monetary remedy. Members may still seek equitable relief, such as an injunction, against any action by a director that is inappropriate. This provision does not affect the directors' responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

Article 7 of our Bylaws provides for the indemnification of officers or directors who are party to or threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative. Such indemnification is against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred, if the officer or director acted in good faith and reasonably believed his or her actions were not opposed to the best interests of the KFC Coop. Officers and directors are not indemnified for criminal actions where they have reason to believe their conduct is unlawful, or in connection with any matter where the officer or director is adjudged to have been liable for negligence or misconduct in the performance of his or her duty, unless a court deems such officer or director to be fairly and reasonably entitled to indemnity.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, is permitted for directors and officers of the KFC Coop pursuant to the provisions discussed above, the KFC Coop has been advised that the opinion of the Securities and Exchange Commission is that such indemnification is against public policy and, therefore, unenforceable.

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WHERE YOU CAN FIND MORE INFORMATION

You can obtain any document discussed in this prospectus by requesting it in writing or by telephone from the KFC Coop at the following address:

Stockholder Records
KFC National Purchasing Cooperative, Inc.
950 Breckenridge Lane
Louisville, Kentucky 40232
(502) 896-5900

If you request any documents from us, we will mail them to you by first class mail, or another equally prompt means, within one business day after we receive your request. The KFC Coop intends to provide our members with annual

reports containing audited financial statements and quarterly reports containing unaudited financial statements.

LEGAL PROCEEDINGS

On July 31, 1998, the KFC Coop filed a complaint in Jefferson County Kentucky Circuit Court against Fred Jeffrey, a former consultant to the KFC Coop, and his wife, Julianna Jeffrey, alleging breach of contract, conversion and unjust enrichment. The KFC Coop alleges in its complaint that the Jeffreys breached certain contracts with the KFC Coop by not fully repaying a \$600,000 loan from the KFC Coop and for converting certain funds that were to be used to repay that loan. At the time of the filing the complaint, the Jeffreys were in default for approximately \$194,037 under the loan. The Jeffreys each filed separate answers to the complaint, denying that they are in default and asserting that the loan was non-recourse in nature. Fred Jeffrey filed a counterclaim against the KFC Coop, alleging that in 1991 the KFC Coop fraudulently induced him into selling his business and becoming a consultant to the KFC Coop, and various other claims including wrongful termination of his consulting agreement with the KFC Coop. The matter is in discovery. Management, after consultation with legal counsel, believes that these claims by Mr. Jeffrey are without merit.

LEGAL MATTERS

Brown, Todd & Heyburn PLLC, 400 West Market Street, 32nd Floor, Louisville, Kentucky, 40202 has passed upon the legality of the securities we are offering pursuant to this prospectus.

"Dairy Queen," "Long John Silver's," "Fazoli's," "Taco Bell," "Pizza Hut" and "KFC" are registered trademarks of American Dairy Queen Corporation, Long John Silver's Inc., Seed Restaurant Group, Inc., Taco Bell Corp., Pizza Hut, Inc. and KFC Corporation, respectively and are used in these materials for identification purposes only. The KFC Coop is not affiliated with American Dairy Queen Corporation, Long John Silver's Inc., Seed Restaurant Group, Inc., Taco

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Bell Corp., Pizza Hut, Inc. and KFC Corporation, except that KFC Corporation is a stockholder member of the KFC Coop.

EXPERTS

The consolidated financial statements and schedule of the KFC Coop as of October 31, 1998 and for the year ended October 31, 1998, have been included herein in reliance upon the reports of PricewaterhouseCoopers LLP, independent accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements and schedule of the KFC Coop as of October 31, 1997, and for each of the years in the two-year period ended October 31, 1997, have been included herein in reliance upon the reports of KPMG Peat Marwick LLP, now KPMG LLP, independent accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

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KFC National Purchasing Cooperative, Inc.

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Consolidated Financial Statements

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<C>

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REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Stockholders
KFC National Purchasing Cooperative, Inc.

In our opinion, the accompanying consolidated balance sheet as of October 31, 1998 and the related consolidated statements of income, members' equity and cash flows for the year then ended present fairly, in all material respects, the financial position of KFC National Purchasing Cooperative, Inc. (d/b/a FoodService Purchasing Cooperative, Inc.) and Subsidiaries at October 31, 1998, and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles. 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 audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Louisville, Kentucky
January 26, 1999

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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated balance sheet of KFC National Purchasing Cooperative, Inc. (d/b/a FoodService Purchasing Cooperative, Inc.) and Subsidiaries as of October 31, 1997, and the related consolidated statements of income, members' equity, and cash flows for each of the years in the two-year period ended October 31, 1997. These consolidated financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KFC National Purchasing Cooperative, Inc. and Subsidiaries as of October 31, 1997, and the results of their operations and their cash flows for each of the years in the two-year period ended October 31, 1997, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

KPMG LLP

Louisville, Kentucky
 December 8, 1997

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
 (D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
 CONSOLIDATED BALANCE SHEETS
 October 31, 1998 and 1997
 (Dollars in thousands)

ASSETS	1998	1997
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 272	\$ 160
Accounts and note receivable, less allowance for losses of \$1,393 in 1998 and \$1,409 in 1997	51,654	41,040
Inventories:		
Food	3,306	1,662
Equipment and promotional items	3,763	3,853
	-----	-----
	7,069	5,515
Current note receivable from related party	-	60
Prepaid expenses	158	130
Deferred income taxes	635	614
	-----	-----
Total current assets	59,788	47,519
	-----	-----
Office equipment, at cost, less accumulated depreciation of \$3,275 in 1998 and \$3,039 in 1997	832	660
Note receivable from related party, excluding current portion	178	118
Note receivable	-	832
Deferred income taxes	225	108

Other assets	315	563
	-----	-----
	\$ 61,338	\$ 49,800
	=====	=====
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 444	\$ 572
Note payable	3,000	-
Accounts payable	33,554	21,124
Accrued expenses	3,496	4,299
Premium deposits	329	329
Patronage dividend	2,619	2,890
	-----	-----
Total current liabilities	43,442	29,214
Long-term note payable	-	3,000
	-----	-----
Total liabilities	43,442	32,214
	-----	-----
Commitments and contingencies		
Members' equity:		
Membership common stock, voting, no par value; authorized, 2,000 shares; issued and outstanding, 707 shares in 1998 and 665 shares in 1997	7	7
Store common stock, no par value; authorized, 10,000 shares; issued and outstanding, 6,730 shares in 1998 and 6,091 shares in 1997	1,951	1,700
Unrealized gain/loss on marketable equity security	33	-
Retained earnings	15,990	15,930
Currency translation adjustment	(85)	(51)
	-----	-----
	17,896	17,586
	-----	-----
	\$ 61,338	\$ 49,800
	=====	=====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
(D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
CONSOLIDATED STATEMENTS OF INCOME
for the years ended October 31, 1998, 1997 and 1996
(Dollars in thousands)

<TABLE>			
<CAPTION>			
	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Net sales	\$ 664,792	\$ 600,132	\$ 580,441
Cost of goods sold	648,046	583,891	564,370
	-----	-----	-----
Gross profit	16,746	16,241	16,071
Selling, general and administrative expenses	13,602	12,266	11,006
Provision for losses on receivables	700	175	406
Other income (expense):			
Service charges	158	187	90
Interest income	247	339	508
Interest expense	(272)	(285)	(270)
Miscellaneous	180	112	70
	-----	-----	-----

	313	353	398
	-----	-----	-----
Income before patronage dividend and income taxes	2,757	4,153	5,057
Patronage dividend	2,619	2,890	2,762
	-----	-----	-----
Income before income taxes	138	1,263	2,295
Provision for income taxes	78	515	909
	-----	-----	-----
Net income	\$ 60	\$ 748	\$ 1,386
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
(D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
for the years ended October 31, 1998, 1997 and 1996
(Dollars in thousands, except per share amounts)

<TABLE>
<CAPTION>

	COMMON STOCK			RETAINED EARNINGS	CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAIN/LOSS EQUITY SECURITY
	SHARES	AMOUNT				
		MEMBERSHIP	STORE			
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, October 31, 1995		\$ 6	\$ 1,582	\$ 13,796	\$ (35)	--
Proceeds from sales of common stock:						
Membership, at \$10 per share	55					
Store, at \$400 per share	225		90			
Retirement of common stock:						
Membership, at \$10 per share	(17)					
Store, at \$400 per share	(58)		(22)			
Cost in connection with sales of common stock			(4)			
Net income for the year ended October 31, 1996				1,386		
Currency translation adjustment					3	
Balance, October 31, 1996		6	1,646	15,182	(32)	--
Proceeds from sales of common stock:						
Membership, at \$10 per share	77	1				
Store, at \$400 per share	331		132			
Retirement of common stock:						
Membership, at \$10 per share	(36)					
Store, at \$400 per share	(186)		(75)			
Cost in connection with sales of common stock			(3)			
Net income for the year ended October 31, 1997				748		
Currency translation adjustment					(19)	
Balance, October 31, 1997		7	1,700	15,930	(51)	--
Proceeds from sales of common stock:						
Membership, at \$10 per share	64					
Store, at \$400 per share	800		320			
Retirement of common stock:						

Membership, at \$10 per share	(22)				
Store, at \$400 per share	(161)		(64)		
Cost in connection with sales of common stock			(5)		
Net income for the year ended October 31, 1998			60		
Currency translation adjustment				(34)	
Gain/loss on marketable equity security					\$ 33
Balance, October 31, 1998	\$ 7	\$ 1,951	\$ 15,990	\$ (85)	\$ 33

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
(D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended October 31, 1998, 1997 and 1996
(Dollars in thousands)

<TABLE>
<CAPTION>

	1998	1997	1996
	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	\$ 60	\$ 748	\$ 1,386
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	376	377	418
Provision for losses on receivables	700	175	406
Impairment of goodwill	303	--	--
(Gain) loss on disposals	4	7	(1)
Deferred income tax expense (benefit)	(138)	(23)	44
Changes in operating assets and liabilities:			
Increase in accounts receivable	(11,314)	(3,893)	(3,207)
(Increase) decrease in inventories	(1,554)	(3,037)	462
Decrease in refundable income taxes	--	32	6
(Increase) decrease in prepaid expenses	(28)	3	(52)
Increase (decrease) in accounts payable	12,430	(953)	2,318
Increase (decrease) in accrued expenses	(803)	1,272	789
Decrease in premium deposits	--	(10)	(23)
Increase (decrease) in patronage dividend	(271)	128	1,516
Net cash provided by (used in) operating activities	(235)	(5,174)	4,062
Cash flows from investing activities:			
Repayments of loan from related party	--	56	79
Repayments of note receivable	832	--	12
Increase in other assets	(11)	(446)	(74)
Additions to office equipment, net	(508)	(322)	(291)
Purchase of marketable equity security	(55)	--	--
Proceeds from sale of office equipment	--	--	17
Net cash provided by (used in) investing activities	258	(712)	(257)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	(128)	(866)	561
Proceeds from sale of stock, net of costs	315	130	86
Retirement of stock	(64)	(75)	(22)
Net cash provided by (used in) financing activities	123	(811)	625
Effect of change in exchange rates on cash and cash equivalents	(34)	(19)	3
Net increase (decrease) in cash and cash equivalents	112	(6,716)	4,433

Cash and cash equivalents - beginning of year	160	6,876	2,443
	-----	-----	-----
Cash and cash equivalents - end of year	\$ 272	\$ 160	\$ 6,876
	=====	=====	=====
Supplemental information:			
Income taxes paid	\$ 237	\$ 468	\$ 937
	=====	=====	=====
Interest paid	\$ 273	\$ 285	\$ 270
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
(D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION:

The primary purpose of KFC National Purchasing Cooperative, Inc. (d/b/a FoodService Purchasing Cooperative, Inc.) and Subsidiaries (the Cooperative) is to operate as a central procurement organization, making volume purchases of various foods, equipment and supplies primarily for the benefit of Kentucky Fried Chicken (KFC) and Taco Bell retail operators and their distributors.

KFC Franchisee Purchasing of Canada, Inc., a wholly-owned subsidiary, is a procurement organization for the benefit of Canadian KFC retail operators and their distributors. FoodService Purchasing Cooperative International, Inc., a wholly-owned subsidiary, was formed in 1997 to provide similar services to international franchisees, other than Canada. Kenco Insurance Agency, Inc. sponsors and helps administer insurance programs primarily for KFC franchisees. KFC Franchisee Finance Company, Inc., another wholly-owned subsidiary, has provided financing for equipment purchases of KFC franchisees. In view of the overall nature of its operations, the Cooperative is considered to operate in a single industry segment. The more significant accounting policies of the Cooperative are as follows:

- A. CONSOLIDATION: The accompanying financial statements include the accounts of KFC National Purchasing Cooperative, Inc. and its wholly-owned subsidiaries, KFC Franchisee Insurance Program, Inc. and its wholly-owned subsidiary, Kenco Insurance Agency, Inc., KFC Franchisee Purchasing of Canada, Inc., FoodService Purchasing Cooperative International, Inc. and KFC Franchisee Finance Company, Inc. All significant intercompany balances and transactions have been eliminated in consolidation. The operation of KFC Franchisee Purchasing of Canada, Inc. and FoodService Purchasing Cooperative International, Inc. represent less than 10% of net sales and total assets of the Cooperative.
- B. REVENUE RECOGNITION: The Cooperative purchases a majority of merchandise for its customers from suppliers without taking physical possession of the products. The suppliers ship directly to the customers. The Cooperative takes title to the merchandise and assumes the risk related to taking title upon shipment to the customer based on purchase order terms. For accounting purposes, the Cooperative recognizes revenues and the related costs upon receipt of notification of shipment, primarily an invoice, from the supplier. Management believes the consistent application of this accounting method does not have a significant impact upon the consolidated financial statements.

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1. BASIS OF PRESENTATION, CONTINUED:

- C. INVENTORIES: Inventories are stated at the lower of cost, primarily determined on the last-in, first-out (LIFO) method, or market. If inventories were valued using the first-in, first-out (FIFO) method, they would have been approximately \$41,000 and \$19,000 higher at October 31, 1998 and 1997, respectively.

During 1996, LIFO inventory layers were reduced. This reduction resulted in charging lower inventory costs prevailing in previous years to cost of goods sold, thus reducing costs of goods sold by approximately \$18,000, below the amount that would have resulted from replacing the liquidated inventory at end of year prices.

- D. CHECKS DRAWN IN EXCESS OF BOOK BALANCE: Included in accounts payable are checks drawn in excess of book balance. Such amounts were approximately \$8,870,000 and \$2,406,000 at October 31, 1998 and 1997, respectively.
- E. DEPRECIATION AND AMORTIZATION EXPENSE: Provision for depreciation and amortization is made on the basis of the estimated useful lives of the assets. Principally, the double declining-balance method is used for depreciation of office equipment and the straight-line method is used for amortization of other assets.

Other assets principally consist of the unamortized portion of non-competition agreements, goodwill and loan origination fees. The non-competition agreements are being amortized over 13 and 5 years. The loan origination fees are being amortized over 5 and 3 years. Goodwill was being amortized over 15 years. The carrying values of all intangibles are periodically reviewed by management and impairments are recognized when the expected undiscounted future operating cash flows derived from operations associated with such intangible assets are less than their carrying value. As a result of this review, all remaining goodwill was written off in the year ended October 31, 1998 resulting in a charge to earnings of approximately \$303,000.

- F. STATEMENT OF CASH FLOWS: For purposes of the consolidated statements of cash flows, the Cooperative considers all short-term highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
- G. TRANSLATION OF FOREIGN CURRENCY: The financial statements of KFC Franchisee Purchasing of Canada, Inc. are translated in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation." Foodservice Purchasing Cooperative International, Inc. operates in U.S. funds. Foreign currency transaction gains and losses were not significant in 1998, 1997 and 1996.

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1. BASIS OF PRESENTATION, CONTINUED:

- H. INCOME TAXES: Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

- I. USE OF ESTIMATES: Management of the Cooperative has made a number of estimates and assumptions relating to the reporting of assets and

liabilities and the disclosure of contingent liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

2. ACCOUNTS RECEIVABLE AND SIGNIFICANT GROUP CONCENTRATION OF CREDIT RISK:

As of October 31, 1998 and 1997, substantially all of the Cooperative's receivables are obligations of retail operators and their distributors. The Cooperative does not require collateral or other security on most of these accounts. The credit risk on these accounts is controlled through credit approvals, limits and monitoring procedures.

The note receivable of approximately \$832,000 at October 31, 1997 was due from a former distributor customer. In 1995, the Cooperative converted an account receivable from this customer to a note receivable. As of October 31, 1997, the customer had not made timely payments as prescribed by the note and was in default; however, payment was received by the Cooperative during 1998 for the full amount of the note.

3. BORROWING ARRANGEMENTS:

The Cooperative has a \$3,000,000 term note with its primary bank. Accounts receivable and other property are pledged as collateral. Terms require monthly interest payments, with a balloon principal payment due May 2, 1999. The outstanding balance accrues interest at an annual fixed rate of 6.95%.

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
(D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

3. BORROWING ARRANGEMENTS, CONTINUED:

The Cooperative has a line of credit of \$8,000,000 with its primary bank, of which \$7,900,000 was available on October 31, 1998. Accounts receivable and other property are pledged as collateral for borrowings under the line. Borrowings on the line of credit bear interest at an annual rate equal to the Federal Funds Rate plus 120 basis points (6.07% as of October 31, 1998). This line of credit expires on May 2, 1999.

The Cooperative has a \$3,000,000 line of credit with National Cooperative Bank (the Bank), of which the entire amount was available as of October 31, 1998. Equipment accounts receivable and equipment inventory are pledged as collateral for borrowings under the line. Borrowings on this line of credit bear interest at LIBOR plus 140 basis points (6.74% as of October 31, 1998). This line of credit expires May 1, 1999. The President of the Cooperative served as a director of the Bank from May 1991 to May 1997.

The Cooperative has a \$4,000,000 (Canadian dollars) line of credit with a Canadian bank, of which approximately \$3,469,000 (Canadian dollars) is available at October 31, 1998. Accounts receivable of the Cooperative's Canadian subsidiary are pledged as collateral for borrowings under this line. Borrowings on this line of credit bear interest at an annual rate equal to the bank's prime lending rate with respect to Canadian dollar commercial loans made in Canada (7.00% as of October 31, 1998). This line of credit expires on May 16, 1999.

4. INCOME TAXES:

Income tax expense for the years ended October 31, 1998, 1997 and 1996 consists of:

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Currently payable:			

Federal	\$ 175,000	\$ 414,000	\$ 663,000
State and local	41,000	124,000	202,000
Deferred - all taxing jurisdictions	(138,000)	(23,000)	44,000
	-----	-----	-----
	\$ 78,000	\$ 515,000	\$ 909,000
	=====	=====	=====

</TABLE>

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
(D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

4. INCOME TAXES, CONTINUED:

A reconciliation of the difference between income tax expense computed at the Federal statutory rate of 34% and income tax expense follows:

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Computed "expected" tax expense	\$ 47,000	\$ 429,000	\$ 780,000
Increase (decrease) in income taxes resulting from:			
State and local income taxes, net of federal income tax benefit	27,000	83,000	133,000
Other, net	4,000	3,000	(4,000)
	-----	-----	-----
	\$ 78,000	\$ 515,000	\$ 909,000
	=====	=====	=====

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at October 31, 1998 and 1997 are presented below:

<TABLE>
<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
Accounts receivable, principally due to allowance for doubtful accounts	\$ 558,000	\$ 575,000
Lease recognition	25,000	55,000
Accounting reserves not currently deductible for income tax purposes	127,000	64,000
Impaired goodwill written off, not currently deductible for income tax purposes	118,000	-
Other	32,000	28,000
	-----	-----
Net deferred tax asset	\$ 860,000	\$ 722,000
	=====	=====

</TABLE>

Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Cooperative will realize the benefits of these temporary differences. Accordingly, no valuation allowance for deferred tax assets was recorded as of October 31, 1998, 1997 and 1996.

The Board of Directors is authorized, after considering the Cooperative's need for capital and reserves, to distribute patronage cash dividends. The patronage dividend for 1998 is based upon shareholder members' retaining membership in the Cooperative through October 31, 1998 and the value of any purchase of equipment and supplies made from the Cooperative, or through participating distributors from November 1, 1997 through October 31, 1998. The patronage dividends for 1997 and 1996 were based upon similar facts as described in the preceding sentence.

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
 (D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

4. INCOME TAXES, CONTINUED:

The Internal Revenue Code of 1986, as amended, provides that corporations "operating on the cooperative basis" generally may exclude from their taxable income amounts paid as patronage dividends. The Cooperative would be liable for taxes associated with the disallowance of any patronage dividend deduction.

5. MEMBERSHIP AND STORE COMMON STOCK:

Membership common stock may be issued only to persons who satisfy shareholder membership requirements and generally no more than one share of such stock will be issued to any one person. Membership common stock may not be transferred to any person other than the Cooperative. In the event that a shareholder no longer qualifies for membership, the Cooperative is required to redeem such shareholder's membership common stock at a redemption price of \$10.00 per share.

Store common stock may be issued only to persons who satisfy the shareholder membership requirements and each shareholder member must generally purchase one share of store common stock for each KFC or Taco Bell retail outlet which such shareholder member owns and operates. Store common stock may be transferred to persons, firms or entities who qualify for membership in the Cooperative if the Cooperative does not exercise its right of first refusal to purchase such shares.

6. MAJOR CUSTOMERS:

The Cooperative had sales to certain distributors in excess of 10% of net sales. One customer accounted for sales of approximately \$134,000,000, \$104,000,000 and \$120,000,000 for the years ended October 31, 1998, 1997 and 1996, respectively. This customer's outstanding accounts receivable balances were approximately \$12,003,000, \$6,659,000 and \$7,094,000 at October 31, 1998, 1997 and 1996, respectively. A second customer accounted for sales of approximately \$94,700,000, \$99,874,000 and \$84,000,000 for the years ended October 31, 1998, 1997 and 1996, respectively. This customer's outstanding accounts receivable balances were approximately \$4,880,000, \$6,306,000 and \$6,104,000 at October 31, 1998, 1997 and 1996, respectively. A third customer accounted for sales of approximately \$94,754,000, \$86,773,000 and \$80,300,000 for the years ended October 31, 1998, 1997 and 1996, respectively. This customer's outstanding accounts receivable balances were approximately \$5,633,000, \$5,552,000 and \$4,758,000 at October 31, 1998, 1997 and 1996, respectively.

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
 (D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

6. MAJOR CUSTOMERS, CONTINUED:

In October 1997, PepsiCo, Inc. spun off its three primary restaurant divisions - KFC, Taco Bell, and Pizza Hut - into a new public company, Tricon Global Restaurants, Inc. (Tricon). Also during fiscal 1997, PepsiCo sold its restaurant distribution subsidiary, Pepsi Food Service (PFS) to AmeriServe Food Distribution, Inc. (AmeriServe). AmeriServe has been and continues to be the second largest Cooperative customer, purchasing goods for distribution primarily to KFC franchisees. When AmeriServe purchased PFS, it acquired rights under a distribution agreement which as amended may extend until 2007. This agreement binds Tricon to use AmeriServe distribution services for Tricon owned KFC, Taco Bell, and Pizza Hut outlets. The agreement also extends to Taco Bell and Pizza Hut restaurants sold as part of Tricon's announced program of refranchising certain Tricon-owned restaurants to existing and new franchisees. AmeriServe does not purchase goods through the Cooperative

for distribution under its Tricon agreement. On May 21, 1998, AmeriServe acquired ProSource, Inc. (ProSource). For the year ended October 31, 1997, ProSource was the Cooperative's sixth largest distributor with total sales of approximately \$19,000,000. AmeriServe has stated in its public filings that AmeriServe is and will continue to be highly leveraged as a result of the indebtedness incurred primarily in connection with its acquisition of PFS. The Cooperative and its members continue to monitor their relationship with AmeriServe. The impact of Tricon's formation, AmeriServe's acquisition of PFS and the merger with ProSource on the business of the Cooperative remains uncertain.

Scott's Restaurants, Inc. (Scott's) is the largest KFC franchisee in Canada, with approximately 353 retail outlets. The operations of the Canadian subsidiary are substantially dependent on its business connected with Scott's. On October 10, 1997, following a court ruling favorable to KFC (Canada), KFC (Canada) delivered a notice terminating Scott's franchise license agreement to operate KFC outlets. Scott's obtained a stay of the termination pending judicial appeal which resulted in an appealable ruling favorable to Scott's. On October 30, 1998, Scott's and KFC (Canada) announced that they had signed an agreement providing for the sale to the public of the Scott's KFC outlets and selected KFC (Canada) owned outlets throughout Canada by way of a newly organized income trust. The proposed sale is subject to approval by the shareholders of Scott's and market conditions at the time of the public offering of income trust securities. It is the intention of the parties that the transaction be completed irrespective of further litigation between the parties regarding Scott's franchise agreement. The closing date for the transaction is scheduled for March 1, 1999. Once closed, the parties will exchange mutual releases with respect to the litigation. If the transaction is not successfully completed, their agreement provides that the parties will negotiate alternate strategies for the disposition of Scott's KFC business. The Cooperative continues to monitor the Scott's situation. The loss by the Canadian subsidiary of Scott's KFC business would have an adverse effect on the Cooperative's Canadian operations.

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
(D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

7. RETIREMENT PLAN:

The Cooperative has a thrift and profit-sharing plan and a money purchase pension plan which covers all employees who meet certain requirements as to age and length of service. The thrift and profit-sharing plan is funded under two allocation methods. The first is funded through a thrift plan agreement under Section 401(k) of the Internal Revenue Code whereby contributions made by those employees who elect to participate are matched, in accordance with plan guidelines and limitations, by the Cooperative. The second allocation, which covers all employees and was introduced in 1986, is funded by the Cooperative as determined by the Board of Directors, subject to certain limitations. The money purchase pension plan, established November 1, 1991, provides for an employer matching contribution of 2% to 7% of eligible compensation.

The Cooperative's combined contributions relating to these plans were approximately \$609,000, \$556,000 and \$498,000 for 1998, 1997 and 1996, respectively.

8. COMMITMENTS AND CONTINGENCIES:

The Cooperative's leasing arrangements include office space and equipment leased under customary leasing arrangements which include in some instance options to renew or purchase the leased items. All such leases are considered operating leases.

The following is a schedule of future lease obligations:

<TABLE>
<CAPTION>

YEAR ENDING
OCTOBER 31

<S>	<C>
1999	\$ 925,000
2000	806,000
2001	721,000
2002	764,000

	\$ 3,216,000
	=====

</TABLE>

Rental expense was approximately \$839,000, \$774,000 and \$719,000 in 1998, 1997 and 1996, respectively.

In the ordinary course of business, the Cooperative becomes involved in various claims and legal actions. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Cooperative's consolidated financial statements.

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
(D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

8. COMMITMENTS AND CONTINGENCIES, CONTINUED:

The Cooperative endeavors to obtain the lowest purchase prices by making large volume purchase commitments at fixed prices and by assuming other procurement functions and risks that reduce the suppliers' cost. These commitments are made throughout the year based on anticipated demands of the restaurant operators, with terms usually of less than a year and conditions varying from product to product. Commitments made in the past have resulted in minimal losses. No significant losses are expected from existing commitments.

In April 1996, the Cooperative entered into a finance program for stockholder members cosponsored by the Bank. The program initially provided up to \$20,000,000 in loans to Cooperative members which range from \$100,000 to an individual maximum of \$2,000,000. The Cooperative has guaranteed from 10% to 25% of the declining balance based on each loan's classification. The Bank has agreed to maintain a reserve account which will be applied to losses prior to the Cooperative incurring any loss. The reserve account is funded pursuant to the program agreements. The Bank's commitment to provide such loans terminated in June 1997. As of October 31, 1998, the Bank has funded approximately \$6.5 million of borrowings outstanding under this program. The Cooperative evaluates the credit risk associated with their guarantees through credit and monitoring procedures associated with their approval and periodic payments and reporting from the primary lender, the Bank. Currently, no losses are expected by the Cooperative under this program.

9. FINANCIAL INSTRUMENTS:

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Differences can arise between the fair value and carrying amount of financial instruments that are recognized at historical amounts.

The carrying amounts of cash and cash equivalents, accounts receivable (net), short-term borrowings, accounts payable and accrued expenses approximate the fair value of these instruments because of the short maturity of these instruments.

The carrying amount of the long-term note payable approximates fair value because the interest rate approximates that currently offered to the Cooperative for similar debt instruments.

It is not practical to estimate the fair value of the note receivable from related party due to the related party nature of that instrument.

KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
 (D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

10. IMPACT OF NEW ACCOUNTING STANDARDS:

In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income." Management believes that the adoption of SFAS No. 130 in fiscal 1999 will not have a material adverse affect on the Cooperative's consolidated financial statements.

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement is effective for financial statements for fiscal years beginning after December 15, 1997. Management is continuing to assess the disclosure impacts of adopting SFAS No. 131 in fiscal 1999.

In February 1998, the Financial Accounting Standards Board issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This statement is effective for financial statements for fiscal years beginning after December 15, 1997. Management is continuing to assess the disclosure impacts of adopting SFAS No. 132 in fiscal 1999.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Management believes that the adoption of SFAS No. 133 in fiscal 1999 will not have a material adverse affect on the Cooperative's consolidated financial statements.

11. PROPOSED CORPORATE REORGANIZATION:

In conjunction with Tricon Global Restaurants, Inc. and franchisee owners and operators of KFC, Taco Bell and Pizza Hut restaurants, on October 21, 1998, the Cooperative publicly announced the proposed formation of a "unified" purchasing cooperative focusing on the purchase of the food, packaging, supplies, equipment, and related services used in these restaurants. The Cooperative would transfer most operating assets and liabilities and its employees to the unified cooperative in exchange for its membership interest therein. In connection with forming the new unified cooperative, the Cooperative expects to split-off to a newly organized Taco Bell purchasing cooperative the portion of its business which operates purchasing programs for its Taco Bell members. Through this new entity, owners and operators of Taco Bell restaurants, including Tricon, would participate with the Cooperative and a newly organized Pizza Hut purchasing cooperative in the purchasing programs of the unified cooperative. Although administered by the new unified cooperative, the KFC purchasing program would be subject to significant control, advice and counsel of the Cooperative. The Cooperative would continue to exercise policy-making decisions and administer the patronage dividend program in accordance with past practices.

KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
 (D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

11. PROPOSED CORPORATE REORGANIZATION, CONTINUED:

The process is subject to the approval of the members of the Cooperative, Proxy statements soliciting such approval will be distributed to holders of record of the Cooperative's outstanding shares of membership common stock as of the close of business on January 27, 1999. Concurrently with the solicitation of proxies, the Cooperative is making a tender offer to holders of Taco Bell series membership common stock to transfer to the tendering members all of the shares of the newly organized Toco Bell cooperative in exchange for the surrender by the tendering members of all of their shares of the Cooperative membership common stock and store

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income and Expenses

For the three months ended April 30, 1999 and 1998

(Unaudited)

<TABLE>
<CAPTION>

	1999 ----	1998 ----
<S>	<C>	<C>
Net sales	\$ 61,819,049	\$ 153,740,546
Cost of goods sold	60,349,149	149,623,336
	-----	-----
Gross profit	1,469,900	4,117,210
Equity in earnings from Affiliate - Unified Co-op	618,926	--
	-----	-----
Selling, general and administrative expenses	(1,196,753)	(3,561,344)
Provision for losses on receivables	(132,571)	(52,505)
	-----	-----
	(1,329,324)	(3,613,849)
	-----	-----
Operating income	759,502	503,361
	-----	-----
Other income (expenses):		
Service charges	48,860	48,262
Interest income	15,125	104,868
Interest expense	(48,629)	(62,071)
Miscellaneous	62,905	13,620
	-----	-----
	78,261	104,679
	-----	-----
Income before patronage dividend and income taxes	837,763	608,040
Patronage dividend	895,047	427,717
	-----	-----
(Loss) income before income taxes	(57,284)	180,323
(Benefit) provision for income taxes	(11,905)	87,571
	-----	-----
Net (loss) income	\$ (45,379)	\$ 92,752
	=====	=====

</TABLE>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income and Expenses

For the six months ended April 30, 1999 and 1998

(Unaudited)

<TABLE>
<CAPTION>

	1999 ----	1998 ----
<S>	<C>	<C>
Net sales	\$ 240,356,725	303,320,196
Cost of goods sold	234,413,390	295,047,577
	-----	-----

Gross profit	5,943,335	8,272,619
Equity in earnings from Affiliate - Unified Co-op	618,926	--
	-----	-----
Selling, general and administrative expenses	(4,585,657)	(6,774,658)
Provision for losses on receivables	(177,458)	(95,011)
	-----	-----
	(4,763,115)	(6,869,669)
	-----	-----
Operating income	1,799,146	1,402,950
	-----	-----
Other income (expenses):		
Service charges	127,996	93,002
Interest income	23,515	177,132
Interest expense	(204,138)	(126,805)
Miscellaneous	93,457	42,337
	-----	-----
	40,830	185,666
	-----	-----
Income before patronage dividend and income taxes	1,839,976	1,588,616
	-----	-----
Patronage dividend	1,714,176	1,306,127
	-----	-----
Income before income taxes	125,800	282,489
Provision for income taxes	51,914	123,911
	-----	-----
Net income	\$ 73,886	158,578
	=====	=====

</TABLE>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

<TABLE>

<CAPTION>

Assets	April 30, 1999	Derived from audited financial statements October 31, 1998
-----	----	----
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	\$ 2,505,956	\$ 271,853
Accounts receivable, less allowance for losses of \$1,153,455 at April 30, 1999 and \$1,392,579 at October 31, 1998	4,924,781	51,153,630
Inventories	2,060,477	7,068,488
Prepaid expenses and other current assets	178	158,299
Current portion of deferred income taxes	651,893	635,505
Notes receivable from Unified Co-op	5,865,591	--
Notes receivable from related parties	428,592	50,000
	-----	-----
Total Current Assets	16,437,468	59,337,775
	-----	-----
Investment in Unified Co-op	1,618,926	--
Note receivable from Unified Co-op	1,000,000	--
Notes receivable from related parties, excluding current portion	627,948	627,948
Deferred income taxes, excluding current portion	52,640	225,216
Other assets	438,953	1,147,063
	-----	-----
Total Assets	\$ 20,175,935	\$ 61,338,002
	=====	=====
Liabilities and Members' Equity		
Current Liabilities:		
Short-term borrowings	\$ 1,000	\$ 444,302
Notes payable	--	3,000,000
Accounts payable	586,203	33,554,224
Accrued expenses	703,950	3,496,045

Premium deposits	--	328,807
Patronage dividend	1,714,175	2,618,914
	-----	-----
Total Current Liabilities	3,005,328	43,442,292
	-----	-----
Commitments and Contingencies		
Members' Equity:		
Membership common stock	6,250	7,070
Store common stock	1,683,163	1,950,708
Accumulated other comprehensive income	(64,611)	(52,323)
Retained earnings	15,545,805	15,990,255
	-----	-----
	17,170,607	17,895,710
	-----	-----
Total Liabilities and Members' Equity	\$ 20,175,935	\$ 61,338,002
	=====	=====

</TABLE>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
For the six months ended April 30, 1999 and 1998
(Unaudited)

<TABLE>

<CAPTION>

	1999	1998
	----	----
<S>	<C>	<C>
Cash Flows from Operating Activities:		
Net Income	\$ 73,886	\$ 158,578
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	119,373	212,491
Provision for losses on receivables	177,458	95,011
Gain on sale of investment	(65,367)	--
Equity in earnings of affiliate	(618,926)	--
Changes in operating assets and liabilities:		
Deferred income tax benefit	21,734	(43,157)
Decrease in accounts receivable	32,782,173	1,027,102
Decrease in inventories	3,843,367	2,273,050
(Increase) in notes receivable from Unified Co-op	(5,195,300)	--
Decrease (increase) in prepaid expenses and other current assets	33,877	(170,096)
Decrease (increase) in other assets	(31,645)	16,570
(Decrease) increase in accounts payable	(28,523,707)	1,449,965
(Decrease) in accrued expenses	(2,222,925)	(1,698,888)
(Decrease) in premium deposits	(258)	--
(Decrease) in patronage dividend	(904,739)	(1,584,173)
	-----	-----
Net cash provided by (used in) operating activities	(510,999)	1,736,453
	-----	-----
Cash Flows from Investing Activities:		
Increase in investment in Unified Co-op	(1,000,000)	--
Increase in notes receivable	(175,251)	831,789
Increase in notes receivable from Unified Co-op	(1,000,000)	--
Decrease in notes receivable from Taco Bell Coop	8,567,346	--
Sale (purchase) of marketable equity security	119,742	(54,375)
Additions to office equipment	(75,405)	(267,824)
	-----	-----
Net cash used in investing activities	6,436,432	509,590
	-----	-----
Cash Flows from Financing Activities:		
(Decrease) increase in short-term borrowings	(443,302)	719,545
(Decrease) in notes payable	(3,000,000)	--
Proceeds from sale of stock, net of costs	80,525	160,364
Retirement of stock	(14,750)	(37,430)
Distribution to Taco Bell Coop	(334,140)	--
	-----	-----
Net cash provided by financing activities	(3,711,667)	842,479
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	20,337	(5,697)
	-----	-----
Net increase in cash and cash equivalents	2,234,103	3,082,825

Cash and cash equivalents - beginning of period	271,853	160,065
	-----	-----
Cash and cash equivalents - end of period	\$ 2,505,956	\$ 3,242,890
	=====	=====

</TABLE>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The accompanying financial statements are presented in accordance with the requirements of Form S-1 and consequently do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the registrant's annual Form 10-K filing. Accordingly, the reader of this Form S-1 may wish to refer to the Registrant's Form 10-K for the year ended October 31, 1998, for further information in this regard.

The accompanying financial statements for comparative purposes have been made to conform to the format of the registrant's Form 10-K for the year ended October 31, 1998, and have been prepared in accordance with the registrant's customary accounting practices and have not been audited. In the opinion of management, all adjustments (consisting of normal recurring accruals except for transaction described in Note 3) necessary for fair presentation of this information have been made.

2. Other Comprehensive Income

Effective November 1, 1998 the company adopted Statement of Financial Accounting Standard (SFAS) No. 130, Reporting Comprehensive Income. This statement requires that all items recognized under accounting standards as components of comprehensive earnings be reported in a financial statement. This statement also requires that an entity classify items of other comprehensive earnings by their nature in a financial statement. For example, other comprehensive earnings may include foreign currency translation adjustments, minimum pension liability adjustments and unrealized gains and losses on certain marketable securities. Financial statements for prior periods have been reclassified, as required.

Comprehensive earnings consists of the following:

<TABLE>

<CAPTION>

	Six Months Ended April 30,	
	----- 1999	----- 1998
	----	----
<S>	<C>	<C>
Net income	\$ 73,886	\$ 158,578
Other comprehensive income (loss):		
Foreign currency translation adjustment (net of related tax benefit of \$0 in 1999 and 1998)	20,337	(5,697)
Change in unrealized gain on marketable equity securities	(29,612)	9,125
	-----	-----
Comprehensive income	\$ 64,611	\$ 162,006
	=====	=====

</TABLE>

3. Recent Corporate Reorganization

On March 1, 1999, the KFC Coop joined with Tricon Global Restaurants, Inc. and franchisee owners and operators of KFC, Taco Bell and Pizza Hut restaurants to form Unified Foodservice Purchasing Co-op, LLC, as a new purchasing cooperative focusing on the purchase of the food, packaging, supplies, equipment, and related services used by such owners and operators (the "Corporate Reorganization"). The KFC Coop believes that the Unified Co-op will enable KFC, Taco Bell and Pizza Hut restaurant owners and operators to reduce their store delivered costs of goods and equipment. In addition to the KFC Coop, the other two members of the Unified Co-op are the Taco Bell National Purchasing Coop, Inc. and Pizza Hut National Purchasing Coop, Inc., both newly organized Delaware corporations with shareholder members who are operators of Taco Bell and Pizza Hut retail outlets, respectively.

The KFC Coop, the Taco Bell Coop and the Pizza Hut Coop each contributed \$1,000,000 in capital to the Unified Co-op. Equity in earnings of the Unified Co-op is based on revenue and allocation of expenses to the respective cooperatives in accordance with the Operating Agreement between the KFC Coop, the Taco Bell Coop and the Pizza Hut Coop.

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The following transaction took place on March 1, 1999.

KFC National Purchasing Cooperative, Inc.
Unaudited Condensed Consolidated Balance Sheet
March 1, 1999

<u><S></u>	Historical Registrant <C>	Corporate Reorganization Adjustments		As adjusted Registrant <C>
		Taco Bell Coop <C>	Unified Co-op <C>	
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ (5,909,246)		\$ 300	\$ (5,909,546)
Accounts and notes receivable, net	52,958,694	\$ 12,158,183	24,164	40,776,347
Inventories	4,620,819	1,164,644		3,456,175
Note Receivable - Affiliate		(8,608,568)	279,409	8,329,159
Prepaid expenses and other current assets	125,158	3,241	111,736	10,181
	-----	-----	-----	-----
Total Current Assets	51,795,425	4,717,500	415,609	46,662,316
Investment in the Unified Coop	50,000		(950,000)	1,000,000
Deferred income taxes, excluding current portion	907,127	81,000		826,127
Other assets	1,287,964		705,559	582,405
	-----	-----	-----	-----
Total Assets	\$ 54,040,516	\$ 4,798,500	\$ 171,168	\$49,070,848
	=====	=====	=====	=====
<u>Liabilities and Members' Equity</u>				
Current Liabilities:				
Notes Payable and short term borrowings	\$ 6,161,905			\$ 6,161,905
Accounts payable	22,978,219	\$ 3,759,401		19,218,818
Accrued expenses	3,122,879	183,382	\$ 171,168	2,768,329
Patronage dividend payable	2,618,826			2,618,826
Patronage dividend accrued	1,152,486			1,152,486
	-----	-----	-----	-----
Total Current Liabilities	36,034,315	3,942,783	171,168	31,920,364
	-----	-----	-----	-----
Members' Equity:				
Membership common stock	7,080	970		6,110
Store common stock	1,994,763	336,400		1,658,363
Unrealized gain on marketable equity security	65,366			65,366
Accumulated Foreign Currency	(76,717)			(76,717)
Retained earnings, prior	15,990,253	518,347		15,471,906
Retained earnings, current	25,456			25,456
	-----	-----	-----	-----
Total Members' Equity	18,006,201	855,717	--	17,150,484
	-----	-----	-----	-----
Total Liabilities and Members' Equity	\$ 54,040,516	\$ 4,798,500	\$ 171,168	\$49,070,848
	=====	=====	=====	=====

4. Affiliate - Unified Foodservice Purchasing Co-op, LLC
The Unified Co-op is owned by its members, consisting of the KFC Coop, Taco Bell Coop, and Pizza Hut Coop. Summarized financial information of the Unified Co-op as of and for the two months ended April 30, 1999 is as follows:

<u><S></u>	Registrant ----- <C>	Taco Bell Coop ----- <C>	Pizza Hut Coop ----- <C>	Other ----- <C>	Total Unified Co-op ----- <C>
Sales	\$63,580,065	\$23,990,432	\$ 16,990,298	\$138,090	\$104,698,885
Sourcing Fee	821,431	1,262,605	888,751	--	2,972,787
Gross profit	2,806,759	1,796,297	1,229,384	138,090	5,970,530
Net earnings	618,926	49,121	(443,562)	16,007	240,492
	-----	-----	-----	-----	-----
Current assets					\$ 58,358,763

Non-current assets	876,016
Current liabilities	53,696,218
Non-current liabilities	3,328,549
Members' equity	2,210,012

</TABLE>

5. Borrowing Arrangements

During quarter ended April 30, 1999, the KFC Coop terminated its line of credit of \$8,000,000 and entered into a new borrowing arrangement, which had the effect of increasing its line of credit to \$15,000,000, of which the entire amount was available as of April 30, 1999. In addition, the \$3,000,000 line of credit with National Cooperative Bank available as of October 31, 1998 was terminated during the quarter ended April 30, 1999.

6. Note Receivable from the Unified Co-op

At April 30, 1999, the KFC Coop has a note receivable from the Unified Co-op of \$5,865,591 representing the amount outstanding on an operating line of credit. The line of credit is used by the Unified Co-op to fund KFC Coop related operations of the Unified Co-op and bears no interest.

7. Contingencies

In April 1996, the KFC Coop entered into a finance program for stockholder members cosponsored by the National Cooperative Bank. The program initially provided up to \$20,000,000 in loans to KFC Coop members which range from \$100,000 to an individual maximum of \$2,000,000. The KFC Coop has guaranteed from 10% to 25% of the declining balance based on each loan's classification. The National Cooperative Bank has agreed to maintain a reserve account which will be applied to losses prior to the KFC Coop incurring any loss. The reserve account is funded pursuant to the program agreements. The National Cooperative Bank's commitment to provide such loans terminated in June 1997. As of October 31, 1998, the National Cooperative Bank has funded approximately \$6.5 million of credit risk associated with their guarantees through credit and monitoring procedures associated with their approval and periodic payments and reporting from the primary lender, the National Cooperative Bank. Currently, no losses are expected by the KFC Coop under this program.

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PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The estimated expenses payable by the KFC Coop in connection with the registration of the interests offered hereby, other than underwriting discounts and commissions (of which there are none), are as follows:

<TABLE>

<S>	<C>
Registration fee	\$ 0
NASD filing fee	0
"Blue Sky" filing fee and expenses (including legal expenses)	2,000.00
Printing expenses	2,000.00
Legal fees and expenses	7,000.00
Accounting fees and expenses	3,500.00
Miscellaneous expenses	500.00

Total	\$15,000.00
	=====

</TABLE>

Item 14. Indemnification of Officers and Directors.

Article VIII of the Certificate of Incorporation of the KFC Coop provides as follows:

Article VIII

A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or

omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this paragraph by the stockholders of the corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the corporation existing at the time of such repeal or modification.

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Article VII of the Bylaws of the KFC Coop provides as follows:

7.1 Indemnification.

(a) The Cooperative shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Cooperative) by reason of the fact that he is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Cooperative shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Cooperative to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Cooperative and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Cooperative unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of the Cooperative has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this Section 7.1, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

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(d) Any indemnification under subsections (a) and (b) of this Section 7.1 (unless ordered by a court) shall be made by the Cooperative only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority

vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholder members.

(e) Expenses incurred by an officer or director in defending a civil or criminal action, suit or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Cooperative as authorized in this Section 7.1. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to this Section 7.1 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

(g) The Cooperative shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Cooperative would have the power to indemnify him against such liability hereunder.

(h) For purposes of this Section 7.1, references to the Cooperative shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Section 7.1 with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

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(i) For purposes of this Section 7.1 references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Cooperative" shall include any service as a director, officer, employee or agent of the Cooperative which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Cooperative" as referred to in this Section 7.1.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to this Section 7.1 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) If so provided in the Cooperative's Certificate of Incorporation, a director of the Cooperative shall not be personally liable to the Cooperative or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Cooperative or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

Item 15. Recent Sales of Unregistered Securities.

All sales of securities by the Cooperative within the past three years of the date of this Amendment were registered under the Securities Act of 1933.

(a) Exhibits.

*3.1 Certificate of Incorporation of KFC Coop, as amended.

**3.2 Bylaws of KFC Coop, as amended.

*4.1 Article IV of Certificate of Incorporation of KFC Coop,
as amended.

**4.2 Articles II, III, IV and IX of Bylaws of KFC Coop, as
amended.

+5 Opinion of Brown, Todd & Heyburn as to the legality of the
securities registered.

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***10.1 Employment Agreement between Thomas D. Henrion and the
KFC Coop (management contract required to be filed pursuant to Item 601(10) of
Regulation S-K).

***10.2 Lease, dated June 21, 1983, between KFC Coop, as Lessee,
and General Electric Corporation, as Lessor and amended on June 20, 1988.

**10.3 Lease, dated April 8, 1988, between NTS/Breckenridge, Ltd.
d/b/a The Springs and the KFC Coop.

+10.4 Supplemental Benefits/Consulting Agreement between
Thomas D. Henrion and the KFC Coop effective as of January 1, 1994 (management
contract required to be filed pursuant to Item 601(10) of Regulation S-K).

****10.5 Amendment No. 1 to Supplemental Benefits/Consulting
Agreement between Thomas D. Henrion and the KFC Coop effective January 1996
(management contract required to be filed pursuant to Item 601(10) of Regulation
S-K).

*****10.6 Guaranty Agreement dated as of April 18, 1996 between the
KFC Coop and National Consumer Cooperative Bank.

*****10.7 Separation and Consulting Agreement between Thomas D.
Henrion, KFC Coop and the Unified Foodservice Purchasing Co-op, LLC (management
contract require to be filed pursuant to Item 601(10) of Regulation S-K).

*****10.8 Sixth and Seventh Amendments to Lease between NTS/Springs
Office, Ltd. and the KFC Coop.

10.9 Loan Agreement between Bank One and the KFC Coop and
related documents.

+23.1 Consent of Brown, Todd & Heyburn is contained in their
opinion filed as Exhibit 5 hereto.

23.2 Consent of Independent Auditors.

24 Power of Attorney.

*****99.1 Operating Agreement for Unified Foodservice Purchasing
Co-op, LLC.

*****99.2 Form of Purchasing Program Management Agreement.

+ Previously filed in Registration Statement (File No. 3356982).

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*Incorporated by reference to the KFC Coop's Annual Report on Form 10-K for the fiscal year ended October 31, 1997 [File No. 2-63640].

**Incorporated by reference to the KFC Coop's Annual Report on Form 10-K for the fiscal year ended October 31, 1998 [File No. 2-63640].

***Previously filed in Registration Statement (File No. 33-33801) with the Securities and Exchange Commission on March 9, 1990.

****Incorporated by reference to the KFC Coop's Annual Report on Form 10-K for the fiscal year ended October 31, 1995 [File No. 2-63640].

*****Incorporated by reference to the KFC Coop's Annual Report on Form 10-K for the fiscal year ended October 31, 1996 [File No. 2-63640].

*****Incorporated by reference to the Amendment No. 2 to the Tender Offer of the KFC Coop on Schedule 13E-4 [File No. 5-54907].

*****Incorporated by reference to the Amendment No. 2 to the Proxy Statement of the KFC Coop on Schedule 14A [File No. 000-23496].

*****Incorporated by reference to the KFC Coop's Annual Report on Form 10-K for the fiscal year ended October 31, 1999 [File No. 2-63640].

(b) Financial Statement Schedules.

Report on Financial Statement Schedule and Consents of Independent Auditors Schedule II-Valuation and Qualifying Accounts

KFC NATIONAL PURCHASING COOPERATIVE, INC. AND SUBSIDIARIES
(D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.)
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders
KFC National Purchasing Cooperative, Inc.

Our audit of the consolidated financial statements referred to in our report dated January 26, 1999 of KFC National Purchasing Cooperative, Inc. (d/b/a FoodService Purchasing Cooperative, Inc.) and Subsidiaries as of October 31, 1998 and for the year then ended, which financial statements are included in this Form S-1, also included an audit of the financial statement schedule listed in Item 16(b) of this Form S-1. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Louisville, Kentucky
January 26, 1999

REPORT ON FINANCIAL STATEMENT SCHEDULE AND
CONSENT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
KFC National Purchasing Cooperative, Inc.:

The audits referred to in our report dated December 8, 1997, included the related financial statement schedule for each of the years in the two-year period ended October 31, 1997, included in the Registration Statement. This financial statement schedule is the responsibility of the Cooperative's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the use of our reports included herein and to the reference to our firm under the heading "Experts" in the prospectus.

KPMG LLP

<TABLE>
 <CAPTION>

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS DESCRIBE	DEDUCTIONS DESCRIBE	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
Allowance for losses on receivables: Year ended October 31;					
1996	\$1,408,727	\$699,601	--	\$715,749 (A)	\$1,392,579
1997	1,328,869	175,310	--	95,452 (A)	1,408,727
1998	1,188,248	406,490	--	265,869 (A)	1,328,869

(A) Uncollectible accounts and notes written off

</TABLE>

Item 17. Undertakings.

(a) The undersigned KFC Coop hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

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(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the KFC Coop pursuant to the foregoing provisions, or otherwise, the KFC Coop has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the KFC Coop of expenses incurred or paid by a director, officer or controlling person of the KFC Coop in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the KFC Coop will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the KFC Coop has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Louisville, Commonwealth of Kentucky, on July 23, 1999.

KFC NATIONAL PURCHASING
COOPERATIVE, INC.

By /s/ Daniel E. Woodside

Daniel E. Woodside, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<TABLE> <CAPTION> <S>	<C>	<C>
* ----- William E. Allen	Director, Secretary	July 23, 1999
* ----- William L. Bickley	Vice President, Chief Financial Officer (Principal Accounting Officer) (Principal Financial Officer)	July 23, 1999
----- Christian L. Campbell	Director	
----- William R. Carden	Director	
* ----- Robert C. Carle	Director	July 23, 1999
* ----- James G. Cocolin	Director	July 23, 1999

<TABLE> <S>	<C>	<C>
*	Director	July 23, 1999

Ben E. Edwards

* Director July 23, 1999

Lois G. Foust

* Director July 23, 1999

Edward J. Henriquez, Jr.

* Director, Chairman July 23, 1999

David G. Neal

Director

James D. Olson

* Director July 23, 1999

Darlene L. Pfeifer

* Director July 23, 1999

Charles Rawley

* Director, Vice Chariman July 23, 1999

James B. Royster

* Director July 23, 1999

Dean M. Sorgdrager

* Director, President Chief Executive Officer July 23, 1999

Daniel E. Woodside

* Director July 23, 1999

Ronald J. Young

</TABLE>

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<TABLE>
<S>

<C>

By /s/ Daniel E. Woodside

July 23, 1999

Daniel E. Woodside
Attorney-in-fact pursuant
to powers of attorney filed
as Exhibit 24 to this Registration
Statement.

</TABLE>

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LOAN AGREEMENT

THIS LOAN AGREEMENT is made and entered into on this 1st day of March, 1999, by and among (i) KFC NATIONAL PURCHASING COOPERATIVE, INC., a Delaware corporation d/b/a FoodService Purchasing Cooperative, Inc., with principal office and place of business in Louisville, Kentucky (the "KFC Cooperative"), (ii) PIZZA HUT NATIONAL PURCHASING COOP, INC., a Delaware corporation with principal office and place of business in Louisville, Kentucky (the "Pizza Hut Cooperative"), (iii) TACO BELL NATIONAL PURCHASING COOP, INC., a Delaware corporation with principal office and place of business in Louisville, Kentucky (the "Taco Bell Cooperative"), (iv) UNIFIED FOODSERVICE PURCHASING COOP, LLC, a Kentucky limited liability company with principal office and place of business in Louisville, Kentucky ("Unified"), and (v) FIFTH THIRD BANK, KENTUCKY, INC., a Kentucky banking corporation with principal office and place of business in Louisville, Kentucky (the "Bank").

P R E L I M I N A R Y S T A T E M E N T :

A. The KFC Cooperative, the Pizza Hut Cooperative and the Taco Bell Cooperative are the sole members of Unified, which is a newly-formed purchasing cooperative focusing on the purchase of the food, packaging, supplies, equipment and related products and services used by the owners and operators of the KFC Outlets, the Pizza Hut Outlets and the Taco Bell Outlets, as such terms are defined below.

B. The KFC Cooperative has requested the Bank to establish a revolving line of credit in the principal amount of Fifteen Million Dollars (\$15,000,000) in favor of the KFC Cooperative to finance certain cash capital contributions and loans that the KFC Cooperative is required to make to Unified pursuant to the Unified Operating Agreement, as such term is defined below, to repay certain outstanding Indebtedness, as such term is defined below, of the KFC Cooperative, and to provide general working capital to the KFC Cooperative to pay its valid operating expenses arising in the ordinary course of business.

C. The Pizza Hut Cooperative has requested the Bank to establish a revolving line of credit in the principal amount of Two Million Dollars (\$2,000,000) in favor of the Pizza Hut

Cooperative to finance certain cash capital contributions and loans that the Pizza Hut Cooperative is required to make to Unified pursuant to the Unified Operating Agreement and to provide general working capital to the Pizza Hut Cooperative to pay its valid operating expenses arising in the ordinary course of business.

D. The Taco Bell Cooperative has requested the Bank to establish a revolving line of credit in the principal amount of Eight Million Dollars (\$8,000,000) in favor of the Taco Bell Cooperative to finance certain cash capital contributions and loans that the Taco Bell Cooperative is required to make to Unified pursuant to the Unified Operating Agreement and to provide general working capital to the Taco Bell Cooperative to pay its valid operating expenses arising in the ordinary course of business.

E. The Bank is willing to and desires to establish the foregoing revolving lines of credit in favor of the KFC Cooperative, the Pizza Hut Cooperative and the Taco Bell Cooperative in each case upon the terms and conditions set forth in this Loan Agreement and the other Loan Documents, as such term is defined below.

F. No Borrower shall be obligated for the obligations of any other Borrower under this Loan Agreement or any other Loan Document, and Unified shall not be liable for the obligations of any Borrower under this Loan Agreement or any other Loan Document except to the extent of the collateral pledged by Unified to the Bank to secure such Borrower's obligations to the Bank.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the mutuality, receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS.

As used herein the following terms shall have the following meanings unless the context otherwise requires:

1.1 "Accounts Receivable" has the meaning ascribed to the term "Accounts" in Section 9-106 of the Uniform Commercial Code as enacted in the Commonwealth of Kentucky.

1.2 "Bank" has the meaning set forth in the preambles to this Loan Agreement.

1.3 "Borrower" or "Borrowers" means, as the context shall require, the KFC Cooperative, the Pizza Hut Cooperative and/or the Taco Bell Cooperative.

1.4 "Business Day" means each day of the week other than Saturdays, Sundays and other days on which the Bank is closed to the public.

1.5 "Collateral" means, as the context requires, the KFC Collateral, the Pizza Hut Collateral and/or the Taco Bell Collateral.

1.6 "Debt for Borrowed Money" means Indebtedness of the types described in clauses (a) through (c) or (e) through (g), both inclusive in each instance, of the definition of Indebtedness set forth below except that only guaranties of Indebtedness which is itself included in Debt for Money Borrowed shall be excluded from Debt for Money Borrowed.

1.7 "Default" shall mean any event specified in Section 11 hereof whether or not any requirement for notice or lapse of time or any other condition has been satisfied.

1.8 "Default Rate" means a variable rate equal to six percent (6%) per annum plus the interest rate borne by the Promissory Note issued by the Borrower in respect of which the Default Rate is being assessed.

1.9 "EBITDAP" means for the particular Borrower or for Unified and for the period in question, the sum of (a) the Net Income of the particular Borrower or Unified for such period, (b) the Interest Expense of the particular Borrower or Unified for such period, (c) the income tax expense of the particular Borrower or Unified for such period, (c) the depreciation expense and amortization expense of the particular Borrower or Unified for such period, and (e) the patronage dividends or

patronage-based distributions paid by the particular Borrower to its shareholders or by Unified to its members during such period, all as determined in accordance with GAAP.

1.10 "GAAP" means those principles of accounting set forth in the opinions and pronouncements of the Financial Accounting Standards Board and its predecessors and the American Institute of Certified Public Accountants or those principles of accounting which have other substantial authoritative support and are applicable in the circumstances as of the date of application, as such

principles are from time to time supplemented and amended.

1.11 "Indebtedness" of the particular Borrower or Unified means and includes, without duplication, all obligations of such Borrower or Unified which in accordance with GAAP shall be classified upon a balance sheet of such Borrower or Unified as liabilities of such Borrower or Unified, in each case as determined for such Borrower or Unified in accordance with GAAP and in any event shall include all (a) obligations of the particular Borrower or Unified for borrowed money or which have been incurred in connection with the acquisition of property or assets or for the deferred payment of the cost of construction or improvement thereof or for the deferred purchase price of property (other than current accounts payable), (b) obligations secured by any lien, security interest or other charge upon property or assets owned by the particular Borrower or Unified, even though such Borrower or Unified has not assumed or become liable for the payment of such obligations, (c) obligations for the deferred purchase price of property created or arising under any conditional sale or other title retention agreement with respect to property acquired by the particular Borrower or Unified notwithstanding the fact that the rights and remedies of the seller, lender or lessor under such agreement in the event of default are limited to repossession or sale of the property, (d) obligations (other than obligations under any lease which is not a capital lease in accordance with GAAP and obligations in an amount equal to the demand component of any contract providing for usual and customary utility services, including gas, water, electricity and wastewater treatment services) to purchase any property or services of another person or entity if the contract requires that payment for such property or services be made regardless of whether such property is delivered or such services are performed, except that no obligation shall

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constitute Indebtedness solely because the contract provides for liquidated damages or reimbursement of expenses following cancellation, (e) all guaranties of debt of another person or entity issued by the particular Borrower or Unified, (f) all capital leases entered into or assumed by the particular Borrower or Unified, and (g) obligations in respect of letters of credit but only to the extent that the letter of credit does not support an obligation of the particular Borrower or Unified already included in Indebtedness or which would constitute a current account payable of the particular Borrower or Unified.

1.12 "Interest Expense" means for the period in question, total interest expense (including that attributable to capital leases in conformity with GAAP) of the particular Borrower or Unified during such period with respect to all outstanding Indebtedness of the particular Borrower or Unified, including, without limitation, all capitalized interest, all commissions,

discounts and other fees and charges owed with respect to letters of credit and banker's acceptance financing and net costs and benefits under interest rate agreements, all as determined in accordance with GAAP.

1.13 "KFC Accounts Receivable" means those Accounts Receivable owed to Unified in connection with the sale of KFC Inventory and KFC Goods and Equipment by Unified to KFC Distributors or KFC Operators pursuant to Title Transactions.

1.14 "KFC Borrowing Base" means an amount equal to the sum of (a) eighty percent (80%) of KFC Eligible Accounts Receivable, (b) eighty percent (80%) of KFC Eligible Presold Inventory, (c) fifty percent (50%) of KFC Eligible Inventory Held on Account, plus (d) for the period ending on May 31, 1999, the sum of Two Hundred Fifty Thousand Dollars (\$250,000.00).

1.15 "KFC Borrowing Base Report" means the report in the form of Exhibit A attached hereto and made a part hereof.

1.16 "KFC Collateral" means (a) all of the assets described in the Unified KFC Security Agreement, all of which pertain to and/or are otherwise used by Unified in connection with the purchasing program established and conducted by Unified for the benefit of the KFC Cooperative and the KFC Operators pursuant to that certain Purchasing Program Management Agreement of even date herewith, between Unified and the KFC Cooperative, as the

same may hereafter be amended, modified and/or restated, in all of which Unified has granted to the Bank a first priority security interest pursuant to the Unified KFC Security Agreement, (b) the loan agreement, the promissory note and the security agreement executed and delivered by Unified in favor of the KFC Cooperative to evidence the loans made by the KFC Cooperative to Unified pursuant to the Unified Operating Agreement, (c) the promissory note and the security agreement executed and delivered by the Taco Bell Cooperative in favor of the KFC Cooperative to evidence the Intercompany Liability (as such term is defined in that certain Agreement and Plan of Corporate Separation of even date herewith, adopted by the KFC Cooperative) owed by the Taco Bell Cooperative to KFC Cooperative, in all of which the KFC Cooperative has granted to the Bank a first priority security interest pursuant to the KFC Pledge Agreement, (d) the promissory note executed and delivered by the Pizza Hut Cooperative in favor of the KFC Cooperative to evidence the loan in the principal amount of \$500,000 made by the KFC Cooperative to the Pizza Hut Cooperative, in which the KFC Cooperative has granted to the Bank a first priority security interest pursuant to the KFC Pledge Agreement, and (e) all other business assets of the KFC Cooperative, in all of which the KFC Cooperative has granted to the Bank a first priority security interest pursuant to the KFC Pledge Agreement, and (f) all

proceeds of the property described in subparts (a) through (e) above.

1.17 "KFC Cooperative" has the meaning set forth in the preambles to this Loan Agreement.

1.18 "KFC Demand Deposit Account" means the demand deposit account established by the KFC Cooperative with the Bank pursuant to this Loan Agreement.

1.19 "KFC Deficiency Fee" has the meaning set forth in Section 2.8 hereof.

1.20 "KFC Default" means the occurrence of any Default with respect to the KFC Cooperative or Unified.

1.21 "KFC Distributors" means, as of each date of determination thereof, those distributors who have been approved by Tricon to sell KFC Inventory to KFC Operators.

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1.22 "KFC Eligible Accounts Receivable" means good, bona fide collectible KFC Accounts Receivable owed directly to Unified by KFC Distributors and KFC Operators, but excluding from the definition of KFC Eligible Accounts Receivable all of the following:

(a) Those KFC Accounts Receivable owed to Unified by KFC Distributors which remain unpaid more than sixty (60) days after their respective invoice dates;

(b) Those KFC Accounts Receivable owed to Unified by KFC Operators which remain unpaid more than sixty (60) days after their respective invoice dates;

(c) Those KFC Accounts Receivable which are subject to any right of set off by the account debtor, to the extent of the amount subject to such right of set off;

(d) Those KFC Accounts Receivable subject to liens and security interests in favor of a party or parties other than the Bank and which are prior to the security interest in the KFC Accounts Receivable granted by Unified to the Bank pursuant to the Unified KFC Security Agreement;

(e) Those KFC Accounts Receivable owed to Unified by any account debtor who, to the actual knowledge of the KFC Cooperative or Unified, is subject to any insolvency, bankruptcy or dissolution proceedings;

(f) Those KFC Accounts Receivable evidencing or otherwise arising out of the sale of assets of Unified, other than the sale of KFC Inventory and KFC Goods and Equipment in the ordinary course of business;

(g) Those KFC Accounts Receivable which the KFC Cooperative, Unified and/or the Bank believe in the exercise of good faith to be uncollectible when due; and

(h) Any and all KFC Accounts Receivable owed by a particular account debtor to the extent 25% or more of the total KFC Accounts Receivable of such account debtor are more than sixty (60) days past due from their respective invoice dates.

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1.23 "KFC Eligible Inventory Held on Account" means, as of each date of determination thereof, all KFC Inventory Held on Account, valued at the lower of cost or market value, but excluding from the definition of KFC Eligible Inventory Held on Account all of the following:

(a) "defective" KFC Inventory Held on Account, which term, as used herein, means KFC Inventory Held on Account which Unified does not intend to sell and/or cannot sell to KFC Distributors and/or KFC Operators at established prices therefor due to defects therein; and

(b) all KFC Inventory Held on Account subject to liens and security interests in favor of a party or parties other than the Bank and which are prior to the security interest in the KFC Inventory granted by Unified to the Bank pursuant to the Unified KFC Security Agreement.

1.24 "KFC Eligible Presold Inventory" means, as of each date of determination thereof, all KFC Presold Inventory, valued at the lower of cost or market value, but excluding from the definition of KFC Eligible Presold Inventory all of the following:

(a) "defective" KFC Presold Inventory, which term, as used herein, means KFC Presold Inventory which Unified does not intend to sell and/or cannot sell to the particular KFC Operators at agreed upon prices therefor due to defects therein; and

(b) all KFC Presold Inventory subject to liens and security interests in favor of a party or parties other than the Bank and which are prior to the security interest in the KFC Inventory granted by Unified to the Bank pursuant to the Unified KFC Security Agreement.

1.25 "KFC Event of Default" means the occurrence of any Event of

Default referred to in Section 11 hereof with respect to either the KFC Cooperative or Unified.

1.26 "KFC Goods and Equipment" means those items of food, paper products, supplies, equipment and other products and services (a) that have been approved by Tricon for use and consumption at the KFC Outlets, (b) that have been purchased by

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Unified pursuant to a Title Transaction, and (c) that does not constitute KFC Inventory.

1.27 "KFC Inventory" means, collectively, the KFC Presold Inventory and the KFC Inventory Held on Account.

1.28 "KFC Inventory Held on Account" means, as of each date of determination thereof, those items of food, paper products, equipment and other goods and services (a) that have been approved by Tricon for use and consumption at the KFC Outlets, (b) that have been purchased by Unified in anticipation of resale to KFC Distributors and/or KFC Operators and is being held by either Unified or by the particular KFC Supplier on behalf of Unified, (c) the title to which was acquired by Unified pursuant to a Title Transaction, and (d) that has not yet been invoiced by Unified to the particular KFC Distributors and/or KFC Operators.

1.29 "KFC Line of Credit" means the revolving line of credit in the principal amount of Fifteen Million Dollars (\$15,000,000.00) established by the Bank in favor of the KFC Cooperative pursuant to and upon the terms and conditions set forth in this Loan Agreement.

1.30 "KFC Minimum Compensating Balances Requirement" means, as of each date of determination thereof, an amount equal to Thirty-Five Thousand Dollars (\$35,000.00) for each One Million Dollars (\$1,000,000.00) of the fully committed principal amount of the KFC Line of Credit as it may exist from time to time. If the KFC Line of Credit is not in integral multiples of One Million Dollars (\$1,000,000.00), the KFC Minimum Compensating Balances Requirement shall be prorated for that portion of the fully committed principal amount of the KFC Line of Credit that is in excess of the highest integral multiple of One Million Dollars (\$1,000,000.00).

1.31 "KFC Operators" means, as of each date of determination thereof, the owners of KFC Outlets, including those KFC Outlets owned directly by Tricon, who are eligible to purchase KFC Inventory directly through Unified pursuant to Title Transactions.

1.32 "KFC Outlets" means, as of each date of determination thereof, the KFC retail outlets that are owned by Tricon or by Tricon-approved franchisees of the KFC restaurant concept.

1.33 "KFC Pledge Agreement" means that certain Security Agreement of even date herewith, between the KFC Cooperative and the Bank, as supplemented pursuant to that certain First Addendum to Security Agreement of even date herewith, between the KFC Cooperative and the Bank, together with all future amendments and modifications thereto.

1.34 "KFC Presold Inventory" means, as of each date of determination thereof, those items of food, paper products, equipment and other goods and services (a) that have been approved by Tricon for use and consumption at the KFC Outlets, (b) that have been specially ordered by a KFC Operator through Unified and is awaiting shipment to the KFC Operator in a warehouse owned or leased by Unified, (c) the title to which was acquired by Unified pursuant to a Title Transaction, and (d) that has not yet been invoiced by Unified to the particular KFC Distributors and/or KFC Operators.

1.35 "KFC Promissory Note" means that certain Revolving Note of even date herewith, made by the KFC Cooperative, payable to the order of the Bank, and in the face principal amount of Fifteen Million Dollars (\$15,000,000.00), as supplemented pursuant to that certain First Addendum to Revolving Note of even date herewith, between the KFC Cooperative and the Bank, together with all future amendments, modifications, renewals, extensions, replacements and restatements thereof.

1.36 "KFC Suppliers" means, as of each date of determination thereof, those suppliers who have been approved by Tricon to sell KFC Inventory to KFC Distributors and KFC Operators.

1.37 "Lines of Credit" means, collectively or individually, as the context shall require, the KFC Line of Credit, the Pizza Hut Line of Credit and the Taco Bell Line of Credit.

1.38 "Loan Agreement" means this Loan Agreement together with all future amendments, modifications and supplements to this Loan Agreement hereafter executed by the parties hereto.

1.39 "Loan Documents" means, collectively, this Loan Agreement, the KFC Promissory Note, the KFC Pledge Agreement, the Unified KFC Security Agreement, the Pizza Hut Promissory Note, the Pizza Hut Pledge Agreement, the Unified Pizza Hut Security Agreement, the Taco Bell Promissory Note, the Taco Bell Pledge Agreement, the Unified Taco Bell Security Agreement and all other agreements, documents and instruments that evidence, secure and/or pertain to the KFC Line of Credit, the Pizza Hut Line of Credit and/or the Taco Bell Line of Credit.

1.40 "Net Income" means, for the period in question, the net income (or loss), excluding extraordinary, non-recurring or unusual gains (but not extraordinary, non-recurring or unusual losses), of the particular Borrower or Unified for such period, after deducting therefrom all operating expenses, provisions for all reserves and all other proper deductions for the same period, including income taxes, all as determined in accordance with GAAP.

1.41 "Net Worth" means for the particular Borrower or Unified, as applicable, and as of each date Net Worth is being determined, the total shareholder or member equity of the particular Borrower or Unified as determined in accordance with GAAP.

1.42 "Pizza Hut Accounts Receivable" means those Accounts Receivable owed to Unified by Pizza Hut Distributors or Pizza Hut Operators in connection with the sale of Pizza Hut Inventory and Pizza Hut Goods and Equipment by Unified to Pizza Hut Distributors and Pizza Hut Operators pursuant to Title Transactions.

1.43 "Pizza Hut Borrowing Base" means an amount equal to the sum of (a) eighty percent (80%) of Pizza Hut Eligible Accounts Receivable, (b) eighty percent (80%) of Pizza Hut Eligible Presold Inventory, (c) fifty percent (50%) of Pizza Hut Eligible Inventory Held on Account, and (d) for the period ending May 31, 1999 only, the sum of One Hundred Thousand Dollars (\$100,000.00).

1.44 "Pizza Hut Borrowing Base Report" means the report in the form of Exhibit B attached hereto and made a part hereof.

1.45 "Pizza Hut Collateral" means (a) all of the property described in the Unified Pizza Hut Security Agreement, all of which pertain to and/or are otherwise used by Unified in connection with the purchasing program established and conducted by Unified for the benefit of the Pizza Hut Cooperative and the Pizza Hut Operators pursuant to that certain Purchasing Program Management Agreement of even date herewith, between Unified and the Pizza Hut Cooperative, as the same may hereafter be amended, modified and/or restated, in all of which

Unified has granted to the Bank a first priority security interest pursuant to the Unified Pizza Hut Security Agreement, (b) the loan agreement, the promissory note and the security agreement executed and delivered by Unified in favor of the Pizza Hut Cooperative to evidence the loans made by the Pizza Hut Cooperative to Unified pursuant to the Unified Operating Agreement, in all of which the Pizza Hut Cooperative has granted to the Bank a first priority security interest pursuant to the Pizza Hut Pledge Agreement, (c) all other business assets of the Pizza Hut Cooperative, in all of which the Pizza Hut Cooperative has granted to the Bank a first priority security interest pursuant to the Pizza Hut Pledge Agreement, and (d) all proceeds of the property described in subparts (a) through (c) above.

1.46 "Pizza Hut Cooperative" has the meaning set forth in the preambles to this Loan Agreement.

1.47 "Pizza Hut Demand Deposit Account" means the demand deposit account established by the Pizza Hut Cooperative with the Bank pursuant to this Loan Agreement.

1.48 "Pizza Hut Deficiency Fee" has the meaning set forth in Section 3.8 hereof.

1.49 "Pizza Hut Default" means the occurrence of any Default with respect to the Pizza Hut Cooperative or Unified.

1.50 "Pizza Hut Distributors" means, as of each date of determination thereof, those distributors who have been approved by Tricon to sell Pizza Hut Inventory to Pizza Hut Operators.

1.51 "Pizza Hut Eligible Accounts Receivable" means good, bona fide collectible Pizza Hut Accounts Receivable owed directly to Unified by Pizza Hut Distributors and Pizza Hut

Operators, but excluding from the definition of Pizza Hut Eligible Accounts Receivable all of the following:

(a) Those Pizza Hut Accounts Receivable owed to Unified by Pizza Hut Distributors which remain unpaid more than sixty (60) days after their respective invoice dates;

(b) Those Pizza Hut Accounts Receivable owed to Unified by Pizza Hut Operators which remain unpaid more than sixty (60) days after their respective invoice dates;

(c) Those Pizza Hut Accounts Receivable which are subject to any right of set off by the account debtor, to the extent of the amount subject to such right of set off;

(d) Those Pizza Hut Accounts Receivable subject to liens and security interests in favor of a party or parties other than the Bank and which are prior to the security interest in the Pizza Hut Accounts Receivable granted by Unified to the Bank pursuant to the Unified Pizza Hut Security Agreement;

(e) Those Pizza Hut Accounts Receivable owed to Unified by any account debtor who, to the actual knowledge of the Pizza Hut Cooperative or Unified, is subject to any insolvency, bankruptcy or dissolution proceedings;

(f) Those Pizza Hut Accounts Receivable evidencing or otherwise arising out of the sale of assets of Unified, other than the sale of Pizza Hut Inventory and Pizza Hut Goods and Equipment in the ordinary course of business;

(g) Those Pizza Hut Accounts Receivable which the Pizza Hut Cooperative, Unified and/or the Bank believe in the exercise of good faith to be uncollectible when due; and

(h) Any and all Pizza Hut Accounts Receivable owed by a particular account debtor to the extent 25% or more of the total Pizza Hut Accounts Receivable of such account debtor are more than sixty (60) days past due from their respective invoice dates.

1.52 "Pizza Hut Eligible Inventory Held on Account" means, as of each date of determination thereof, all Pizza Hut Inventory Held on Account, valued at the lower of cost or market

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value, but excluding from the definition of Pizza Hut Eligible Inventory Held on Account all of the following:

(a) "defective" Pizza Hut Inventory Held on Account, which term, as used herein, means Pizza Hut Inventory Held on Account which Unified does not intend to sell and/or cannot sell to Pizza Hut Distributors and/or Pizza Hut Operators at established prices therefor due to defects therein; and

(b) all Pizza Hut Inventory Held on Account subject to liens and security interests in favor of a party or parties other than the Bank and which are prior to the security interest in the Pizza Hut Inventory granted by Unified to the Bank pursuant to the Unified Pizza Hut Security Agreement.

1.53 "Pizza Hut Eligible Presold Inventory" means, as of each date of

determination thereof, all Pizza Hut Presold Inventory, valued at the lower of cost or market value, but excluding from the definition of Pizza Hut Eligible Presold Inventory all of the following:

(a) "defective" Pizza Hut Presold Inventory, which term, as used herein, means Pizza Hut Presold Inventory which Unified does not intend to sell and/or cannot sell to the particular Pizza Hut Operators at agreed upon prices therefor due to defects therein; and

(b) all Pizza Hut Presold Inventory subject to liens and security interests in favor of a party or parties other than the Bank and which are prior to the security interest in the Pizza Hut Inventory granted by Unified to the Bank pursuant to the Unified Pizza Hut Security Agreement.

1.54 "Pizza Hut Event of Default" means the occurrence of any Event of Default referred to in Section 11 hereof with respect to either the Pizza Hut Cooperative or Unified.

1.55 "Pizza Hut Goods and Equipment" means those items of food, paper products, supplies, equipment and other products and services (a) that have been approved by Tricon for use and consumption at the Pizza Hut Outlets, (b) that have been purchased by Unified pursuant to a Title Transaction, and (c) that does not constitute Pizza Hut Inventory.

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1.56 "Pizza Hut Inventory" means, collectively, the Pizza Hut Presold Inventory and the Pizza Hut Inventory Held on Account.

1.57 "Pizza Hut Inventory Held on Account" means, as of each date of determination thereof, those items of food, paper products, equipment and other goods and services (a) that have been approved by Tricon for use and consumption at the Pizza Hut Outlets, (b) that have been purchased by Unified in anticipation of resale to Pizza Hut Distributors and/or Pizza Hut Operators and is being held by either Unified or by the particular Pizza Hut Supplier on behalf of Unified, (c) the title to which was acquired by Unified pursuant to a Title Transaction, and (d) that has not yet been invoiced by Unified to the particular Pizza Hut Distributors and/or Operators.

1.58 "Pizza Hut Line of Credit" means the revolving line of credit in the principal amount of Two Million Dollars (\$2,000,000.00) established by the Bank in favor of the Pizza Hut Cooperative pursuant to and upon the terms and conditions set forth in this Loan Agreement.

1.59 "Pizza Hut Minimum Compensating Balances Requirement" means, as of each date of determination thereof, an amount equal to Thirty-Five Thousand Dollars (\$35,000.00) for each One Million Dollars (\$1,000,000.00) of the fully

committed principal amount of the Pizza Hut Line of Credit as it may exist from time to time. If the Pizza Hut Line of Credit is not in integral multiples of One Million Dollars (\$1,000,000.00), the Pizza Hut Minimum Compensating Balances Requirement shall be prorated for that portion of the fully committed principal amount of the Pizza Hut Line of Credit that is in excess of the highest integral multiple of One Million Dollars (\$1,000,000.00).

1.60 "Pizza Hut Operators" means, as of each date of determination thereof, the owners of Pizza Hut Outlets, including those Pizza Hut Outlets owned directly by Tricon, who are eligible to purchase Pizza Hut Inventory directly through Unified pursuant to Title Transactions.

1.61 "Pizza Hut Outlets" means, as of each date of determination thereof, the Pizza Hut retail outlets that are owned by Tricon or by Tricon-approved franchisees of the Pizza Hut restaurant concept.

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1.62 "Pizza Hut Pledge Agreement" means that certain Security Agreement of even date herewith, between the Pizza Hut Cooperative and the Bank, as supplemented pursuant to that certain First Addendum to Security Agreement of even date herewith, between the Pizza Hut Cooperative and the Bank, together with all future amendments and modifications thereto.

1.63 "Pizza Hut Presold Inventory" means, as of each date of determination thereof, those items of food, paper products, equipment and other goods and services (a) that have been approved by Tricon for use and consumption at the Pizza Hut Outlets, (b) that have been specially ordered by a Pizza Hut Operator through Unified and is awaiting shipment to the Pizza Hut Operator in a warehouse owned or leased by Unified, (c) the title to which was acquired by Unified pursuant to a Title Transaction, and (d) that has not yet been invoiced by Unified to the particular Pizza Hut Distributors and/or Pizza Hut Operators.

1.64 "Pizza Hut Promissory Note" means that certain Revolving Note of even date herewith, made by the Pizza Hut Cooperative, payable to the order of the Bank, and in the face principal amount of Two Million Dollars (\$2,000,000.00), as supplemented pursuant to that certain First Addendum to Revolving Note of even date herewith, between the Pizza Hut Cooperative and the Bank, together with all future amendments, modifications, renewals, extensions, replacements and restatements thereof.

1.65 "Pizza Hut Suppliers" means, as of each date of determination thereof, those suppliers who have been approved by Tricon to sell Pizza Hut Inventory to Pizza Hut Distributors and Pizza Hut Operators.

1.66 "Prime Rate" means the interest rate per annum announced from time

to time by the Bank as its Prime Rate.

1.67 "Promissory Notes" means, collectively or individually, as the context shall require, the KFC Promissory Note, the Pizza Hut Promissory Note and the Taco Bell Promissory Note.

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1.68 "Secured Obligations" means, with respect to each Borrower, (a) all loans, advances, indebtedness and other obligations of such Borrower owed to the Bank and/or any affiliate of Fifth Third Bankcorp of every kind and description whether now existing or hereafter arising including, without limitation, those owed to others and acquired by the Bank by purchase, assignment or otherwise and whether direct or indirect, primary or as guarantor or surety, absolute or contingent, liquidated or unliquidated, matured or unmatured, whether or not secured by additional collateral, and (b) all liabilities, obligations and indebtedness of such Borrower arising under this Loan Agreement and all other Loan Documents to which such Borrower is a party, and all obligations of such Borrower to perform or forbear from performing acts, all amounts represented by letters of credit now or hereafter issued by the Bank for the benefit of or at the request of such Borrower and such Borrower's obligation for all reasonable expenses and attorneys' fees incurred by Bank under this Loan Agreement or any other Loan Document to which such Borrower is a party or related to any of the Secured Obligations.

1.69 "Taco Bell Accounts Receivable" means those Accounts Receivable owed to Unified by Taco Bell Distributors or Taco Bell Operators in connection with the sale of Taco Bell Inventory and Taco Bell Goods and Equipment by Unified to Taco Bell Distributors and Taco Bell Operators pursuant to Title Transactions.

1.70 "Taco Bell Borrowing Base" means an amount equal to the sum of (a) eighty percent (80%) of Taco Bell Eligible Accounts Receivable, (b) eighty percent (80%) of Taco Bell Eligible Presold Inventory, and (c) fifty percent (50%) of Taco Bell Eligible Inventory Held on Account, and (d) for the period ending May 31, 1999 only, the sum of One Hundred Fifty Thousand Dollars (\$150,000.00).

1.71 "Taco Bell Borrowing Base Report" means the report in the form of Exhibit C attached hereto and made a part hereof.

1.72 "Taco Bell Collateral" means (a) all of the property described in the Unified Taco Bell Security Agreement, all of which contributed by the Taco Bell Cooperative to Unified or otherwise acquired by Unified and that pertain to and/or are otherwise used by Unified in connection with the purchasing

program established and conducted by Unified for the benefit of the Taco Bell Cooperative and the Taco Bell Operators pursuant to that certain Purchasing Program Management Agreement of even date herewith, between Unified and the Taco Bell Cooperative, as the same may hereafter be amended, modified and/or restated, in all of which Unified has granted to the Bank a first priority security interest pursuant to the Unified Taco Bell Security Agreement, (b) the loan agreement, the promissory note and the security agreement executed and delivered by Unified in favor of the Taco Bell Cooperative to evidence the loans made by the Taco Bell Cooperative to Unified pursuant to the Unified Operating Agreement, in all of which the Taco Bell Cooperative has granted to the Bank a first priority security interest pursuant to the Taco Bell Pledge Agreement, (c) all other business assets of the Taco Bell Cooperative, in all of which the Taco Bell Cooperative has granted to the Bank a first priority security interest pursuant to the Taco Bell Pledge Agreement, and (d) all proceeds of the property described in subparts (a) through (c) above.

1.73 "Taco Bell Cooperative" has the meaning set forth in the preambles to this Loan Agreement.

1.74 "Taco Bell Demand Deposit Account" means the demand deposit account established by the Taco Bell Cooperative with the Bank pursuant to this Loan Agreement.

1.75 "Taco Bell Deficiency Fee" has the meaning set forth in Section 4.8 hereof.

1.76 "Taco Bell Default" means the occurrence of any Default with respect to the Taco Bell Cooperative or Unified.

1.77 "Taco Bell Distributors" means, as of each date of determination thereof, those distributors who have been approved by Tricon to sell Taco Bell Inventory to Taco Bell Operators.

1.78 "Taco Bell Eligible Accounts Receivable" means good, bona fide collectible Taco Bell Accounts Receivable owed directly to Unified by Taco Bell Distributors and Taco Bell Operators, but excluding from the definition of Taco Bell Eligible Accounts Receivable all of the following:

(a) Those Taco Bell Accounts Receivable owed to Unified by Taco Bell Distributors which remain unpaid more than sixty (60) days after their respective invoice dates;

(b) Those Taco Bell Accounts Receivable owed to Unified by Taco Bell Operators which remain unpaid more than sixty (60) days after their respective invoice dates;

(c) Those Taco Bell Accounts Receivable which are subject to any right of set off by the account debtor, to the extent of the amount subject to such right of set off;

(d) Those Taco Bell Accounts Receivable subject to liens and security interests in favor of a party or parties other than the Bank and which are prior to the security interest in the Taco Bell Accounts Receivable granted by Unified to the Bank pursuant to the Unified Taco Bell Security Agreement;

(e) Those Taco Bell Accounts Receivable owed to Unified by any account debtor who, to the actual knowledge of the Taco Bell Cooperative or Unified, is subject to any insolvency, bankruptcy or dissolution proceedings;

(f) Those Taco Bell Accounts Receivable evidencing or otherwise arising out of the sale of assets of Unified, other than the sale of Taco Bell Inventory and Taco Bell Goods and Equipment in the ordinary course of business;

(g) Those Taco Bell Accounts Receivable which the Taco Bell Cooperative, Unified and/or the Bank believe in the exercise of good faith to be uncollectible when due; and

(h) Any and all Taco Bell Accounts Receivable owed by a particular account debtor to the extent 25% or more of the total Taco Bell Accounts Receivable of such account debtor are more than sixty (60) days past due from their respective invoice dates.

1.79 "Taco Bell Eligible Inventory Held on Account" means, as of each date of determination thereof, all Taco Bell Inventory Held on Account, valued at the lower of cost or market value, but excluding from the definition of Taco Bell Eligible Inventory Held on Account all of the following:

(a) "defective" Taco Bell Inventory Held on Account, which term, as used herein, means Taco Bell Inventory Held on Account which Unified does not intend to sell and/or cannot sell

to Taco Bell Distributors and/or Taco Bell Operators at established prices therefor due to defects therein; and

(b) all Taco Bell Inventory Held on Account subject to liens and

security interests in favor of a party or parties other than the Bank and which are prior to the security interest in the Taco Bell Inventory granted by Unified to the Bank pursuant to the Unified Taco Bell Security Agreement.

1.80 "Taco Bell Eligible Presold Inventory" means, as of each date of determination thereof, all Taco Bell Presold Inventory, valued at the lower of cost or market value, but excluding from the definition of Taco Bell Eligible Presold Inventory all of the following:

(a) "defective" Taco Bell Presold Inventory, which term, as used herein, means Taco Bell Presold Inventory which Unified does not intend to sell and/or cannot sell to the particular Taco Bell Operators at agreed upon prices therefor due to defects therein; and

(b) all Taco Bell Presold Inventory subject to liens and security interests in favor of a party or parties other than the Bank and which are prior to the security interest in the Taco Bell Inventory granted by Unified to the Bank pursuant to the Unified Taco Bell Security Agreement.

1.81 "Taco Bell Event of Default" means the occurrence of any Event of Default referred to in Section 11 hereof with respect to either the Taco Bell Cooperative or Unified.

1.82 "Taco Bell Goods and Equipment" means those items of food, paper products, supplies, equipment and other products and services (a) that have been approved by Tricon for use and consumption at the Taco Bell Outlets, (b) that have been purchased by Unified pursuant to a Title Transaction, and (c) that does not constitute Taco Bell Inventory.

1.83 "Taco Bell Inventory" means, collectively, the Taco Bell Presold Inventory and the Taco Bell Inventory Held on Account.

1.84 "Taco Bell Inventory Held on Account" means, as of each date of determination thereof, those items of food, paper

products, equipment and other goods and services (a) that have been approved by Tricon for use and consumption at the Taco Bell Outlets, (b) that have been purchased by Unified in anticipation of resale to Taco Bell Distributors and/or Taco Bell Operators and is being held by either Unified or by the particular Taco Bell Supplier on behalf of Unified, (c) the title to which was acquired by Unified pursuant to a Title Transaction, and (d) that has not yet been invoiced by Unified to the particular Taco Bell Distributors and/or Taco Bell Operators.

1.85 "Taco Bell Line of Credit" means the revolving line of credit in

the principal amount of Eight Million Dollars (\$8,000,000.00) established by the Bank in favor of the Taco Bell Cooperative pursuant to and upon the terms and conditions set forth in this Loan Agreement.

1.86 "Taco Bell Minimum Compensating Balances Requirement" means, as of each date of determination thereof, an amount equal to Thirty-Five Thousand Dollars (\$35,000.00) for each One Million Dollars (\$1,000,000.00) of the fully committed principal amount of the Taco Bell Line of Credit as it may exist from time to time. If the Taco Bell Line of Credit is not in integral multiples of One Million Dollars (\$1,000,000.00), the Taco Bell Minimum Compensating Balances Requirement shall be prorated for that portion of the fully committed principal amount of the Taco Bell Line of Credit that is in excess of the highest integral multiple of One Million Dollars (\$1,000,000.00).

1.87 "Taco Bell Operators" means, as of each date of determination thereof, the owners of Taco Bell Outlets, including those Taco Bell Outlets owned directly by Tricon, who are eligible to purchase Taco Bell Inventory directly through Unified pursuant to Title Transactions.

1.88 "Taco Bell Outlets" means, as of each date of determination thereof, the Taco Bell retail outlets that are owned by Tricon or by Tricon-approved franchisees of the Taco Bell restaurant concept.

1.89 "Taco Bell Pledge Agreement" means that certain Security Agreement of even date herewith, between the Taco Bell Cooperative and the Bank, as supplemented pursuant to that certain First Addendum to Security Agreement of even date

herewith, between the Taco Bell Cooperative and the Bank, together with all future amendments and modifications thereto.

1.90 "Taco Bell Presold Inventory" means, as of each date of determination thereof, those items of food, paper products, equipment and other goods and services (a) that have been approved by Tricon for use and consumption at the Taco Bell Outlets, (b) that have been specially ordered by a Taco Bell Operator through Unified and is awaiting shipment to the Taco Bell Operator in a warehouse owned or leased by Unified, (c) the title to which was acquired by Unified pursuant to a Title Transaction, and (d) that has not yet been invoiced by Unified to the particular Taco Bell Distributors and/or Taco Bell Operators.

1.91 "Taco Bell Promissory Note" means that certain Revolving Note of even date herewith, made by the Taco Bell Cooperative, payable to the order of the Bank, and in the face principal amount of Eight Million Dollars (\$8,000,000.00), as supplemented pursuant to that certain First Addendum to Revolving Note of even date herewith, between the Taco Bell Cooperative and the

Bank, together with all future amendments, modifications, renewals, extensions, replacements and restatements thereof.

1.92 "Taco Bell Suppliers" means, as of each date of determination thereof, those suppliers who have been approved by Tricon to sell Taco Bell Inventory to Taco Bell Distributors and Taco Bell Operators.

1.93 "Title Transactions" means, as the case may be, the sale of KFC Inventory and KFC Goods and Equipment directly by Unified to KFC Distributors and/or KFC Operators, the sale of Pizza Hut Inventory and Pizza Hut Goods and Equipment directly by Unified to Pizza Hut Distributors and/or Pizza Hut Operators, and the sale of Taco Bell Inventory and Taco Bell Goods and Equipment directly by Unified to Taco Bell Distributors and/or Taco Bell Operators, in each case where the KFC Inventory and the KFC Goods and Equipment, the Pizza Hut Inventory and the Pizza Hut Goods and Equipment, and the Taco Bell Inventory and the Taco Bell Goods and Equipment was purchased by Unified from the particular KFC Supplier, the particular Pizza Hut Supplier or the particular Taco Bell Supplier and resold directly by Unified to the particular KFC Distributors and/or KFC Operators,

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the particular Pizza Hut Distributors and/or Pizza Hut Operators and the particular Taco Bell Distributors and/or Taco Bell Operators.

1.94 "Total Liabilities" means, with respect to the particular Borrower or Unified, as the case may be, and as of each date determination of Total Liabilities is being made, (a) all Indebtedness of the particular Borrower or Unified as at such date, including, without limitation, all Debt for Borrowed Money of the particular Borrower or Unified and all amounts due under all capital leases entered into or assumed by the particular Borrower or Unified, (b) all current liabilities of the particular Borrower or Unified, and (c) and all other liabilities and obligations of the particular Borrower or Unified, in each case as determined for the particular Borrower or Unified in accordance with GAAP.

1.95 "Transaction Documents" means all agreements, documents and instruments executed and delivered in connection with the formation and initial capitalization of each of the Pizza Hut Cooperative, the Taco Bell Cooperative and Unified including, without limitation, (a) the Unified Operating Agreement, (b) that certain Asset Contribution and Liability Assumption Agreement of even date herewith, between Unified and the KFC Cooperative, (c) that certain Tricon Purchasing Coop Agreement of even date herewith, between Tricon and Unified, (d) that certain SCM Transfer Agreement of even date herewith, among Unified, Tricon, KFC Corporation, Taco Bell Corp., Pizza Hut, Inc. and Tricon Restaurant Services Group, Inc., (e) that certain Purchasing Program Management Agreement

of even date herewith, between Unified and the KFC Cooperative, (f) that certain Purchasing Program Management Agreement of even date herewith, between Unified and the Pizza Hut Cooperative, (g) that certain Purchasing Program Management Agreement of even date herewith, between Unified and the Taco Bell Cooperative, and (h) each loan agreement, promissory note and security agreement executed and delivered by Unified in favor of each Borrower in connection with the loans made by each Borrower to Unified.

1.96 "Tricon" means Tricon Global Restaurants, Inc., a Delaware corporation.

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1.97 "Unified" has the meaning set forth in the preambles to this Loan Agreement.

1.98 "Unified Deficiency Fee" has the meaning set forth in Section 9.6 hereof.

1.99 "Unified Operating Agreement" means that certain Operating Agreement dated as of March 1, 1999, among the KFC Cooperative, the Pizza Hut Cooperative and the Taco Bell Cooperative, and joined in by Unified Purchasing Group of Canada, Inc., together with all future amendments and modifications thereto.

1.100 "Unified KFC Security Agreement" means that certain Security Agreement of even date herewith, between Unified and the Bank, as supplemented pursuant to that certain First Addendum to Security Agreement of even date herewith, between Unified and the Bank, pursuant to which Unified has granted to the Bank a first priority security interest in all of the KFC Collateral owned by Unified to secure the payment of the KFC Promissory Note and the other Secured Obligations owed by the KFC Cooperative to the Bank.

1.101 "Unified Pizza Hut Security Agreement" means that certain Security Agreement of even date herewith, between Unified and the Bank, as supplemented pursuant to that certain First Addendum to Security Agreement of even date herewith, between Unified and the Bank, pursuant to which Unified has granted to the Bank a first priority security interest in all of the Pizza Hut Collateral owned by Unified to secure the payment of the Pizza Hut Promissory Note and the other Secured Obligations owed by the Pizza Hut Cooperative to the Bank.

1.102 "Unified Taco Bell Security Agreement" means that certain Security Agreement of even date herewith, between Unified and the Bank, as supplemented pursuant to that certain First Addendum to Security Agreement of even date herewith, between Unified and the Bank, pursuant to which Unified has granted to the Bank a first priority security interest in all of the Taco Bell Collateral owned by Unified to secure the payment of the Taco Bell Promissory

Note and the other Secured Obligations owed by the Taco Bell Cooperative to the Bank.

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1.103 Singular and Plural. Terms in the singular number shall include the plural and those in the plural shall include the singular.

1.104 Use of Defined Terms. All terms defined in this Loan Agreement shall, unless the context clearly requires to the contrary, have the defined meanings when used in the other Loan Documents.

SECTION 2. KFC LINE OF CREDIT.

2.1 KFC Line of Credit. The Bank hereby establishes a revolving line of credit in favor of the KFC Cooperative in the original principal amount of Fifteen Million Dollars (\$15,000,000.00) (the "KFC Line of Credit"). The KFC Cooperative agrees that the proceeds of the KFC Line of Credit shall be used solely by the KFC Cooperative to make the cash capital contributions and the loans required to be made by the KFC Cooperative to Unified pursuant to the Unified Operating Agreement, to repay certain outstanding Indebtedness of the KFC Cooperative, and to provide general working capital to the KFC Cooperative to pay its valid operating expenses arising in the ordinary course of business. The KFC Cooperative may obtain advances under the KFC Line of Credit pursuant to, and subject to the terms and conditions set forth in, this Loan Agreement.

2.2 Advances under the KFC Line of Credit. Subject to the terms and conditions of this Loan Agreement, the Bank shall make to the KFC Cooperative such advances under the KFC Line of Credit as the KFC Cooperative may from time to time request in accordance with the provisions of this Loan Agreement. All advances under the KFC Line of Credit shall be evidenced by, shall bear interest at the rates established in, shall be payable and otherwise made on the terms set forth in this Loan Agreement and the KFC Promissory Note.

2.3 Term of KFC Line of Credit. The KFC Line of Credit shall become effective immediately as of the date of this Loan Agreement, and as of the date hereof, the KFC Cooperative may obtain advances under the KFC Line of Credit in each case subject to the terms and conditions contained herein. The KFC Line of Credit shall continue in effect until April 1, 2001, unless sooner terminated (a) by the Bank upon the occurrence and during the continuation of a KFC Event of Default, or (b) by the

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KFC Cooperative at any time in its sole and absolute discretion; provided, in the event the KFC Cooperative terminates the KFC Line of Credit on any date other than a six-month anniversary of the date of this Loan Agreement, the provisions of Section 2.8 hereof shall survive until the next succeeding six-month anniversary of the date of this Loan Agreement. Upon termination of the KFC Line of Credit by the Bank upon the occurrence and during the continuation of a KFC Event of Default, or by the KFC Cooperative at any time in its sole and absolute discretion, or otherwise at the stated maturity date of the KFC Line of Credit, the entire unpaid principal balance of and all accrued and unpaid interest on the KFC Promissory Note shall be due and payable in full to the Bank. The termination of the KFC Line of Credit, for whatever reason, shall not in any way release or relieve the KFC Cooperative or Unified from their respective obligations incurred under the Loan Documents or in connection herewith or under the KFC Promissory Note or the other Loan Documents, and the provisions hereof and the other Loan Documents to which the KFC Cooperative or Unified is a party shall continue in full force and effect until the KFC Promissory Note and all other Secured Obligations owed by the KFC Cooperative to the Bank have been paid in full to the Bank. In the event the KFC Cooperative terminates the KFC Line of Credit, which the KFC Cooperative has the right to do at any time in its sole and absolute discretion, (i) the KFC Cooperative shall be obligated to pay the KFC Promissory Note and the other Secured Obligations owed by the KFC Cooperative to the Bank in full to the Bank, and (ii) the Bank shall have the right, at its sole option, to terminate the Pizza Hut Line of Credit and/or the Taco Bell Line of Credit.

2.4 KFC Borrowing Base.

(a) The sum of the aggregate unpaid principal balance of the advances under the KFC Line of Credit at any one time outstanding shall not exceed the lesser of (i) Fifteen Million Dollars (\$15,000,000.00), or (ii) the then existing KFC Borrowing Base. The provisions of this Section 2.4(a) shall take priority and govern over any conflicting or inconsistent provision of this Loan Agreement or any other Loan Document.

(b) Unified shall deliver monthly to the Bank, within twenty (20) days after the end of each month, a KFC Borrowing Base Report prepared and dated as of the end of the immediately

preceding month and substantially in the form of Exhibit A attached hereto and made a part hereof, together with a KFC Accounts Receivable Aging Report prepared and dated as of the end of the immediately preceding month and substantially in the form of Exhibit D attached hereto and made a part hereof. Each KFC Borrowing Base Report and each KFC Accounts Receivable Aging Report

shall be certified to be true, correct and accurate by the President or Chief Financial Officer of Unified. Unified shall, in addition, from time to time deliver to the Bank such other information concerning the KFC Accounts Receivable and KFC Inventory as the Bank may reasonably request. The Bank reserves the right to audit, from time to time, the KFC Accounts Receivable and/or the KFC Inventory.

(c) The Bank shall fund each advance under the KFC Line of Credit requested by the KFC Cooperative by depositing the entire amount thereof into an operating account maintained by the KFC Cooperative with the Bank on the date requested by a duly authorized officer of the KFC Cooperative, a list of which shall be provided by the KFC Cooperative to the Bank, provided that notice of the request for such advance has been received by the Bank by 3:00 P.M. Louisville, Kentucky time on the date of the request, which must be a Business Day (unless the date of the request is the last Business Day of a month, in which event such notice must be received by the Bank by 11:00 A.M., Louisville, Kentucky time on such date); notice of a request for an advance under the KFC Line of Credit received by the Bank after such time shall be funded on the next Business Day. The obligation of the Bank to fund each request for an advance under the KFC Line of Credit is further subject to the prior satisfaction of each and every condition precedent to the making of such advance, including, without limitation, the condition precedent that the amount of the advance requested, when combined with the aggregate amount of all outstanding advances under the KFC Line of Credit, does not exceed the lesser of Fifteen Million Dollars (\$15,000,000.00) or the then existing KFC Borrowing Base.

(d) If any representation or fact pertaining to the KFC Eligible Accounts Receivable, the KFC Eligible Presold Inventory and/or the KFC Eligible Inventory Held on Account contained in any KFC Borrowing Base Report or in any KFC Accounts Receivable Aging Report shall prove to be untrue, or if all or any part of the KFC Accounts Receivable shall cease to

constitute KFC Eligible Account Receivables and/or the KFC Inventory shall cease to constitute KFC Eligible Presold Inventory and/or KFC Eligible Inventory Held on Account, as applicable, for whatever reason, then such KFC Accounts Receivable and/or KFC Inventory affected thereby (collectively, the "KFC Disqualified Assets"), shall automatically be excluded from the KFC Borrowing Base. If the then aggregate principal balance of the advances outstanding under the KFC Line of Credit exceeds the KFC Borrowing Base, after excluding the KFC Disqualified Assets, the KFC Cooperative shall immediately notify the Bank in writing thereof and shall, without demand or further notice, repay to the Bank such amount of the advances under the KFC Line of Credit as is sufficient to reduce the outstanding principal balance of the advances under the KFC Line of Credit to an amount equal to or less than the KFC Borrowing Base, after

excluding the KFC Disqualified Assets.

2.5 Procedures and Conditions. The obtaining by the KFC Cooperative of each advance under the KFC Line of Credit shall be subject to the following terms and conditions:

(a) Each advance under the KFC Line of Credit shall be in integral multiples of One Hundred Thousand Dollars (\$100,000.00) or, if less, the amount available to be borrowed under the KFC Line of Credit at the time the advance is requested by the KFC Cooperative. Whenever the KFC Cooperative desires that the Bank make an advance under the KFC Line of Credit to the KFC Cooperative, the KFC Cooperative shall give the Bank telephonic or facsimile notice of the amount of the advance requested and the date on which such advance is to be made by the Bank. At the request of the Bank, the KFC Cooperative shall confirm in writing any telephonic request for an advance under the KFC Line of Credit.

(b) The Bank shall not incur any liability to the KFC Cooperative in acting upon any telephonic notice referred to above which the Bank believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of the KFC Cooperative or for otherwise acting in good faith under this Section 2.5, and, upon the funding of any advance under the KFC Line of Credit by the Bank in accordance with this Loan Agreement pursuant to any telephonic notice, the Borrower shall have effected such advance hereunder.

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(c) The Bank shall make the proceeds of each advance under the KFC Line of Credit requested by the KFC Cooperative available to the KFC Cooperative on the date requested by the KFC Cooperative (which shall be a Business Day) by causing an amount of same day funds equal to the proceeds of such advance to be credited to the operating account maintained by the KFC Cooperative with the Bank.

(d) The KFC Cooperative shall have no right to obtain, and the Bank shall have no obligation to make, any advance under the KFC Line of Credit if a KFC Default or a KFC Event of Default has occurred and is continuing.

(e) Each request by the KFC Cooperative for an advance under the KFC Line of Credit shall, in and of itself, constitute a continuing representation and warranty by the KFC Cooperative to the Bank (i) that the KFC Cooperative then is, and at the time the advance is actually made will be, entitled under this Loan Agreement to obtain the particular advance, and (ii) that all of the covenants, agreements, representations and warranties made by the KFC Cooperative herein and in the other Loan Documents to which the KFC Cooperative is a party are true and correct, and have been fully complied with, as of the date of such request.

(f) The KFC Cooperative shall have no right to obtain any advance under the KFC Line of Credit unless all of the terms and conditions set forth in this Section 2.5 have been fully satisfied with regard to that advance.

(g) The KFC Cooperative shall not pay down the outstanding principal balance of the KFC Line of Credit to an amount less than One Thousand Dollars (\$1,000.00) at any one time during the period of this Loan Agreement, and in the event that the outstanding principal balance of the KFC Line of Credit is paid down to an amount less than One Thousand Dollars (\$1,000.00), the Bank shall have no obligation to make any further advances under the KFC Line of Credit to the KFC Cooperative, and the KFC Cooperative shall have no right to obtain any further advances under the KFC Line of Credit, until the Bank has completely satisfied itself that it has a properly perfected security interest in and lien on all of the KFC Collateral with the priority intended under this Loan Agreement to

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secure the payment of all such additional advances to be made to the KFC Cooperative pursuant hereto.

2.6 Interest on the Advances Under the KFC Line of Credit. The aggregate advances under the KFC Line of Credit shall bear interest as provided in the KFC Promissory Note. All accrued interest on the KFC Line of Credit shall be paid monthly to the Bank through the maturity date of the KFC Line of Credit, whether the stated maturity date of the KFC Line of Credit, an accelerated maturity date of the KFC Line of Credit or otherwise. All interest on the KFC Promissory Note shall be computed based upon the actual number of days elapsed over an assumed year of three hundred sixty (360) days.

2.7 Late Charge; Post-Maturity Interest. The KFC Cooperative shall be obligated to pay to the Bank a late charge equal to five percent (5%) of any installment of accrued interest on the KFC Promissory Note not paid to the Bank when due or within ten (10) days thereafter. Further, all installments of accrued interest on and all unpaid principal of the KFC Promissory Note not paid to the Bank when due or within ten (10) days thereafter shall bear interest at the Default Rate until such overdue installments of accrued interest and/or unpaid principal have been paid in full to the Bank.

2.8 Deficiency Fee. The KFC Cooperative hereby agrees to pay to the Bank, in respect of each calendar quarter during the term of the KFC Line of Credit, a deficiency fee (the "KFC Deficiency Fee") in an amount equal to the product of (a) the Prime Rate plus two percent (2%) per annum as of the last day of such calendar quarter, and (b) the positive difference, if any, between (i) the KFC Minimum Compensating Balances Requirement, less (ii) the sum of the

average daily collected balances maintained in the KFC Demand Deposit Account during such calendar quarter. The KFC Deficiency Fee shall be due and payable to the Bank quarterly in arrears within ten (10) days after the KFC Cooperative has received an invoice for the KFC Deficiency Fee from the Bank. Any KFC Deficiency Fee not paid to the Bank when due shall bear interest at the Default Rate, and the KFC Deficiency Fee, together with all accrued interest thereon, shall continue to be immediately due and payable to the Bank.

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2.9 Purpose. The KFC Cooperative agrees that the proceeds of the KFC Line of Credit shall be used solely by the KFC Cooperative to make the cash capital contributions and the loans required to be made by the KFC Cooperative to Unified pursuant to the Unified Operating Agreement, to repay certain outstanding Indebtedness of the KFC Cooperative and to provide general working capital to the KFC Cooperative to pay its valid operating expenses arising in the ordinary course of business. The KFC Cooperative further agrees that no portion of the proceeds of the KFC Line of Credit shall be used to purchase or carry any margin stock, to extend credit to others for the purpose of purchasing or carrying margin stock or for any purpose proscribed by Regulation G, Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System.

2.10 Payments. All payments on the KFC Promissory Note shall be in legal tender of the United States of America in immediately available funds. If the date any payment is due under the KFC Promissory Note shall not be a Business Day, the payment otherwise then due shall be due and payable on the next succeeding Business Day (provided, interest shall continue to accrue on each such non-Business Day).

2.11 Security. The KFC Promissory Note and the other Secured Obligations owed by the KFC Cooperative to the Bank shall at all times be secured by the KFC Pledge Agreement and the Unified KFC Security Agreement together with accompanying UCC-1 Financing Statements executed by the KFC Cooperative and Unified.

2.12 Reduction in the KFC Line of Credit. The KFC Cooperative shall have the right on each six-month anniversary of the date of this Loan Agreement, upon not less than thirty (30) days prior written notice to the Bank, to reduce the committed principal amount of the KFC Line of Credit to a lesser amount without the payment of any premium to the Bank. In such event, the KFC Cooperative, Unified and the Bank shall execute and deliver such amendment documents as shall be necessary or appropriate to evidence such reduction in the committed principal amount of the KFC Line of Credit. To the extent the unpaid principal of the KFC Line of Credit exceeds the committed principal amount of

the KFC Line of Credit as reduced by the KFC Cooperative, the KFC Cooperative shall immediately pay to the

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Bank, without prior demand or notice by the Bank, such amount of the unpaid principal of the KFC Line of Credit as exceeds the committed principal amount of the KFC Line of Credit. The KFC Cooperative shall have no right to subsequently increase the committed principal amount of the KFC Line of Credit, after it has been reduced by the KFC Cooperative pursuant to this Section 2.12, without the prior written consent of the Bank.

SECTION 3. PIZZA HUT LINE OF CREDIT.

3.1 Pizza Hut Line of Credit. The Bank hereby establishes a revolving line of credit in favor of the Pizza Hut Cooperative in the original principal amount of Two Million Dollars (\$2,000,000.00) (the "Pizza Hut Line of Credit"). The Pizza Hut Cooperative agrees that the proceeds of the Pizza Hut Line of Credit shall be used solely by the Pizza Hut Cooperative to make the cash capital contributions and the loans required to be made by the Pizza Hut Cooperative to Unified pursuant to the Unified Operating Agreement and to provide general working capital to the Pizza Hut Cooperative to pay its valid operating expenses arising in the ordinary course of business. The Pizza Hut Cooperative may obtain advances under the Pizza Hut Line of Credit pursuant to, and subject to the terms and conditions set forth in, this Loan Agreement.

3.2 Advances under the Pizza Hut Line of Credit. Subject to the terms and conditions of this Loan Agreement, the Bank shall make to the Pizza Hut Cooperative such advances under the Pizza Hut Line of Credit as the Pizza Hut Cooperative may from time to time request in accordance with the provisions of this Loan Agreement. All advances under the Pizza Hut Line of Credit shall be evidenced by, shall bear interest at the rates established in, shall be payable and otherwise made on the terms set forth in this Loan Agreement and the Pizza Hut Promissory Note.

3.3 Term of Pizza Hut Line of Credit. The Pizza Hut Line of Credit shall become effective immediately as of the date of this Loan Agreement, and as of the date hereof, the Pizza Hut Cooperative may obtain advances under the Pizza Hut Line of Credit in each case subject to the terms and conditions contained herein. The Pizza Hut Line of Credit shall continue in effect until April 1, 2001, unless sooner terminated (a) by the Bank upon the occurrence and during the continuation of a Pizza

Hut Event of Default, or (b) by the Pizza Hut Cooperative at any time in its sole and absolute discretion; provided, in the event the Pizza Hut Cooperative terminates the Pizza Hut Line of Credit on any date other than a six-month anniversary of the date of this Loan Agreement, the provisions of Section 3.8 hereof shall survive until the next succeeding six-month anniversary of the date of this Loan Agreement. Upon termination of the Pizza Hut Line of Credit by the Bank upon the occurrence and during the continuation of a Pizza Hut Event of Default, or by the Pizza Hut Cooperative at any time in its sole and absolute discretion, or otherwise at the stated maturity date of the Pizza Hut Line of Credit, the entire unpaid principal balance of and all accrued and unpaid interest on the Pizza Hut Promissory Note shall be due and payable in full to the Bank. The termination of the Pizza Hut Line of Credit, for whatever reason, shall not in any way release or relieve the Pizza Hut Cooperative or Unified from their respective obligations incurred under the Loan Documents or in connection herewith or under the Pizza Hut Promissory Note or the other Loan Documents, and the provisions hereof and the other Loan Documents to which the Pizza Hut Cooperative or Unified is a party shall continue in full force and effect until the Pizza Hut Promissory Note and all other Secured Obligations owed by the Pizza Hut Cooperative to the Bank have been paid in full to the Bank. In the event the Pizza Hut Cooperative terminates the Pizza Hut Line of Credit, which the Pizza Hut Cooperative has the right to do at any time in its sole and absolute discretion, (i) the Pizza Hut Cooperative shall be obligated to pay the Pizza Hut Promissory Note and the other Secured Obligations owed by the Pizza Hut Cooperative to the Bank in full to the Bank, and (ii) the Bank shall have the right, at its sole option, to terminate the KFC Line of Credit and/or the Taco Bell Line of Credit.

3.4 Pizza Hut Borrowing Base.

(a) The sum of the aggregate unpaid principal balance of the advances under the Pizza Hut Line of Credit at any one time outstanding shall not exceed the lesser of (i) Two Million Dollars (\$2,000,000.00), or (ii) the then existing Pizza Hut Borrowing Base. The provisions of this Section 3.4(a) shall take priority and govern over any conflicting or inconsistent provision of this Loan Agreement or any other Loan Document.

(b) Unified shall deliver monthly to the Bank, within twenty (20) days after the end of each month, a Pizza Hut Borrowing Base Report prepared and

dated as of the end of the immediately preceding month and substantially in the form of Exhibit B attached hereto and made a part hereof, together with a Pizza Hut Accounts Receivable Aging Report prepared and dated as of the end of the immediately preceding month and substantially in the form of Exhibit E attached hereto and made a part hereof. Each Pizza Hut Borrowing Base Report and each Pizza Hut Accounts Receivable Aging Report shall be certified to be true, correct and accurate by the President or Chief Financial Officer of Unified. Unified shall, in addition, from time to time deliver to the Bank such other information concerning the Pizza Hut Accounts Receivable and Pizza Hut Inventory as the Bank may reasonably request. The Bank reserves the right to audit, from time to time, the Pizza Hut Accounts Receivable and/or the Pizza Hut Inventory.

(c) The Bank shall fund each advance under the Pizza Hut Line of Credit requested by the Pizza Hut Cooperative by depositing the entire amount thereof into an operating account maintained by the Pizza Hut Cooperative with the Bank on the date requested by a duly authorized officer of the Pizza Hut Cooperative, a list of which shall be provided by the Pizza Hut Cooperative to the Bank, provided that notice of the request for such advance has been received by the Bank by 3:00 P.M. Louisville, Kentucky time on the date of the request, which must be a Business Day (unless the date of the request is the last Business Day of a month, in which event such notice must be received by the Bank by 11:00 A.M., Louisville, Kentucky time on such date); notice of a request for an advance under the Pizza Hut Line of Credit received by the Bank after such time shall be funded on the next Business Day. The obligation of the Bank to fund each request for an advance under the Pizza Hut Line of Credit is further subject to the prior satisfaction of each and every condition precedent to the making of such advance, including, without limitation, the condition precedent that the amount of the advance requested, when combined with the aggregate amount of all outstanding advances under the Pizza Hut Line of Credit, does not exceed the lesser of Two Million Dollars (\$2,000,000.00) or the then existing Pizza Hut Borrowing Base.

(d) If any representation or fact pertaining to the Pizza Hut Eligible Accounts Receivable, the Pizza Hut Eligible Presold Inventory and/or the Pizza Hut Eligible Inventory Held on Account contained in any Pizza Hut Borrowing Base Report or in any Pizza Hut Accounts Receivable Aging Report shall prove to be untrue, or if all or any part of the Pizza Hut Accounts Receivable shall cease to constitute Pizza Hut Eligible Account Receivables and/or the Pizza Hut Inventory shall cease to constitute Pizza Hut Eligible Presold Inventory and/or Pizza Hut Eligible Inventory Held on Account, as applicable, for whatever reason, then such Pizza Hut Accounts Receivable and/or Pizza Hut Inventory affected thereby (collectively, the "Pizza Hut Disqualified Assets"), shall automatically be excluded from the Pizza Hut Borrowing Base. If the then aggregate principal balance of the advances outstanding under the Pizza Hut Line

of Credit exceeds the Pizza Hut Borrowing Base, after excluding the Pizza Hut Disqualified Assets, the Pizza Hut Cooperative shall immediately notify the Bank in writing thereof and shall, without demand or further notice, repay to the Bank such amount of the advances under the Pizza Hut Line of Credit as is sufficient to reduce the outstanding principal balance of the advances under the Pizza Hut Line of Credit to an amount equal to or less than the Pizza Hut Borrowing Base, after excluding the Pizza Hut Disqualified Assets.

3.5 Procedures and Conditions. The obtaining by the Pizza Hut Cooperative of each advance under the Pizza Hut Line of Credit shall be subject to the following terms and conditions:

(a) Each advance under the Pizza Hut Line of Credit shall be in integral multiples of One Hundred Thousand Dollars (\$100,000.00) or, if less, the amount available to be borrowed under the Pizza Hut Line of Credit at the time the advance is requested by the Pizza Hut Cooperative. Whenever the Pizza Hut Cooperative desires that the Bank make an advance under the Pizza Hut Line of Credit to the Pizza Hut Cooperative, the Pizza Hut Cooperative shall give the Bank telephonic or facsimile notice of the amount of the advance requested and the date on which such advance is to be made by the Bank. At the request of the Bank, the Pizza Hut Cooperative shall confirm in writing any telephonic request for an advance under the Pizza Hut Line of Credit.

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(b) The Bank shall not incur any liability to the Pizza Hut Cooperative in acting upon any telephonic notice referred to above which the Bank believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of the Pizza Hut Cooperative or for otherwise acting in good faith under this Section 3.5, and, upon the funding of any advance under the Pizza Hut Line of Credit by the Bank in accordance with this Loan Agreement pursuant to any telephonic notice, the Borrower shall have effected such advance hereunder.

(c) The Bank shall make the proceeds of each advance under the Pizza Hut Line of Credit requested by the Pizza Hut Cooperative available to the Pizza Hut Cooperative on the date requested by the Pizza Hut Cooperative (which shall be a Business Day) by causing an amount of same day funds equal to the proceeds of such advance to be credited to the operating account maintained by the Pizza Hut Cooperative with the Bank.

(d) The Pizza Hut Cooperative shall have no right to obtain, and the Bank shall have no obligation to make, any advance under the Pizza Hut Line of Credit if a Pizza Hut Default or a Pizza Hut Event of Default has occurred and is continuing.

(e) Each request by the Pizza Hut Cooperative for an advance under

the Pizza Hut Line of Credit shall, in and of itself, constitute a continuing representation and warranty by the Pizza Hut Cooperative to the Bank (i) that the Pizza Hut Cooperative then is, and at the time the advance is actually made will be, entitled under this Loan Agreement to obtain the particular advance, and (ii) that all of the covenants, agreements, representations and warranties made by the Pizza Hut Cooperative herein and in the other Loan Documents to which the Pizza Hut Cooperative is a party are true and correct, and have been fully complied with, as of the date of such request.

(f) The Pizza Hut Cooperative shall have no right to obtain any advance under the Pizza Hut Line of Credit unless all of the terms and conditions set forth in this Section 3.5 have been fully satisfied with regard to that advance.

(g) The Pizza Hut Cooperative shall not pay down the outstanding principal balance of the Pizza Hut Line of Credit to

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an amount less than One Thousand Dollars (\$1,000.00) at any one time during the period of this Loan Agreement, and in the event that the outstanding principal balance of the Pizza Hut Line of Credit is paid down to an amount less than One Thousand Dollars (\$1,000.00), the Bank shall have no obligation to make any further advances under the Pizza Hut Line of Credit to the Pizza Hut Cooperative, and the Pizza Hut Cooperative shall have no right to obtain any further advances under the Pizza Hut Line of Credit, until the Bank has completely satisfied itself that it has a properly perfected security interest in and lien on all of the Pizza Hut Collateral with the priority intended under this Loan Agreement to secure the payment of all such additional advances to be made to the Pizza Hut Cooperative pursuant hereto.

3.6 Interest on the Advances Under the Pizza Hut Line of Credit. The aggregate advances under the Pizza Hut Line of Credit shall bear interest as provided in the Pizza Hut Promissory Note. All accrued interest on the Pizza Hut Line of Credit shall be paid monthly to the Bank through the maturity date of the Pizza Hut Line of Credit, whether the stated maturity date of the Pizza Hut Line of Credit, an accelerated maturity date of the Pizza Hut Line of Credit or otherwise. All interest on the Pizza Hut Promissory Note shall be computed based upon the actual number of days elapsed over an assumed year of three hundred sixty (360) days.

3.7 Late Charge; Post-Maturity Interest. The Pizza Hut Cooperative shall be obligated to pay to the Bank a late charge equal to five percent (5%) of any installment of accrued interest on the Pizza Hut Promissory Note not paid to the Bank when due or within ten (10) days thereafter. Further, all installments of accrued interest on and all unpaid principal of the Pizza Hut

Promissory Note not paid to the Bank when due or within ten (10) days thereafter shall bear interest at the Default Rate until such overdue installments of accrued interest and/or unpaid principal have been paid in full to the Bank.

3.8 Deficiency Fee. The Pizza Hut Cooperative hereby agrees to pay to the Bank, in respect of each calendar quarter during the term of the Pizza Hut Line of Credit, a deficiency fee (the "Pizza Hut Deficiency Fee") in an amount equal to the product of (a) the Prime Rate plus two percent (2%) per annum as of the last day of such calendar quarter, and (b) the positive

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difference, if any, between (i) the Pizza Hut Minimum Compensating Balances Requirement, less (ii) the sum of the average daily collected balances maintained in the Pizza Hut Demand Deposit Account during such calendar quarter. The Pizza Hut Deficiency Fee shall be due and payable to the Bank quarterly in arrears within ten (10) days after the Pizza Hut Cooperative has received an invoice for the Pizza Hut Deficiency Fee from the Bank. Any Pizza Hut Deficiency Fee not paid to the Bank when due shall bear interest at the Default Rate, and the Pizza Hut Deficiency Fee, together with all accrued interest thereon, shall continue to be immediately due and payable to the Bank.

3.9 Purpose. The Pizza Hut Cooperative agrees that the proceeds of the Pizza Hut Line of Credit shall be used solely by the Pizza Hut Cooperative to make the cash capital contributions and the loans required to be made by the Pizza Hut Cooperative to Unified pursuant to the Unified Operating Agreement and to provide general working capital to the Pizza Hut Cooperative to pay its valid operating expenses arising in the ordinary course of business. The Pizza Hut Cooperative further agrees that no portion of the proceeds of the Pizza Hut Line of Credit shall be used to purchase or carry any margin stock, to extend credit to others for the purpose of purchasing or carrying margin stock or for any purpose proscribed by Regulation G, Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System.

3.10 Payments. All payments on the Pizza Hut Promissory Note shall be in legal tender of the United States of America in immediately available funds. If the date any payment is due under the Pizza Hut Promissory Note shall not be a Business Day, the payment otherwise then due shall be due and payable on the next succeeding Business Day (provided, interest shall continue to accrue on each such non-Business Day).

3.11 Security. The Pizza Hut Promissory Note and the other Secured Obligations owed by the Pizza Hut Cooperative to the Bank shall at all times be secured by the Pizza Hut Pledge Agreement and the Unified Pizza Hut Security Agreement together with accompanying UCC-1 Financing Statements executed by the Pizza Hut Cooperative and Unified.

3.12 Reduction in the Pizza Hut Line of Credit. The Pizza Hut Cooperative shall have the right on each six-month anniversary of the date of this Loan Agreement, upon not less than thirty (30) days prior written notice to the Bank, to reduce the committed principal amount of the Pizza Hut Line of Credit to a lesser amount without the payment of any premium to the Bank. In such event, the Pizza Hut Cooperative, Unified and the Bank shall execute and deliver such amendment documents as shall be necessary or appropriate to evidence such reduction in the committed principal amount of the Pizza Hut Line of Credit. To the extent the unpaid principal of the Pizza Hut Line of Credit exceeds the committed principal amount of the Pizza Hut Line of Credit as reduced by the Pizza Hut Cooperative, the Pizza Hut Cooperative shall immediately pay to the Bank, without prior demand or notice by the Bank, such amount of the unpaid principal of the Pizza Hut Line of Credit as exceeds the committed principal amount of the Pizza Hut Line of Credit. The Pizza Hut Cooperative shall have no right to subsequently increase the committed principal amount of the Pizza Hut Line of Credit, after it has been reduced by the Pizza Hut Cooperative pursuant to this Section 3.12, without the prior written consent of the Bank.

SECTION 4 TACO BELL LINE OF CREDIT.

4.1 Taco Bell Line of Credit. The Bank hereby establishes a revolving line of credit in favor of the Taco Bell Cooperative in the original principal amount of Eight Million Dollars (\$8,000,000.00) (the "Taco Bell Line of Credit"). The Taco Bell Cooperative agrees that the proceeds of the Taco Bell Line of Credit shall be used solely by the Taco Bell Cooperative to make the cash capital contributions and the loans required to be made by the Taco Bell Cooperative to Unified pursuant to the Unified Operating Agreement and to provide general working capital to the Taco Bell Cooperative to pay its valid operating expenses arising in the ordinary course of business. The Taco Bell Cooperative may obtain advances under the Taco Bell Line of Credit pursuant to, and subject to the terms and conditions set forth in, this Loan Agreement.

4.2 Advances under the Taco Bell Line of Credit. Subject to the terms and conditions of this Loan Agreement, the Bank shall make to the Taco Bell Cooperative such advances under the Taco Bell Line of Credit as the Taco Bell Cooperative may from

time to time request in accordance with the provisions of this Loan Agreement. All advances under the Taco Bell Line of Credit shall be evidenced by, shall bear interest at the rates established in, shall be payable and otherwise made on the terms set forth in this Loan Agreement and the Taco Bell Promissory Note.

4.3 Term of Taco Bell Line of Credit. The Taco Bell Line of Credit shall become effective immediately as of the date of this Loan Agreement, and as of the date hereof, the Taco Bell Cooperative may obtain advances under the Taco Bell Line of Credit in each case subject to the terms and conditions contained herein. The Taco Bell Line of Credit shall continue in effect until April 1, 2001, unless sooner terminated (a) by the Bank upon the occurrence and during the continuation of a Taco Bell Event of Default, or (b) by the Taco Bell Cooperative at any time in its sole and absolute discretion; provided, in the event the Taco Bell Cooperative terminates the Taco Bell Line of Credit on any date other than a six-month anniversary of the date of this Loan Agreement, the provisions of Section 4.8 hereof shall survive until the next succeeding six-month anniversary of the date of this Loan Agreement. Upon termination of the Taco Bell Line of Credit by the Bank upon the occurrence and during the continuation of a Taco Bell Event of Default, or by the Taco Bell Cooperative at any time in its sole and absolute discretion, or otherwise at the stated maturity date of the Taco Bell Line of Credit, the entire unpaid principal balance of and all accrued and unpaid interest on the Taco Bell Promissory Note shall be due and payable in full to the Bank. The termination of the Taco Bell Line of Credit, for whatever reason, shall not in any way release or relieve the Taco Bell Cooperative or Unified from their respective obligations incurred under the Loan Documents or in connection herewith or under the Taco Bell Promissory Note or the other Loan Documents, and the provisions hereof and the other Loan Documents to which the Taco Bell Cooperative or Unified is a party shall continue in full force and effect until the Taco Bell Promissory Note and all other Secured Obligations owed by the Taco Bell Cooperative to the Bank have been paid in full to the Bank. In the event the Taco Bell Cooperative terminates the Taco Bell Line of Credit, which the Taco Bell Cooperative has the right to do at any time in its sole and absolute discretion, (i) the Taco Bell Cooperative shall be obligated to pay the Taco Bell Promissory Note and the other Secured Obligations owed by

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the Taco Bell Cooperative to the Bank in full to the Bank, and (ii) the Bank shall have the right, at its sole option, to terminate the KFC Line of Credit and/or the Pizza Hut Line of Credit.

4.4 Taco Bell Borrowing Base.

(a) The sum of the aggregate unpaid principal balance of the advances under the Taco Bell Line of Credit at any one time outstanding shall not exceed the lesser of (i) Eight Million Dollars (\$8,000,000.00), or (ii) the

then existing Taco Bell Borrowing Base. The provisions of this Section 4.4(a) shall take priority and govern over any conflicting or inconsistent provision of this Loan Agreement or any other Loan Document.

(b) Unified shall deliver monthly to the Bank, within twenty (20) days after the end of each month, a Taco Bell Borrowing Base Report prepared and dated as of the end of the immediately preceding month and substantially in the form of Exhibit C attached hereto and made a part hereof, together with a Taco Bell Accounts Receivable Aging Report prepared and dated as of the end of the immediately preceding month and substantially in the form of Exhibit F attached hereto and made a part hereof. Each Taco Bell Borrowing Base Report and each Taco Bell Accounts Receivable Aging Report shall be certified to be true, correct and accurate by the President or Chief Financial Officer of Unified. Unified shall, in addition, from time to time deliver to the Bank such other information concerning the Taco Bell Accounts Receivable and Taco Bell Inventory as the Bank may reasonably request. The Bank reserves the right to audit, from time to time, the Taco Bell Accounts Receivable and/or the Taco Bell Inventory.

(c) The Bank shall fund each advance under the Taco Bell Line of Credit requested by the Taco Bell Cooperative by depositing the entire amount thereof into an operating account maintained by the Taco Bell Cooperative with the Bank on the date requested by a duly authorized officer of the Taco Bell Cooperative, a list of which shall be provided by the Taco Bell Cooperative to the Bank, provided that notice of the request for such advance has been received by the Bank by 3:00 P.M. Louisville, Kentucky time on the date of the request, which must be a Business Day (unless the date of the request is the last

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Business Day of a month, in which event such notice must be received by the Bank by 11:00 A.M., Louisville, Kentucky time on such date); notice of a request for an advance under the Taco Bell Line of Credit received by the Bank after such time shall be funded on the next Business Day. The obligation of the Bank to fund each request for an advance under the Taco Bell Line of Credit is further subject to the prior satisfaction of each and every condition precedent to the making of such advance, including, without limitation, the condition precedent that the amount of the advance requested, when combined with the aggregate amount of all outstanding advances under the Taco Bell Line of Credit, does not exceed the lesser of Eight Million Dollars (\$8,000,000.00) or the then existing Taco Bell Borrowing Base.

(d) If any representation or fact pertaining to the Taco Bell Eligible Accounts Receivable, the Taco Bell Eligible Presold Inventory and/or the Taco Bell Eligible Inventory Held on Account contained in any Taco Bell Borrowing Base Report or in any Taco Bell Accounts Receivable Aging Report shall prove to be untrue, or if all or any part of the Taco Bell Accounts Receivable shall cease to constitute Taco Bell Eligible Account Receivables and/or the Taco

Bell Inventory shall cease to constitute Taco Bell Eligible Presold Inventory and/or Taco Bell Eligible Inventory Held on Account, as applicable, for whatever reason, then such Taco Bell Accounts Receivable and/or Taco Bell Inventory affected thereby (collectively, the "Taco Bell Disqualified Assets"), shall automatically be excluded from the Taco Bell Borrowing Base. If the then aggregate principal balance of the advances outstanding under the Taco Bell Line of Credit exceeds the Taco Bell Borrowing Base, after excluding the Taco Bell Disqualified Assets, the Taco Bell Cooperative shall immediately notify the Bank in writing thereof and shall, without demand or further notice, repay to the Bank such amount of the advances under the Taco Bell Line of Credit as is sufficient to reduce the outstanding principal balance of the advances under the Taco Bell Line of Credit to an amount equal to or less than the Taco Bell Borrowing Base, after excluding the Taco Bell Disqualified Assets.

4.5 Procedures and Conditions. The obtaining by the Taco Bell Cooperative of each advance under the Taco Bell Line of Credit shall be subject to the following terms and conditions:

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(a) Each advance under the Taco Bell Line of Credit shall be in integral multiples of One Hundred Thousand Dollars (\$100,000.00) or, if less, the amount available to be borrowed under the Taco Bell Line of Credit at the time the advance is requested by the Taco Bell Cooperative. Whenever the Taco Bell Cooperative desires that the Bank make an advance under the Taco Bell Line of Credit to the Taco Bell Cooperative, the Taco Bell Cooperative shall give the Bank telephonic or facsimile notice of the amount of the advance requested and the date on which such advance is to be made by the Bank. At the request of the Bank, the Taco Bell Cooperative shall confirm in writing any telephonic request of an advance under the Taco Bell Line of Credit.

(b) The Bank shall not incur any liability to the Taco Bell Cooperative in acting upon any telephonic notice referred to above which the Bank believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of the Taco Bell Cooperative or for otherwise acting in good faith under this Section 4.5, and, upon the funding of any advance under the Taco Bell Line of Credit by the Bank in accordance with this Loan Agreement pursuant to any telephonic notice, the Borrower shall have effected such advance hereunder.

(c) The Bank shall make the proceeds of each advance under the Taco Bell Line of Credit requested by the Taco Bell Cooperative available to the Taco Bell Cooperative on the date requested by the Taco Bell Cooperative (which shall be a Business Day) by causing an amount of same day funds equal to the proceeds of such advance to be credited to the operating account maintained by the Taco Bell Cooperative with the Bank.

(d) The Taco Bell Cooperative shall have no right to obtain, and the Bank shall have no obligation to make, any advance under the Taco Bell Line of Credit if a Taco Bell Default or a Taco Bell Event of Default has occurred and is continuing.

(e) Each request by the Taco Bell Cooperative for an advance under the Taco Bell Line of Credit shall, in and of itself, constitute a continuing representation and warranty by the Taco Bell Cooperative to the Bank (i) that the Taco Bell Cooperative then is, and at the time the advance is actually

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made will be, entitled under this Loan Agreement to obtain the particular advance, and (ii) that all of the covenants, agreements, representations and warranties made by the Taco Bell Cooperative herein and in the other Loan Documents to which the Taco Bell Cooperative is a party are true and correct, and have been fully complied with, as of the date of such request.

(f) The Taco Bell Cooperative shall have no right to obtain any advance under the Taco Bell Line of Credit unless all of the terms and conditions set forth in this Section 2.5 have been fully satisfied with regard to that advance.

(g) The Taco Bell Cooperative shall not pay down the outstanding principal balance of the Taco Bell Line of Credit to an amount less than One Thousand Dollars (\$1,000.00) at any one time during the period of this Loan Agreement, and in the event that the outstanding principal balance of the Taco Bell Line of Credit is paid down to an amount less than One Thousand Dollars (\$1,000.00), the Bank shall have no obligation to make any further advances under the Taco Bell Line of Credit to the Taco Bell Cooperative, and the Taco Bell Cooperative shall have no right to obtain any further advances under the Taco Bell Line of Credit, until the Bank has completely satisfied itself that it has a properly perfected security interest in and lien on all of the Taco Bell Collateral with the priority intended under this Loan Agreement to secure the payment of all such additional advances to be made to the Taco Bell Cooperative pursuant hereto.

4.6 Interest on the Advances Under the Taco Bell Line of Credit. The aggregate advances under the Taco Bell Line of Credit shall bear interest as provided in the Taco Bell Promissory Note. All accrued interest on the Taco Bell Line of Credit shall be paid monthly to the Bank through the maturity date of the Taco Bell Line of Credit, whether the stated maturity date of the Taco Bell Line of Credit, an accelerated maturity date of the Taco Bell Line of Credit or otherwise. All interest on the Taco Bell Promissory Note shall be computed based upon the actual number of days elapsed over an assumed year of three hundred sixty (360) days.

4.7 Late Charge; Post-Maturity Interest. The Taco Bell Cooperative shall be obligated to pay to the Bank a late charge equal to five percent (5%) of any installment of accrued

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interest on the Taco Bell Promissory Note not paid to the Bank when due or within ten (10) days thereafter. Further, all installments of accrued interest on and all unpaid principal of the Taco Bell Promissory Note not paid to the Bank when due or within ten (10) days thereafter shall bear interest at the Default Rate until such overdue installments of accrued interest and/or unpaid principal have been paid in full to the Bank.

4.8 Deficiency Fee. The Taco Bell Cooperative hereby agrees to pay to the Bank, in respect of each calendar quarter during the term of the Taco Bell Line of Credit, a deficiency fee (the "Taco Bell Deficiency Fee") in an amount equal to the product of (a) the Prime Rate plus two percent (2%) per annum as of the last day of such calendar quarter, and (b) the positive difference, if any, between (i) the Taco Bell Minimum Compensating Balances Requirement, less (ii) the sum of the average daily collected balances maintained in the Taco Bell Demand Deposit Account during such calendar quarter. The Taco Bell Deficiency Fee shall be due and payable to the Bank quarterly in arrears within ten (10) days after the Taco Bell Cooperative has received an invoice for the Taco Bell Deficiency Fee from the Bank. Any Taco Bell Deficiency Fee not paid to the Bank when due shall bear interest at the Default Rate, and the Taco Bell Deficiency Fee, together with all accrued interest thereon, shall continue to be immediately due and payable to the Bank.

4.9 Purpose. The Taco Bell Cooperative agrees that the proceeds of the Taco Bell Line of Credit shall be used solely by the Taco Bell Cooperative to make the cash capital contributions and the loans required to be made by the Taco Bell Cooperative to Unified pursuant to the Unified Operating Agreement and to provide general working capital to the Taco Bell Cooperative to pay its valid operating expenses arising in the ordinary course of business. The Taco Bell Cooperative further agrees that no portion of the proceeds of the Taco Bell Line of Credit shall be used to purchase or carry any margin stock, to extend credit to others for the purpose of purchasing or carrying margin stock or for any purpose proscribed by Regulation G, Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System.

4.10 Payments. All payments on the Taco Bell Promissory Note shall be in legal tender of the United States of America in

immediately available funds. If the date any payment is due under the Taco Bell Promissory Note shall not be a Business Day, the payment otherwise then due shall be due and payable on the next succeeding Business Day (provided, interest shall continue to accrue on each such non-Business Day).

4.11 Security. The Taco Bell Promissory Note and the other Secured Obligations owed by the Taco Bell Cooperative to the Bank shall at all times be secured by the Taco Bell Pledge Agreement and the Unified Taco Bell Security Agreement together with accompanying UCC-1 Financing Statements executed by the Taco Bell Cooperative and Unified.

4.12 Reduction in the Taco Bell Line of Credit. The Taco Bell Cooperative shall have the right on each six-month anniversary of the date of this Loan Agreement, upon not less than thirty (30) days prior written notice to the Bank, to reduce the committed principal amount of the Taco Bell Line of Credit to a lesser amount without the payment of any premium to the Bank. In such event, the Taco Bell Cooperative, Unified and the Bank shall execute and deliver such amendment documents as shall be necessary or appropriate to evidence such reduction in the committed principal amount of the Taco Bell Line of Credit. To the extent the unpaid principal of the Taco Bell Line of Credit exceeds the committed principal amount of the Taco Bell Line of Credit as reduced by the Taco Bell Cooperative, the Taco Bell Cooperative shall immediately pay to the Bank, without prior demand or notice by the Bank, such amount of the unpaid principal of the Taco Bell Line of Credit as exceeds the committed principal amount of the Taco Bell Line of Credit. The Taco Bell Cooperative shall have no right to subsequently increase the committed principal amount of the Taco Bell Line of Credit, after it has been reduced by the Taco Bell Cooperative pursuant to this Section 4.12, without the prior written consent of the Bank.

SECTION 5. CONDITIONS PRECEDENT TO KFC LINE OF CREDIT.

5.1 Conditions Precedent to KFC Line of Credit. The obligation of the Bank to establish the KFC Line of Credit in favor of the KFC Cooperative is expressly subject to the delivery of the following documents to the Bank, in each case dated the date of this Loan Agreement or such other date as

shall be satisfactory to the Bank and in form and substance satisfactory to the Bank:

(a) Corporate Documents.

(i) Copies of the Certificate of Incorporation and the Bylaws of the KFC Cooperative, a Certificate of Existence duly issued on behalf of the KFC Cooperative by each of the Secretary of State of Delaware and the Secretary of State of Kentucky, and resolutions of the Board of Directors of the KFC Cooperative authorizing the execution, delivery and performance of this Loan Agreement and the other Loan Documents to which the KFC Cooperative is a party by the KFC Cooperative and an incumbency certificate with respect to the KFC Cooperative, all certified by the Secretary or an Assistant Secretary of the KFC Cooperative and further certifying the names and true signatures of the officers of the KFC Cooperative authorized to sign this Loan Agreement and the other Loan Documents to be delivered by the KFC Cooperative hereunder.

(ii) Copies of the Articles of Organization and the Operating Agreement of Unified, a Certificate of Existence duly issued on behalf of Unified by the Secretary of State of Kentucky, and resolutions of the Board of Directors of Unified authorizing the execution, delivery and performance of this Loan Agreement and the other Loan Documents to which Unified is a party by Unified and an incumbency certificate with respect to Unified, all certified by the Secretary or an Assistant Secretary of Unified and further certifying the names and true signatures of the officers of Unified authorized to sign this Loan Agreement and the other Loan Documents to which Unified is a party.

(b) Loan Agreement. This Loan Agreement, duly executed and delivered by the KFC Cooperative, the Pizza Hut Cooperative, the Taco Bell Cooperative and Unified.

(c) KFC Promissory Note. The KFC Promissory Note, duly executed and delivered by the KFC Cooperative.

(d) KFC Pledge Agreement. The KFC Pledge Agreement and accompanying UCC-1 Financing Statements, in each case duly executed and delivered by the KFC Cooperative.

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(e) Unified KFC Security Agreement. The Unified KFC security Agreement and accompanying UCC-1 Financing Statements, in each case duly executed and delivered by Unified.

(f) Legal Opinion. An opinion of Brown, Todd & Heyburn PLLC, counsel to the KFC Cooperative and Unified, in substantially the form attached hereto and made a part hereof as Exhibit G.

(g) UCC-3 Termination Statements. All Uniform Commercial Code Termination Statements necessary to release of record all liens and security

interests encumbering the KFC Collateral.

(h) Certificate of Insurance. A Certificate of Insurance, confirming that the KFC Cooperative and Unified have obtained all of the insurance required under this Loan Agreement and the other Loan Documents.

(i) UCC Search Reports. UCC-11 Search Reports with respect to the KFC Cooperative and Unified from the Clerk of Jefferson County, the Secretary of State of Kentucky and each other appropriate public office.

(j) Other Documents. Such other documents, instruments, approvals (and, if requested by the Bank, certified duplicates of executed copies thereof) or opinions as the Bank may reasonably request.

(k) Certificates of the KFC Cooperative. Certificates signed by a duly authorized officer of the KFC Cooperative, dated the date of this Loan Agreement, stating that:

(i) The representations and warranties of the KFC Cooperative and Unified contained in Section 8 hereof are correct on and as of the date of this Loan Agreement as though made on and as of such date; and

(ii) No KFC Event of Default referred to in Section 11 hereof has occurred and is continuing, or would result from the consummation of the transactions contemplated in this Loan Agreement, and no event has occurred and is continuing which would constitute a KFC Event of Default but for the requirement that notice be given or time elapse or both.

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(l) Satisfaction of Other Conditions Precedent. The conditions precedent set forth in Sections 6 and 7 of this Loan Agreement shall have been satisfied to the Bank's satisfaction.

(m) Transaction Documents. The Transaction Documents shall have been fully executed and delivered by all parties thereto and all of the transactions required to be consummated thereunder as of the date of this Loan Agreement shall have been consummated or shall be consummated contemporaneously with the initial advances under the KFC Line of Credit, the Pizza Hut Line of Credit and the Taco Bell Line of Credit.

(n) Net Worth. Each Borrower and Unified shall have or, in the case of Unified will have, contemporaneously with the initial advances under the KFC Line of Credit, the Pizza Hut Line of Credit and the Taco Bell Line of Credit, met the initial minimum Net Worth required under Section 10 hereof.

5.2 Conditions Precedent to Advances Under the KFC Line of Credit. The

obligation of the Bank to make each advance under the KFC Line of Credit is expressly subject to the satisfaction of the following conditions precedent:

(a) No Existing KFC Default or KFC Event of Default. No KFC Default or KFC Event of Default shall have occurred and be continuing.

(b) Continuation of Representations and Warranties. The representations and warranties set forth in Section 8 with respect to the KFC Cooperative and Unified shall be true and correct as of the date of the making of any such advance under the KFC Line of Credit.

SECTION 6. CONDITIONS PRECEDENT TO PIZZA HUT LINE OF CREDIT.

6.1 Conditions Precedent to Pizza Hut Line of Credit. The obligation of the Bank to establish the Pizza Hut Line of Credit in favor of the Pizza Hut Cooperative is expressly subject to the delivery of the following documents to the Bank, in each case dated the date of this Loan Agreement or such other date as shall be satisfactory to the Bank and in form and substance satisfactory to the Bank:

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(a) Corporate Documents.

(i) Copies of the Certificate of Incorporation and the Bylaw/s of the Pizza Hut Cooperative, a Certificate of Existence duly issued on behalf of the Pizza Hut Cooperative by each of the Secretary of State of Delaware and the Secretary of State of Kentucky, and resolutions of the Board of Directors of the Pizza Hut Cooperative authorizing the execution, delivery and performance of this Loan Agreement and the other Loan Documents to which the Pizza Hut Cooperative is a party by the Pizza Hut Cooperative and an incumbency certificate with respect to the Pizza Hut Cooperative, all certified by the Secretary or an Assistant Secretary of the Pizza Hut Cooperative and further certifying the names and true signatures of the officers of the Pizza Hut Cooperative authorized to sign this Loan Agreement and the other Loan Documents to be delivered by the Pizza Hut Cooperative hereunder.

(ii) Copies of the Articles of Organization and the Operating Agreement of Unified, a Certificate of Existence duly issued on behalf of Unified by the Secretary of State of Kentucky, and resolutions of the Board of Directors of Unified authorizing the execution, delivery and performance of this Loan Agreement and the other Loan Documents to which Unified is a party by Unified and an incumbency certificate with respect to Unified, all certified by the Secretary or an Assistant Secretary of Unified and further certifying the names and true signatures of the officers of Unified authorized to sign this Loan Agreement and the other Loan Documents to which Unified is a party.

(b) Loan Agreement. This Loan Agreement, duly executed and

delivered by the KFC Cooperative, the Pizza Hut Cooperative, the Taco Bell Cooperative and Unified.

(c) Pizza Hut Promissory Note. The Pizza Hut Promissory Note, duly executed and delivered by the Pizza Hut Cooperative.

(d) Pizza Hut Pledge Agreement. The Pizza Hut Pledge Agreement and accompanying UCC-1 Financing Statements, in each case duly executed and delivered by the Pizza Hut Cooperative.

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(e) Unified Pizza Hut Security Agreement. The Unified Pizza Hut Security Agreement and accompanying UCC-1 Financing Statements, in each case duly executed and delivered by Unified.

(f) Legal Opinion. An opinion of Brown, Todd & Heyburn PLLC, counsel to the Pizza Hut Cooperative and Unified, in substantially the form attached hereto and made a part hereof as Exhibit G.

(g) UCC-3 Termination Statements. All Uniform Commercial Code Termination Statements necessary to release of record all liens and security interests encumbering the Pizza Hut Collateral.

(h) Certificate of Insurance. A Certificate of Insurance, confirming that the Pizza Hut Cooperative and Unified have obtained all of the insurance required under this Loan Agreement and the other Loan Documents.

(i) UCC Search Reports. UCC-11 Search Reports with respect to the Pizza Hut Cooperative and Unified from the Clerk of Jefferson County, the Secretary of State of Kentucky and each other appropriate public office.

(j) Other Documents. Such other documents, instruments, approvals (and, if requested by the Bank, certified duplicates of executed copies thereof) or opinions as the Bank may reasonably request.

(k) Certificates of the Pizza Hut Cooperative. Certificates signed by a duly authorized officer of the Pizza Hut Cooperative, dated the date of this Loan Agreement, stating that:

(i) The representations and warranties of the Pizza Hut Cooperative and Unified contained in Section 8 hereof are correct on and as of the date of this Loan Agreement as though made on and as of such date; and

(ii) No Pizza Hut Event of Default referred to in Section 11 hereof has occurred and is continuing, or would result from the consummation of the transactions contemplated in this Loan Agreement, and no event has occurred

and is continuing

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which would constitute a Pizza Hut Event of Default but for the requirement that notice be given or time elapse or both.

(l) Satisfaction of Other Conditions Precedent. The conditions precedent set forth in Sections 5 and 7 of this Loan Agreement shall have been satisfied to the Bank's satisfaction.

(m) Transaction Documents. The Transaction Documents shall have been fully executed and delivered by all parties thereto and all of the transactions required to be consummated thereunder as of the date of this Loan Agreement shall have been consummated or shall be consummated contemporaneously with the initial advances under the KFC Line of Credit, the Pizza Hut Line of Credit and the Taco Bell Line of Credit.

(n) Net Worth. Each Borrower and Unified shall have or, in the case of Unified will have, contemporaneously with the initial advances under the KFC Line of Credit, the Pizza Hut Line of Credit and the Taco Bell Line of Credit, met the initial minimum Net Worth required under Section 10 hereof.

6.2 Conditions Precedent to Advances Under the Pizza Hut Line of Credit. The obligation of the Bank to make each advance under the Pizza Hut Line of Credit is expressly subject to the satisfaction of the following conditions precedent:

(a) No Existing Pizza Hut Default or Pizza Hut Event of Default. No Pizza Hut Default or Pizza Hut Event of Default shall have occurred and be continuing.

(b) Continuation of Representations and Warranties. The representations and warranties set forth in Section 8 with respect to the Pizza Hut Cooperative and Unified shall be true and correct as of the date of the making of any such advance under the Pizza Hut Line of Credit.

SECTION 7. CONDITIONS PRECEDENT TO TACO BELL LINE OF CREDIT.

7.1 Conditions Precedent to Taco Bell Line of Credit. The obligation of the Bank to establish the Taco Bell Line of Credit in favor of the Taco Bell Cooperative is expressly subject to the delivery of the following documents to the Bank, in each case dated the date of this Loan Agreement or such other date as

shall be satisfactory to the Bank and in form and substance satisfactory to the Bank:

(a) Corporate Documents.

(i) Copies of the Certificate of Incorporation and the Bylaws of the Taco Bell Cooperative, a Certificate of Existence duly issued on behalf of the Taco Bell Cooperative by each of the Secretary of State of Delaware and the Secretary of State of Kentucky, and resolutions of the Board of Directors of the Taco Bell Cooperative authorizing the execution, delivery and performance of this Loan Agreement and the other Loan Documents to which the Taco Bell Cooperative is a party by the Taco Bell Cooperative and an incumbency certificate with respect to the Taco Bell Cooperative, all certified by the Secretary or an Assistant Secretary of the Taco Bell Cooperative and further certifying the names and true signatures of the officers of the Taco Bell Cooperative authorized to sign this Loan Agreement and the other Loan Documents to be delivered by the Taco Bell Cooperative hereunder.

(ii) Copies of the Articles of Organization and the Operating Agreement of Unified, a Certificate of Existence duly issued on behalf of Unified by the Secretary of State of Kentucky, and resolutions of the Board of Directors of Unified authorizing the execution, delivery and performance of this Loan Agreement and the other Loan Documents to which Unified is a party by Unified and an incumbency certificate with respect to Unified, all certified by the Secretary or an Assistant Secretary of Unified and further certifying the names and true signatures of the officers of Unified authorized to sign this Loan Agreement and the other Loan Documents to which Unified is a party.

(b) Loan Agreement. This Loan Agreement, duly executed and delivered by the KFC Cooperative, the Pizza Hut Cooperative, the Taco Bell Cooperative and Unified.

(c) Taco Bell Promissory Note. The Taco Bell Promissory Note, duly executed and delivered by the Taco Bell Cooperative.

(d) Taco Bell Pledge Agreement. The Taco Bell Pledge Agreement and accompanying UCC-1 Financing Statements, in each case duly executed and delivered by the Taco Bell Cooperative.

(e) Unified Taco Bell Security Agreement. The Unified Taco Bell

Security Agreement and accompanying UCC-1 Financing Statements, in each case duly executed and delivered by Unified.

(f) Legal Opinion. An opinion of Brown, Todd & Heyburn PLLC, counsel to the Taco Bell Cooperative and Unified, in substantially the form attached hereto and made a part hereof as Exhibit G.

(g) UCC-3 Termination Statements. All Uniform Commercial Code Termination Statements necessary to release of record all liens and security interests encumbering the Taco Bell Collateral.

(h) Certificate of Insurance. A Certificate of Insurance, confirming that the Taco Bell Cooperative and Unified have obtained all of the insurance required under this Loan Agreement and the other Loan Documents.

(i) UCC Search Reports. UCC-11 Search Reports with respect to the Taco Bell Cooperative and Unified from the Clerk of Jefferson County, the Secretary of State of Kentucky and each other appropriate public office.

(j) Other Documents. Such other documents, instruments, approvals (and, if requested by the Bank, certified duplicates of executed copies thereof) or opinions as the Bank may reasonably request.

(k) Certificates of the Taco Bell Cooperative. Certificates signed by a duly authorized officer of the Taco Bell Cooperative, dated the date of this Loan Agreement, stating that:

(i) The representations and warranties of the Taco Bell Cooperative and Unified contained in Section 8 hereof are correct on and as of the date of this Loan Agreement as though made on and as of such date; and

(ii) No Taco Bell Event of Default referred to in Section 11 hereof has occurred and is continuing, or would result from the consummation of the transactions contemplated in this Loan Agreement, and no event has occurred and is continuing which would constitute a Taco Bell Event of Default but for the requirement that notice be given or time elapse or both.

(l) Satisfaction of Other Conditions Precedent. The conditions precedent set forth in Sections 5 and 6 of this Loan Agreement shall have been satisfied to the Bank's satisfaction.

(m) Transaction Documents. The Transaction Documents shall have been fully executed and delivered by all parties thereto and all of the transactions required to be consummated thereunder as of the date of this Loan Agreement shall have been consummated or shall be consummated contemporaneously

with the initial advances under the KFC Line of Credit, the Pizza Hut Line of Credit and the Taco Bell Line of Credit.

(n) Net Worth. Each Borrower and Unified shall have or, in the case of Unified will have, contemporaneously with the initial advances under the KFC Line of Credit, the Pizza Hut Line of Credit and the Taco Bell Line of Credit, met the initial minimum Net Worth required under Section 10 hereof.

7.2 Conditions Precedent to Advances Under the Taco Bell Line of Credit. The obligation of the Bank to make each advance under the Taco Bell Line of Credit is expressly subject to the satisfaction of the following conditions precedent:

(a) No Existing Taco Bell Default or Taco Bell Event of Default. No Taco Bell Default or Taco Bell Event of Default shall have occurred and be continuing.

(b) Continuation of Representations and Warranties. The representations and warranties set forth in Section 8 with respect to the Taco Bell Cooperative and Unified shall be true and correct as of the date of the making of any such advance under the Taco Bell Line of Credit.

SECTION 8. REPRESENTATIONS AND WARRANTIES.

In order to induce the Bank to execute and deliver this Loan Agreement and the other Loan Documents to which it is a

party and to establish each of the KFC Line of Credit, the Pizza Hut Line of Credit and the Taco Bell Line of Credit, each Borrower, as to itself only, and Unified, as to itself and each Borrower, hereby represents and warrants to the Bank as follows:

8.1 Corporate Existence.

(a) Each Borrower is a corporation duly organized and validly existing and in good standing under the laws of the State of Delaware and is duly qualified to transact business as a foreign corporation under the laws of the Commonwealth of Kentucky and each other state in which it is required by law to qualify to transact business.

(b) Unified is a limited liability company duly organized and validly existing and in good standing under the laws of the Commonwealth of Kentucky and is duly qualified to transact business as a foreign limited

liability company under the laws of each state in which it is required by law to qualify to transact business.

8.2 Requisite Power and Authority. Each Borrower and Unified has the requisite power and authority to execute, deliver and perform its obligations under this Loan Agreement and each other Loan Document to which it is a party.

8.3 No Violation. The execution, delivery and performance of this Loan Agreement and the other Loan Documents to which each Borrower and Unified is a party will not violate any provision of law or the formation documents of any Borrower or Unified or, except as otherwise described in writing to the Bank, any agreement, document or instrument to which any Borrower or Unified is a party or which is binding on it or its property, and will not result in the creation or imposition of any lien, charge or any encumbrance on, or security interest in, any of its property pursuant to the provisions of any such agreement, document or instrument.

8.4 No Material Litigation. Except as described on Exhibit I attached hereto and made a part hereof, there is no litigation and no administrative investigation proceeding of or before any governmental body (including the Internal Revenue Service) presently pending against any Borrower or Unified or its property, the result of which could have a material adverse

effect on such Borrower or Unified or its financial condition, results of operations or property, nor, to the knowledge of any Borrower or Unified, is any such litigation or proceeding presently threatened against it or its property.

8.5 No Default. No default hereunder has occurred and is continuing and none of the Borrowers or Unified is in default under any agreement to which it is a party and which default might, in the opinion of such Borrower or Unified, have a material adverse affect on its financial condition, results of operations or property.

8.6 Financial Condition. The financial statements of the KFC Cooperative previously delivered to the Bank present fairly the financial condition of the KFC Cooperative as of the dates thereof and the results of its operations for the periods covered thereby.

8.7 Tax Returns and Tax Payments. Each Borrower and Unified has filed all tax returns required by law to be filed by it and has paid all taxes, assessments and other governmental charges levied upon its properties, assets, income and franchises, other than those not yet delinquent and those being or about to be contested by such Borrower or Unified and in respect of which such Borrower or Unified has established appropriate accruals and/or reserves on its

books and records in accordance with GAAP. The charges, accruals and reserves on the books of each Borrower and Unified in respect of its taxes are adequate in the opinion of such Borrower and Unified. None of the Borrowers or Unified knows of any unpaid assessment for additional taxes applicable to it.

8.8 Title to Properties; Liens. Each Borrower and Unified has good and marketable title to all of its properties and assets, and none of such properties or assets is or will be, as of the date of this Loan Agreement, subject to any lien, encumbrance or security interest except for liens for taxes not yet due and owing, the liens and security interests created under the Loan Documents and other permitted liens and encumbrances.

8.9 Leases. Each Borrower and Unified enjoys quiet possession under each lease to which it is a party as lessee, and all of such leases are to the best knowledge of each

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Borrower and Unified, after due inquiry, validly existing and in full force and effect, and, to the best knowledge of such Borrower and Unified, after due inquiry, neither the lessor nor such Borrower or Unified as lessee is in default under any of such leases. None of such leases contains any provision restricting the incurrence of indebtedness by the lessee or any unusual or burdensome provision materially adversely affecting the current and proposed operations of such Borrower or Unified.

8.10 Full Disclosure. The financial statements referred to in Section 8.6 above do not and will not, nor does this Loan Agreement or any other Loan Document or other written statement furnished by any Borrower or Unified to the Bank in connection with the negotiation of this Loan Agreement and the other Loan Documents, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading. None of the Borrowers or Unified has failed to disclose to the Bank any material fact known to such Borrower or Unified that could materially adversely affect or, so far as such Borrower or Unified can reasonably foresee, will materially adversely affect its financial condition, results of operations, property, activities or prospect of future success.

8.11 Execution and Delivery. This Loan Agreement and the other Loan Documents to which each Borrower or Unified is a party have been duly executed and delivered by such Borrower and Unified and constitute the legal, valid and binding obligations of such Borrower and Unified, enforceable in accordance with their respective terms.

8.12 No Material Liabilities. None of the Borrowers or Unified has any material liabilities, direct or contingent, other than as disclosed on its financial statements or otherwise to the Bank, nor has any Borrower or Unified guaranteed, or otherwise become responsible for, the material obligations of any

person or entity, other than as set forth in the financial statements referred to in Section 8.6 hereof.

8.13 Agreements Requiring Subordination. There is no agreement, indenture, contract or instrument to which any Borrower or Unified is a party, or by which any Borrower or Unified may be bound, that requires a subordination of right of

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payment to the Bank of any of the Secured Obligations to any other obligation of any Borrower or Unified.

8.14 Permits and Licenses to Conduct Business. Each Borrower and Unified possesses, and will hereafter possess, to the best of its knowledge, all permits, memberships, franchises, contracts, licenses, trademark rights, tradenames, tradename rights and fictitious name rights necessary to enable it to conduct the business in which it is now engaged or proposes to engage without conflict with the rights of others.

8.15 ERISA. Each employee benefit plan or other plan maintained by each Borrower and Unified for its employees that is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), has been maintained and funded in all material respects in accordance with its terms and with all provisions of ERISA applicable thereto.

8.16 Environmental Conditions. To the best knowledge of each Borrower and Unified, there are no present Environmental Conditions, as hereinafter defined, in any way relating to the business of such Borrower or Unified, and there have been no past Environmental Conditions which at present materially affect, or may in the future materially affect, such Borrower or Unified. For purposes of this Loan Agreement, Environmental Conditions means (a) the introduction into the environmental of any pollution, including without limitation any contaminant, irritant or pollutant or other toxic or hazardous substance (whether or not such pollution constituted at the time thereof a violation of any statute, law, ordinance or regulation), as a result of any spill, discharge, leak, emission, escape, injection, dumping or release of any kind whatsoever of any substance or exposure of any type in any work places or to any medium, including without limitation air, land, surface waters or ground waters, or from any generation, transportation, treatment, discharge, storage or disposal of waste materials, raw materials, hazardous materials, toxic materials or products of any kind or from the storage, use or handling of any hazardous or toxic materials or other substances, as a result of which any Borrower or Unified or any of the assets of any Borrower or Unified may suffer or be subjected to any lien, or (b) any noncompliance with or violation of any environmental law, whether federal, state or local, as a result of or in

connection with any of the foregoing.

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SECTION 9. AFFIRMATIVE COVENANTS.

Each Borrower and Unified hereby as to itself only covenants and agrees in favor of the Bank as to the following matters as they pertain to such Borrower or Unified, which covenants shall remain in effect (a) with respect to each Borrower so long as the Line of Credit established by the Bank in favor of such Borrower remains in effect, and (b) with respect to Unified, so long as any Line of Credit established by the Bank in favor of a Borrower remains in effect:

9.1 Financial Statements. Each Borrower and Unified shall furnish to the Bank (a) within forty-five (45) days after the end of each fiscal quarter, an unaudited balance sheet and unaudited statements of profit and loss and cash flows of such Borrower and Unified, for the period from the commencement of the current fiscal year of the Borrower or Unified to the date of such unaudited financial statements, setting forth in comparative form the corresponding figures for the corresponding period of the preceding fiscal year of such Borrower or Unified, all in reasonable detail, prepared in accordance with GAAP, and certified to be true, accurate and complete by the President or Chief Financial Officer of such Borrower or Unified, (b) together with the unaudited financial statements required to be delivered by each Borrower and Unified pursuant to subpart (a) above, a compliance certificate in the form attached hereto and made a part hereof as Exhibit H for such Borrower or Unified, demonstrating compliance by such Borrower or Unified with the financial covenants set forth in this Loan Agreement with respect to such Borrower or Unified as of and for the period ended on the date of such unaudited financial statements, (c) within seventy-five (75) days after the end of each fiscal year of the Borrower and Unified, an audited balance sheet and audited statements of profit and loss and cash flows of such Borrower and Unified for such fiscal year, setting forth in comparative form the corresponding figures for the preceding fiscal year of such Borrower and Unified, all in reasonable detail, prepared in accordance with GAAP and certified by independent public accountants of recognized standing selected by such Borrower and Unified, (d) such other financial information with respect to any Borrower or Unified as the Bank may, from time to time, reasonably request, and (e) within seventy-five (75) days after the end of each fiscal year of each

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Borrower and Unified, a certificate of the President or Chief Financial Officer of such Borrower or Unified stating (i) that a review of the activities of such

Borrower or Unified during such fiscal year has been made under his or her supervision with a view to determining whether such Borrower or Unified has kept, observed and fulfilled all of its obligations under this Loan Agreement, and (ii) that, to the best of his or her knowledge, such Borrower or Unified during such fiscal year has kept, observed, performed and fulfilled each and every material covenant and condition set forth in this Loan Agreement and is not then in material default under this Loan Agreement, or, if it shall be in material default, specifying all such defaults and the nature and status thereof. In addition, each Borrower and Unified shall submit to the Bank cash flow, profit and loss and balance sheet projections, all prepared in accordance with GAAP, thirty (30) days prior to the beginning of each succeeding fiscal year of such Borrower and Unified.

9.2 Payment of Obligations. Each Borrower and Unified shall pay and discharge, when due, all of its Indebtedness and other liabilities, except where the same may be contested in good faith and where adequate accruals and reserves have been established on the books and records of the particular Borrower or Unified in accordance with GAAP. Each Borrower and Unified shall also maintain, in accordance with GAAP, appropriate reserves for the accrual of taxes.

9.3 Maintenance of Properties. Each Borrower and Unified shall maintain all of its tangible property in good working order and condition, reasonable wear and tear excepted.

9.4 Notices. Each Borrower and Unified shall promptly give notice in writing to the Bank of (a) all litigation which may exist between it and any other entity including any regulatory body, the result of which might, in the opinion of such Borrower or Unified, have a material adverse effect upon its financial condition, results of operations or property, (b) any proposal by any public or governmental agency or authority to acquire the assets or business of such Borrower or Unified, (c) notice of any Default or Event of Default applicable to such Borrower or Unified, and (d) notice of the occurrence of any Environmental Condition applicable to such Borrower or Unified.

9.5 Conduct of Business and Maintenance of Existence. Each Borrower and Unified shall conduct its business in compliance with all applicable laws, rules and regulations and shall take all actions that may be necessary to preserve, renew and keep in full force and effect its corporate existence, assets, rights and franchises necessary to continue such business.

9.6 Depository Relationship. Each Borrower shall maintain its primary operating accounts with the Bank. In addition, Unified shall establish a demand deposit account with the Bank and shall maintain a minimum of Two Hundred Thousand Dollars (\$200,000.00) in collected balances in such account at all times. Unified hereby agrees to pay to the Bank, in respect of each calendar

quarter during the term of this Loan Agreement, a deficiency fee (the "Unified Deficiency Fee") in an amount equal to the product of (a) the Prime Rate plus two percent (2%) per annum as of the last day of such calendar quarter, and (b) the positive difference, if any, between (i) Two Hundred Thousand Dollars (\$200,000.00), less (ii) the sum of the average daily collected balances maintained in such demand deposit account during such calendar quarter. The Unified Deficiency Fee shall be due and payable to the Bank quarterly in arrears within ten (10) days after Unified has received an invoice for the Unified Deficiency Fee from the Bank. Any Unified Deficiency Fee not paid to the Bank when due shall bear interest at the Default Rate, and the Unified Deficiency Fee, together with all accrued interest thereon, shall continue to be immediately due and payable to the Bank. The balances maintained in such demand deposit account shall be eligible to receive earnings credits to be applied to any service fees charged to such account.

9.7 Further Banking Services. Each Borrower and Unified shall offer to the Bank the first opportunity to provide any and all other banking and financial services, such as administration of employee benefit plans, cash management services, trust services, and payroll services, that such Borrower or Unified desires to obtain.

9.8 Further Assurances. Each Borrower and Unified shall from time to time hereafter execute and deliver, or will cause to be executed and delivered, such additional agreements, documents and instruments, will pay all filing fees and taxes in connection therewith, and will take all such further actions as

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the Bank may reasonably request for the purposes of implementing or effectuating the provisions of this Loan Agreement and the other Loan Documents, or in order to more fully perfect or renew the liens and security interests granted in favor of the Bank pursuant to the Loan Documents.

9.9 Review by Bank. The Bank shall have the right from time to time, at its expense so long as no Default or Event of Default has occurred and is continuing, to audit the accounts, records and reporting procedures of any Borrower or Unified as determined by the Bank in its reasonable discretion. If any Default or Event of Default with respect to a particular Borrower or Unified has occurred and is continuing, any such audit conducted by the Bank shall be at the expense of the particular Borrower or Unified.

9.10 Insurance.

(a) Each Borrower and Unified shall at all times maintain insurance covering such risks as are customarily carried by business entities engaged in the same business as such Borrower or Unified, including, without limitation, the following insurance:

(i) Workers' compensation insurance in conformity with the laws of the Commonwealth of Kentucky;

(ii) Comprehensive general public liability insurance with respect to all activities in which such Borrower or Unified might incur liability for the death or injury of any employee or other person or entity or for damage to or destruction of the property of another person or entity, in a combined single limit of an amount not less than One Million Dollars (\$1,000,000.00) per occurrence for death or personal injury and One Hundred Thousand Dollars (\$100,000.00) for property damage, and with a deductible not in excess of Ten Thousand Dollars (\$10,000.00) per occurrence;

(iii) Casualty insurance on all tangible property owned by such Borrower or Unified insuring against loss or damage by fire and such other risks as are included in coverage of the type known as "all risk coverage", in an amount not less than the actual cash value of such tangible property, excepting only a deductible not exceeding Ten Thousand Dollars

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(\$10,000.00) with respect to each event of loss or damage, and with an eighty percent (80%) co-insurance clause.

All of the insurance policies referred to in this Section 9.10 shall be issued by insurers rated "B" or better by Best's or which meets equivalent rating criteria, shall be in the above amounts or such other amounts as shall be reasonably satisfactory to the Bank, and shall be in form reasonably satisfactory to the Bank. Each Borrower and Unified shall forthwith deliver to the Bank a standard certificate of insurance evidencing the insurance policies described in this Section 9.10.

(b) The Bank shall be named as a lender loss payee under all casualty insurance policies covering the tangible Collateral owned by each Borrower and/or Unified as the Bank's interests may appear pursuant to a standard mortgagee clause and with full waiver of subrogation rights against any insureds or loss-payees. Each Borrower and Unified hereby collaterally assigns to the Bank all rights to receive the proceeds of the casualty insurance policies covering the tangible Collateral owned by such Borrower or Unified up to an amount equal to the principal amount of the Line of Credit established by the Bank in favor of the particular Borrower at the time of any loss, damage or destruction to the tangible Collateral or any part thereof, and each Borrower and Unified shall promptly (i) compromise, settle and/or receipt for any and all claims under such insurance policies, and (ii) obtain such proceeds and, together with the Bank, endorse and negotiate any check and/or draft for such proceeds. All such insurance proceeds shall be applied to the replacement or repair of the damaged Collateral pursuant to procedures completely satisfactory to the Bank, unless an Event of Default with respect to the particular Borrower

has occurred and is continuing, in which event such proceeds, at the sole option of the Bank, shall be applied to the replacement or repair of the damaged Collateral pursuant to procedures completely satisfactory to the Bank and/or shall be applied to the payment of the Secured Obligations owed by the particular Borrower to the Bank in such order as the Bank may select in its sole and absolute discretion.

(c) In case of the pending expiration, termination or cancellation of any policy of insurance required under this Section 9.10, a renewal or replacement thereof with receipt for

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the accompanying premium shall be delivered to the Bank not less than fifteen (15) days before the date of such expiration. In the event of loss to any tangible Collateral owned by any Borrower or Unified or any part thereof, such Borrower or Unified shall give immediate written notice thereof to the Bank. If any Borrower or Unified shall fail to obtain any of the insurance required under this Section 9.10 and/or shall fail to pay any premiums for any of the insurance required under this Section 9.10, or shall fail to pay for any necessary repairs to or replacements of the tangible Collateral owned by such Borrower or Unified, the Bank shall have the right, at its option and upon five (5) days prior written notice to such Borrower or Unified (unless, within such five day period, any of the insurance required under this Section 9.10 shall lapse, in which event the foregoing written notice shall not be required), but not the obligation, to pay the same, and all sums paid by the Bank shall become a Secured Obligation owed by the particular Borrower to the Bank.

(d) Each of the insurance policies required hereunder shall contain an endorsement that such policy may not be cancelled, terminated or modified except upon not less than thirty (30) days' prior written notice to the Bank.

9.11 Notice of Claims; Proceedings, Litigation or Disputes. Each Borrower and Unified shall furnish to the Bank prompt written notice of any material claims, proceedings, litigation or disputes (whether or not reported on behalf of such Borrower or Unified) against, or to the knowledge of such Borrower or Unified, threatened or affecting such Borrower or Unified which, if determined adversely to such Borrower or Unified, would have a material adverse effect on the financial condition, results of operations or property of such Borrower or Unified. Without in any way limiting the foregoing, claims, proceedings, litigation or disputes involving monetary amounts in excess of One Hundred Thousand Dollars (\$100,000.00) not fully covered by insurance shall be deemed to be material.

9.12 Payment of Debts. Each Borrower and Unified shall pay in full all of its debts, obligations and liabilities on or prior to their respective due dates, unless the same are being contested in good faith by such Borrower or

Unified, such Borrower or Unified has established adequate reserves for the payment of the same and the contesting thereof does not involve

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the risk of forfeiture or loss of any of the assets of such Borrower or Unified. Each Borrower and Unified shall file all federal, state and local tax returns and other reports which such Borrower or Unified is required by law to file, and such Borrower and Unified shall promptly pay, when due, all taxes and other similar charges other than tax assessments or similar charges being contested in good faith by such Borrower or Unified and for which adequate reserves have been established on the books of such Borrower or Unified.

9.13 Corporate Existence. Each Borrower and Unified shall maintain its corporate existence and its qualification and good standing to transact business in all states in which such qualification and good standing are hereafter necessary in order for such Borrower or Unified to conduct its business and own its properties as conducted in such states.

SECTION 10. NEGATIVE COVENANTS.

Each Borrower and Unified hereby as to itself only covenants and agrees in favor of the Bank as to the following matters as they pertain to such Borrower or Unified, which covenants shall remain in effect (a) with respect to each Borrower so long as the Line of Credit established by the Bank in favor of such Borrower remains in effect, and (b) with respect to Unified, so long as any Line of Credit established by the Bank in favor of a Borrower remains in effect:

10.1 Limitation on Liens. None of the Borrowers or Unified shall create, assume or suffer to exist any mortgage, pledge, encumbrance, assignment or other lien on, or security interest in, any of its property or assets, whether now owned or hereafter acquired by it, except (a) the liens and security interests created in favor of the Bank pursuant to the Loan Documents, (b) purchase money security interests and capital leases subject to the compliance with the other covenants and agreements set forth in this Loan Agreement and provided that each such purchase money security interest encumbers only the assets financed by such purchase money security interest and secures solely the unpaid purchase price of the assets financed by such purchase money security interest, (c) liens for ad valorem taxes not yet due and payable, and (d) liens for taxes and liens of mechanics, materialmen and other like liens arising

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by operation of law which are not yet overdue, provided that the Bank's failure to protest any lien is not an approval of such lien nor a waiver of the Bank's

rights as to such lien or any future lien.

10.2 Limitation on Contingent Liabilities. None of the Borrowers or Unified shall agree to purchase or remain liable in connection with the indebtedness for borrowed money of any other person or entity except endorsements of negotiable instruments for collection in the ordinary course of business other than, with respect to the KFC Cooperative, the existing guarantee issued by the KFC Cooperative to the National Cooperative Bank in an aggregate amount not to exceed at any one time One Million Dollars (\$1,000,000.00).

10.3 Limitation on Mergers. None of the Borrowers or Unified shall be or become a party to any consolidation, reorganization (including without limitation the types referred to in Section 368 of the Internal Revenue Code), merger, share exchange or recapitalization without prior written consent of the Bank.

10.4 Limitation on Disposition of Assets. None of the Borrowers or Unified shall liquidate, sell, lease or otherwise dispose of its assets outside of the ordinary course of business other than the disposition of obsolete tangible assets no longer useful in the business of such Borrower or Unified.

10.5 Limitation on Loans. None of the Borrowers or Unified shall make loans to or investments in any person or entity, except (a) as to each Borrower, the loans required to be made by such Borrower to Unified pursuant to the Unified Operating Agreement, (b) for investments of the cash of each Borrower and Unified in investment-grade obligations, (c) except as to the KFC Cooperative, the line of credit in the principal amount of One Hundred Thousand Dollars (\$100,000.00) established by the KFC Cooperative in favor of Kenco Insurance Agency, Inc., and (d) except as to the KFC Cooperative, the intercompany loans in an aggregate amount of up to One Million Five Hundred Thousand Dollars (\$1,500,000.00) made by the KFC Cooperative to FoodService International, Inc., a wholly-owned subsidiary of the KFC Cooperative.

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10.6 Environmental. None of the Borrowers or Unified shall cause or permit others to cause the handling, storing, transporting or disposing of hazardous or toxic substances in violation of applicable federal, state and local laws and regulations.

10.7 Acquisitions. None of the Borrowers or Unified shall acquire all or substantially all of the assets, securities or other equity interests of any person or entity without the prior written consent of the Bank.

10.8 Dividends and Distributions. None of the Borrowers shall pay any dividends or distributions to its shareholders or redeem, purchase or acquire any of its stock if a Default or an Event of Default applicable to such Borrower

has occurred and is continuing or will result from the payment of such dividends or distributions or the redemption, acquisition or purchase of such stock.

10.9 Maximum Leverage Ratio of the KFC Cooperative. The KFC Cooperative shall not permit the ratio of its Total Liabilities to its Net Worth to be greater than 1.5 to 1.0 at any fiscal quarter end of the KFC Cooperative.

10.10 Minimum Net Worth of the KFC Cooperative. The KFC Cooperative shall not permit, as of the date of this Loan Agreement or at any fiscal quarter end, its Net Worth to be less than the greater of (a) the aggregate contributions made to the capital of the KFC Cooperative by its stockholders, or (b) Seventeen Million Dollars (\$17,000,000.00).

10.11 Minimum Ratio of EBITDAP to Interest Expense of the KFC Cooperative. The KFC Cooperative shall not permit at any fiscal quarter end of the KFC Cooperative beginning with the fiscal quarter ending on September 30, 1999, the ratio of its EBITDAP for such fiscal quarter to its Interest Expense for such fiscal quarter to be less than 1.5 to 1.0.

10.12 Minimum Net Income of the KFC Cooperative. The KFC Cooperative shall not permit its Net Income, for any fiscal quarter, to be zero or less.

10.13 Maximum Leverage Ratio of the Pizza Hut Cooperative. The Pizza Hut Cooperative shall not permit the ratio of its

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Total Liabilities to its Net Worth to be greater than 2.0 to 1.0 at any fiscal quarter end of the Pizza Hut Cooperative.

10.14 Minimum Net Worth of the Pizza Hut Cooperative. The Pizza Hut Cooperative shall not permit its Net Worth to be less than the greater of (a) the aggregate contributions made to the capital of the Pizza Hut Cooperative by its stockholders, as of the date of this Loan Agreement or at any fiscal quarter end of the Pizza Hut Cooperative, or (b) (i) One Million Three Hundred Thousand Dollars (\$1,300,000.00) at the closing and on March 31, 1999 and June 30, 1999, and (ii) Two Million Dollars (\$2,000,000.00) at any subsequent fiscal quarter end of the Pizza Hut Cooperative.

10.15 Minimum Ratio of EBITDAP to Interest Expense of the Pizza Hut Cooperative. The Pizza Hut Cooperative shall not permit at any fiscal quarter end of the Pizza Hut Cooperative beginning with the fiscal quarter ending on September 30, 1999, the ratio of its EBITDAP for such fiscal quarter to its Interest Expense for such fiscal quarter to be less than 1.5 to 1.0.

10.16 Minimum Net Income of the Pizza Hut Cooperative. The Pizza Hut Cooperative shall not permit its Net Income, for any fiscal quarter, to be zero or less.

10.17 Maximum Leverage Ratio of the Taco Bell Cooperative. The Taco Bell Cooperative shall not permit the ratio of its Total Liabilities to its Net Worth to be greater than 6.4 to 1.0 at any fiscal quarter end of the Taco Bell Cooperative.

10.18 Minimum Net Worth of the Taco Bell Cooperative. The Taco Bell Cooperative shall not permit its Net Worth to be less than the greater of (a) the aggregate contributions made to the capital of the Taco Bell Cooperative by its stockholders as of the date of this Loan Agreement or at any fiscal quarter end of the Taco Bell Cooperative, or (b) (i) One Million Two Hundred Fifty Thousand Dollars (\$1,250,000.00) at March 31, 1999 and June 30, 1999, and (ii) One Million Nine Hundred Thousand Dollars (\$1,900,000.00) at any subsequent fiscal quarter end of the Taco Bell Cooperative.

10.19 Minimum Ratio of EBITDAP to Interest Expense of the Taco Bell Cooperative. The Taco Bell Cooperative shall not permit at any fiscal quarter end of the Taco Bell Cooperative beginning with the fiscal quarter ending on September 30, 1999,

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the ratio of its EBITDAP for such fiscal quarter to its Interest Expense for such fiscal quarter to be less than 1.5 to 1.0.

10.20 Minimum Net Income of the Taco Bell Cooperative. The Taco Bell Cooperative shall not permit its Net Income, for any fiscal quarter, to be zero or less.

10.21 Minimum Current Ratio of Unified. Unified shall not permit the ratio of its current assets to its current liabilities, in each case as determined in accordance with GAAP, to be less than 1.0 to 1.0 at any fiscal quarter end of Unified.

10.22 Minimum Net Worth of Unified. Unified shall not permit its Net Worth to be less than the greater of (a) the aggregate contributions made to the capital of Unified by its members as of the date of this Loan Agreement or at any fiscal quarter end of Unified, or (b) (i) Two Million Five Hundred Thousand Dollars (\$2,500,000.00) at March 31, 1999 and June 30, 1999, and (ii) Six Million Dollars (\$6,000,000.00) at any subsequent fiscal quarter end of Unified.

10.23 Minimum Ratio of EBITDAP to Interest Expense of Unified. Unified shall not permit at any fiscal quarter end of Unified beginning with the fiscal

quarter ending on September 30, 1999, the ratio of its EBITDAP for such fiscal quarter to its Interest Expense for such fiscal quarter to be less than 1.5 to 1.0.

10.24 Minimum Net Income of Unified. Unified shall not permit its Net Income, for any fiscal quarter, to be zero or less.

10.25 Amendments of Transaction Documents. None of the Borrowers or Unified will amend, modify or supplement any Transaction Document without the prior written consent of the Bank if such amendment, modification or supplement could have a materially adverse effect on the particular Borrower or Unified and/or on the ability of the particular Borrower or Unified to perform its obligations under this Loan Agreement or the other Loan Documents to which it is a party.

SECTION 11. EVENTS OF DEFAULT.

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The following events with respect to any Borrower or Unified shall constitute Events of Default under this Loan Agreement as to such Borrower or Unified only:

11.1 Default in Payment of Secured Obligations. If the particular Borrower shall fail to pay any principal of and/or accrued interest on its Promissory Note or any other Secured Obligation owed by such Borrower to the Bank when due or within ten (10) days thereafter.

11.2 Default in Payment of Other Debt For Borrowed Money. If the particular Borrower or Unified shall default in the payment of the principal of or interest on any Debt for Money Borrowed (other than the Secured Obligations) when the same shall become due and payable by the lapse of time, by declaration, by call for redemption or otherwise, and such default shall continue beyond any period of grace or notice, if any, allowed with respect thereto.

11.3 Breach of Specific Covenants. If the particular Borrower or Unified shall fail to observe or perform any covenant or agreement contained in Section 10 hereof, other than the covenants and agreements set forth in Section 10.1, 10.2, 10.4, 10.5 and 10.6, to be performed or observed by such Borrower or Unified.

11.4 Default of Other Covenants. If the particular Borrower or Unified shall fail to observe or perform any other covenant or agreement contained in this Loan Agreement to be performed or observed by such Borrower or Unified and which is not remedied within thirty (30) days after the date on which notice of such default is first given to the particular Borrower or Unified by the Bank.

11.5 Breach of Representations or Warranties. If any representation or warranty made by the particular Borrower or Unified herein, in any of the other Loan Documents to which it is a party or in any statement or certificate furnished by it to the Bank in connection with or pursuant to this Loan Agreement is untrue in any material respect as of the date of the issuance or making (or deemed issuance or making) thereof.

11.6 Other Events of Default. The occurrence of any event of default under and as defined in the other Loan Documents to

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which the particular Borrower or Unified is a party and which is not effectively cured or waived.

11.7 Cessation to be a Member of Unified. If the particular Borrower shall cease to be a member of Unified.

11.8 Termination of Purchasing Program Management Agreement. If the Purchasing Program Management Agreement entered into between the particular Borrower and Unified shall be terminated and not replaced by an agreement containing substantially similar terms and conditions as set forth in such Purchasing Program Management Agreement.

11.9 Judgments. If a final judgment or judgments for the payment of money aggregating in excess of One Hundred Thousand Dollars (\$100,000.00) is or are outstanding against the particular Borrower or Unified or against any property or assets of the particular Borrower or Unified and any one of such judgments has remained unpaid, unvacated, unbonded or unstayed by appeal or otherwise for a period of thirty (30) days from the date of its entry.

11.10 Termination of Liens and Security Interests. If, for any reason (other than the Bank's affirmative election to release or terminate the liens and security interests created by the Loan Documents) any of the Loan Documents to which the particular Borrower or Unified is a party shall cease (i) to create valid and perfected first priority liens and security interests on the property encumbered thereby in favor of the Bank, or (ii) to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by the particular Borrower or Unified.

11.11 Insolvency. If a custodian, receiver, liquidator or trustee of the particular Borrower or Unified, or of any of the property of the particular Borrower or Unified, is appointed or takes possession of the particular Borrower or Unified and its assets and such appointment or possession remains uncontested or in effect for more than sixty (60) days; or the particular Borrower or Unified generally fails to pay its debts as they become due or admits in writing

its inability to pay its debts as they mature; or the particular Borrower or Unified is adjudicated bankrupt or insolvent; or any of the material property of the particular Borrower or Unified is sequestered by

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court order and the order remains in effect for more than sixty (60) days; or a petition is filed against the particular Borrower or Unified under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or subsequently in effect, and is not stayed or dismissed within sixty (60) days after filing; or the particular Borrower or Unified files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or subsequently in effect; or the particular Borrower or Unified consents to the filing of any petition against it under any law; or consents to the appointment of or taking possession by a custodian, receiver, trustee or liquidator of the particular Borrower or Unified or any of the property of the particular Borrower or Unified.

SECTION 12. REMEDIES

12.1 Remedies With Respect to the KFC Cooperative. Upon the occurrence of any KFC Event of Default, the Bank may at its election (a) terminate the KFC Line of Credit, (b) declare the KFC Promissory Note and all other Secured Obligations owed by the KFC Cooperative to the Bank to be forthwith due and payable to the Bank, and the same shall thereupon become immediately due and payable to the Bank without demand, presentment, protest or further notice of any kind, all of which are hereby expressly waived by the KFC Cooperative, and/or (c) proceed to enforce its liens and security interests in the KFC Collateral granted to the Bank pursuant to the KFC Pledge Agreement and the Unified KFC Security Agreement as well as all other remedies available to it under the other Loan Documents and/or under applicable law or in equity in respect of the occurrence of the KFC Event of Default.

12.2 Remedies With Respect to the Pizza Hut Cooperative. Upon the occurrence of any Pizza Hut Event of Default, the Bank may at its election (a) terminate the Pizza Hut Line of Credit, (b) declare the Pizza Hut Promissory Note and all other Secured Obligations owed by the Pizza Hut Cooperative to the Bank to be forthwith due and payable to the Bank, and the same shall thereupon become immediately due and payable to the Bank without demand, presentment, protest or further notice of any kind, all of which are hereby expressly waived by the Pizza Hut Cooperative, and/or (c) proceed to enforce its liens and

security interests in the Pizza Hut Collateral granted to the Bank pursuant to the Pizza Hut Pledge Agreement and the Unified Pizza Hut Security Agreement as well as all other remedies available to it under the other Loan Documents and/or under applicable law or in equity in respect of the occurrence of the Pizza Hut Event of Default.

12.3 Remedies With Respect to the Taco Bell Cooperative. Upon the occurrence of any Taco Bell Event of Default, the Bank may at its election (a) terminate the Taco Bell Line of Credit, (b) declare the Taco Bell Promissory Note and all other Secured Obligations owed by the Taco Bell Cooperative to the Bank to be forthwith due and payable to the Bank, and the same shall thereupon become immediately due and payable to the Bank without demand, presentment, protest or further notice of any kind, all of which are hereby expressly waived by the Taco Bell Cooperative, and/or (c) proceed to enforce its liens and security interests in the Taco Bell Collateral granted to the Bank pursuant to the Taco Bell Pledge Agreement and the Unified Taco Bell Security Agreement as well as all other remedies available to it under the other Loan Documents and/or under applicable law or in equity in respect of the occurrence of the Taco Bell Event of Default.

12.4 No Waiver; Remedies Cumulative. No remedy herein conferred or reserved in favor of the Bank with respect to a particular Borrower or Unified is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative with each and every other remedy given under any other Loan Document or now or hereafter existing at law or in equity or by statute. No delay or omission in the exercise of any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to exercise any remedy reserved to the Bank in this Loan Agreement or any other Loan Document, the Bank shall not be required to give any notice other than such notice as may be herein expressly required. In the event any provision contained in this Loan Agreement or any other Loan Document should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or

modification of this Loan Agreement or any other Loan Document shall be established by conduct, custom or course of dealing, but solely by an instrument

in writing duly executed by the parties thereunto duly authorized by this Loan Agreement or any other Loan Document.

12.5 Offset. Upon any default by a Borrower in the payment of any accrued interest on and/or unpaid principal of its Promissory Note or any other Secured Obligation owed by such Borrower to the Bank, and/or upon the occurrence of any other Event of Default with respect to such Borrower or Unified and during the continuation thereof, the Bank shall have the right then, or at any time thereafter, to set off against, and to appropriate and apply toward the payment of the Promissory Note and/or other Secured Obligations of such Borrower, any and all deposit balances, other sums, indebtedness and other property then held or owed by the Bank to or for the account of such Borrower, and in and on all of which such Borrower hereby grants the Bank a first priority security interest in and lien on to secure the payment of such Borrower's Promissory Note and other Secured Obligations owed to the Bank, all without notice to or demand upon such Borrower or any other person, all such notices and demands being hereby expressly waived.

12.6 No Cross-Collateralization or Cross-Default Among the Borrowers. The Bank expressly acknowledges and agrees that none of the KFC Line of Credit, the Pizza Hut Line of Credit and the Taco Bell Line of Credit is either cross-collateralized or cross-defaulted. In furtherance thereof, (a) the KFC Collateral does not secure either the Pizza Hut Line of Credit or the Taco Bell Line of Credit or any other Secured Obligation owed by the Pizza Hut Cooperative or the Taco Bell Cooperative to the Bank, (b) the Pizza Hut Collateral does not secure either the KFC Line of Credit or the Taco Bell Line of Credit or any other Secured Obligation owed by the KFC Cooperative or the Taco Bell Cooperative to the Bank, (c) the Taco Bell Collateral does not secure either the KFC Line of Credit or the Pizza Hut Line of Credit or any other Secured Obligation owed by the KFC Cooperative or the Pizza Hut Cooperative to the Bank, (d) a KFC Default or a KFC Event of Default does not constitute a Pizza Hut Default or a Pizza Hut Event of Default or a Taco Bell Default or a Taco Bell Event of Default, (e) a Pizza Hut Default or a Pizza Hut Event of Default does not constitute a KFC Default or a KFC Event of Default or a Taco Bell Default or a Taco Bell Event of Default, (f) a Taco Bell Default or a Taco

Bell Event of Default does not constitute a KFC Default or a KFC Event of Default or a Pizza Hut Default or a Pizza Hut Event of Default, (g) no Borrower is liable for the Secured Obligations owed by any other Borrower to the Bank, and (h) Unified is not liable for any Secured Obligations owed by any Borrower to the Bank except and only to the extent the assets of Unified constitute part of the KFC Collateral, the Pizza Hut Collateral and the Taco Bell Collateral and Unified has obligations in respect thereof under the Loan Documents to which Unified is a party.

SECTION 13. MISCELLANEOUS.

13.1 Reimbursement of the Bank. The Borrowers and Unified jointly and severally covenant and agree to reimburse the Bank for all actual out-of-pocket expenses, including without limitation, reasonable attorneys' fees not to exceed Twenty Thousand Dollars (\$20,000.00), incurred by the Bank in connection with the preparation, negotiation and execution and delivery of this Loan Agreement and the other Loan Documents and the closing of the transactions contemplated hereunder. Each Borrower, as to itself only, and Unified solely to the extent of the Loan Documents to which it is a party, further covenants and agrees to reimburse the Bank for all costs and expenses including, without limitation, reasonable attorneys fees, incurred by the Bank in enforcing this Loan Agreement and/or the other Loan Documents against the particular Borrower and/or Unified.

13.2 Notices. All notices, requests, demands and communications pursuant to this Loan Agreement shall be in writing (except as otherwise expressly permitted hereunder) and shall be personally delivered or sent by an express courier service or by certified or registered United States mail, postage prepaid and addressed as follows, or to such other address as may be hereafter designated in writing by any party hereto to the other parties hereto:

If to the KFC Cooperative: KFC National Purchasing
Cooperative, Inc.
Attn: President and Chief
Executive Officer
950 Breckenridge Lane
Louisville, KY 40207

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Copy to: Christian L. Campbell, Esq.
Tricon Global Restaurants, Inc.
Law Department
1441 Gardiner Lane
Louisville, KY 40213

R. James Straus, Esq.
Brown, Todd & Heyburn PLLC
400 W. Market Street
Suite 3200
Louisville, KY 40202

If to the Pizza Hut
Cooperative: Pizza Hut National Purchasing Coop, Inc.
Attn: President and Chief
Executive Officer

950 Breckenridge Lane
Louisville, KY 40207

Copy to: Christian L. Campbell, Esq.
Tricon Global Restaurants, Inc.
Law Department
1441 Gardiner Lane
Louisville, KY 40213

R. James Straus, Esq.
Brown, Todd & Heyburn PLLC
400 W. Market Street
Suite 3200
Louisville, KY 40202

If to the Taco Bell
Cooperative:

Taco Bell National Purchasing Coop, Inc.
Attn: President and Chief
Executive Officer
950 Breckenridge Lane
Louisville, KY 40207

Copy to: Christian L. Campbell, Esq.
Tricon Global Restaurants, Inc.

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Law Department
1441 Gardiner Lane
Louisville, KY 40213

R. James Straus, Esq.
Brown, Todd & Heyburn PLLC
400 W. Market Street
Suite 3200
Louisville, KY 40202

If to Unified: Unified FoodService Purchasing Coop, LLC
Attn: Chief Financial Officer
950 Breckenridge Lane
Louisville, KY 40207

Copy to: Christian L. Campbell, Esq.
Tricon Global Restaurants, Inc.
Law Department
1441 Gardiner Lane
Louisville, KY 40213

R. James Straus, Esq.
Brown, Todd & Heyburn PLLC
400 W. Market Street
Suite 3200
Louisville, KY 40202

If to the Bank: Fifth Third Bank,
Kentucky, Inc.
Attn: Mr. Jeff Gosnell
401 South Fourth Avenue
Louisville, KY 40202

All such notices shall be deemed given when personally delivered or one (1) Business Day after having been delivered to an express courier service or deposited in the United States mails each in case in accordance with the provisions of this Section 13.2.

13.3 No Waiver, Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Bank, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any

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right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

13.4 Entire Agreement; Amendments. Any amendments hereto must be in writing signed by a duly authorized representative of the party to be charged. This Loan Agreement (including any schedules and exhibits attached hereto) contains the entire understanding of the parties with respect to its subject matter. In the event of any conflict or discrepancy between this Loan Agreement and any other document delivered in connection with this Loan Agreement, this Loan Agreement shall control.

13.5 Governing Law. This Loan Agreement and the rights and obligations of the parties hereunder shall be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Kentucky.

13.6 Effective Date of this Agreement. This Loan Agreement shall become effective on the date when it shall have been executed by the Borrowers, Unified and the Bank and fully executed counterparts thereof delivered to the Bank, such date being herein called the "Effective Date of this Loan Agreement".

13.7 Severability. The provisions of this Loan Agreement are intended to be severable. If any provision of this Loan 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.

13.8 Survival of Agreements, etc. All agreements, representations, covenants, warranties and the like made herein shall survive the execution and delivery of this Loan Agreement and the other Loan Documents.

13.9 Successors and Assigns. This Loan Agreement shall be binding upon the parties hereto and their respective permitted successors and assigns, but shall inure only to the benefit of the Borrowers, Unified and the Bank and their respective permitted successors and assigns.

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13.10 Counterparts. This Loan Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall be deemed to constitute one and the same instrument.

13.11 Indemnity. Each Borrower shall indemnify and hold harmless the Bank, its successors, assigns, agents and employees, from and against any and all claims, actions, suits, proceedings, costs, expenses, damages, fines, penalties and liabilities, including, without limitation, attorneys' fees and costs, arising out of, connected with or resulting from (a) the operation of such Borrower's businesses, (b) the Bank's preservation or attempted preservation of the Collateral owned by such Borrower or by Unified on behalf of such Borrower, and/or (c) any failure of the security interests and liens granted to the Bank pursuant to the Loan Documents that secure such Borrower's Promissory Note to be or to remain perfected or to have the priority as contemplated therein. At the Bank's request, the particular Borrower shall, at its own cost and expense, defend or cause to be defended any and all such actions or suits that may be brought against the Bank and, in any event, shall satisfy, pay and discharge any and all judgments, awards, penalties, costs and fines that may be recovered against the Bank in any such action, plus all attorneys' fees and costs related thereto to the extent permitted by applicable law; provided, however, that the Bank shall give the particular Borrower (to the extent the Bank seeks indemnification therefor from such Borrower under this Section 13.11) written notice of any such claim, demand or suit after the Bank has received written notice thereof, and the Bank shall not settle any such claim, demand or suit, if the Bank seeks indemnification therefor from such Borrower, without first giving notice to such Borrower of the Bank's desire to settle and obtaining the consent of such Borrower to the same, which consent such Borrower hereby agrees not to unreasonably withhold. All obligations of

each Borrower under this Section 13.11 shall survive the payment to the Bank of the Promissory Note and the other Secured Obligations owed by such Borrower to the Bank.

13.12 Time is of the Essence. Time shall be of the essence in the performance of all obligations and covenants of each Borrower and Unified under this Loan Agreement and the other Loan Documents to which such Borrower or Unified is a party.

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13.13 Jurisdiction. Each Borrower and Unified hereby irrevocably agrees that any legal action, suit or proceeding against such Borrower or Unified with respect to the obligations and liabilities of such Borrower or Unified hereunder or any other matter under or arising out of or in connection with this Loan Agreement and/or the other Loan Documents or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding may be brought in the Circuit Court of Jefferson County, Kentucky as the Bank may elect, and, by execution and delivery of this Loan Agreement, each Borrower and Unified hereby irrevocably accepts and submits to the non-exclusive jurisdiction of such court in personam generally and unconditionally with respect to any such action, suit or proceeding involving such Borrower or Unified. Each Borrower and Unified further agrees that final judgment against such Borrower or Unified in any action, suit or proceeding referred to herein shall be conclusive after all appeals have been exhausted or waived by such Borrower or Unified, and may thereafter be enforced in any other jurisdiction, within or outside the United States of America, by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the fact and of the amount of the obligations and liabilities of such Borrower and Unified. Each Borrower and Unified further irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents out of any of the aforesaid courts in any such action, suit or proceeding by mailing copies thereof by registered or certified air mail, postage prepaid, to such Borrower or Unified at the address set forth in Section 13.2 hereof or by serving copies thereof upon any statutory or registered agent for service of process of such Borrower or Unified. Each Borrower and Unified agrees that service upon it as provided for herein shall constitute valid and effective personal service upon such Borrower and Unified and that the failure of any statutory or registered agent to give any notice of such service to such Borrower or Unified shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon. Nothing herein shall, or shall be construed so as to, limit the right of the Bank to bring actions, suits or proceedings with respect to the obligations and liabilities of such Borrower or Unified under, or any other matter arising out of or in connection with, this Loan Agreement and/or the other Loan Documents, or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, in the courts of whatever jurisdiction in which property of such Borrower or Unified may be found

or as otherwise shall to the Bank seem appropriate, or to affect the rights to service of

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process in any jurisdiction in any manner permitted by law. In addition, each Borrower and Unified hereby irrevocably and unconditionally waives any objection which such Borrower or Unified may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Loan Agreement and/or the other Loan Documents brought in the Circuit Court of Jefferson County, Kentucky, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim that any such action, suit or proceeding brought in such court has been brought in an inconvenient forum.

13.13 Waiver of Jury Trial. EACH BORROWER, UNIFIED AND THE BANK HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS LOAN AGREEMENT OR THE OTHER LOAN DOCUMENTS. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT THAT RELATE TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED UNDER THIS LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH BORROWER, UNIFIED AND THE BANK ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT FOR EACH SUCH PARTY TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH BORROWER, UNIFIED AND THE BANK HAVE ALREADY RELIED ON THE WAIVER IN ITS RELATED DEALINGS WITH THE OTHERS. EACH BORROWER, UNIFIED AND THE BANK FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS LOAN AGREEMENT OR THE OTHER LOAN DOCUMENTS. IN THE EVENT OF LITIGATION, THIS LOAN AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

IN WITNESS WHEREOF, the KFC Cooperative, the Pizza Hut Cooperative, the Taco Bell Cooperative, Unified and the Bank have caused this Loan Agreement to be duly authorized and delivered by their proper and duly authorized officers as of the day and year first above written.

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KFC NATIONAL PURCHASING COOPERATIVE, INC.

By: _____

Its: _____
(the "KFC Cooperative")

TACO BELL NATIONAL PURCHASING COOP, INC:

By: _____

Its: _____
(the "Taco Bell Coop")

PIZZA HUT NATIONAL PURCHASING
COOP, INC.

UNIFIED FOODSERVICE PURCHASING
COOP, INC.

By: _____

By: _____

Its: _____
(the "Pizza Hut Cooperative")

Its: _____
("Unified")

FIFTH THIRD BANK, KENTUCKY, INC.

By: _____

Its: _____
(the "Bank")

List of

- 1. A: KFC Borrowing Base Report

2. B: Pizza Hut Borrowing Base Report
3. C: Taco Bell Borrowing Base Report
4. D: KFC Accounts Receivable Aging Report
5. E: Pizza Hut Accounts Receivable Aging Report
6. F: Taco Bell Accounts Receivable Aging Report
7. G: Opinion Letter of Brown, Todd & Heyburn PLLC
8. H: Compliance Certificate
9. I: Schedule of Pending Litigation

A FIFTH THIRD BANCORP BANK

Officer No.	Note No.
-----	-----
\$15,000,000.00	March 1, 1999
-----	-----
	(Effective Date)
City Louisville State Kentucky	
-----	-----

On or before the Due Date below, the undersigned, a (check one)
 corporation partnership individual limited liability company for
value received if more than one, jointly and severally, promise to pay to the
order of Fifth Third Bank, Kentucky, Inc., 401 South Fourth Avenue, Louisville,
Kentucky 40202 hereinafter referred to as "Bank" the sum of Fifteen Million
Dollars (hereinafter referred to as the "Borrowing") plus interest as provided
herein, less such amounts as shall have been repaid in accordance with this
note. The outstanding balance of this note will appear on a supplemental bank
record and is not necessarily the face amount of this note. Such record shall be
conclusive as to the balance due of this note at time.

The principal sum outstanding shall bear interest as provided in the First
Addendum to Revolving Note referred to below interest shall be computed based on
a year of 360 days and charged for the actual number of days elapsed.

Prior to the Due Date, Bank may (but is not obligated to) lend to the
undersigned such amounts as may from time to time be requested by the
undersigned provided that the principal amount borrowed shall not at any time

exceed the Borrowing and further provided that no Event of Default as defined herein shall exist.

Principal shall be due and payable: X At Maturity [] In Installments; Installments in the amount of \$ _____ shall be due on the _____ day of each [] MONTH [] QUARTER beginning _____, 19__ with a final payment on _____, 19__ of the principal amount then owing plus all interest due therein. Principal and interest payments shall be made at Bank's address above unless otherwise designed to Bank in writing. Interest shall be due and payable: [] At Maturity X On the 1st day of each X Month [] Quarter beginning April 1, 1999.

To secure repayment of this note and all modifications, extensions and renewals thereof, and all other Obligations (as herein defined) of the undersigned to Bank the undersigned grants Bank a security interest in all of the undersigned's now owned or hereafter acquired interests in all property in which Bank is, at any time, granted a lien for any Obligation and all property in possession of Bank including, without limitation, money, securities, instruments, documents, letters of credit, chattel paper, or other property delivered to Bank in transit for safekeeping, or for collection or exchange for other property, all distributions, dividends, warrants, securities or other rights in addition to such property, all rights payment from and claims against Bank and all proceeds thereof, and all real and personal property described below ("Collateral"). The undersigned agrees to immediately deliver such additional dividends warrants, securities or other property or rights thereto to Bank immediately upon receipt as additional Collateral and until delivery to hold in trust for Bank. The undersigned agrees that the Bank may, at any time, call for additional Collateral satisfactory to it. All documents executed in connection with this note and all Collateral, including without limitation the following, further secure the Obligations:

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The KFC Pledge Agreement and the Unified KFC Security Agreement, as such terms are defined in the Loan Agreement referred to in the First Addendum to Revolving Note of even date herewith, between the undersigned and the Bank.

The obligations secured by the Collateral (herein, the "Obligations") shall include this note and each and every liability of the undersigned jointly and severally to Bank and the affiliates of Fifth Third Bancorp however created, direct or contingent, due or to become due whether now existing or hereafter arising, participated in whole or in part, created trust agreement, lease, overdraft, agreement, or otherwise, in any manner by the undersigned. The undersigned also grants Bank a security interest in all of the Collateral as for all affiliates of Fifth Third Bancorp for all obligations of the undersigned to such affiliates. Said security interest shall not be enforced to the extent prohibited by the Truth Lending Act as implemented by Federal Reserve Regulation Z.

The undersigned certifies that the proceeds of this loan are to be used for business purposes. If this note is a renewal, in whole or in part, of a previous Obligation, the acceptance by Bank of this note shall not effectuate a payment but rather a continuation of the previous Obligation.

Events of Default:

This Note, and all other obligations of the undersigned Bank, shall be and become immediately due and payable at the option of the Bank, without demand or notice whatsoever, upon the occurrence of any of the following described events, each of which shall constitute an Event of Default:

Any failure to make any payment when due of the principal or interest on this note, the occurrence of any event of default as therein defined on any other Obligation of the undersigned, or a default in the obligations under any security documents.

The death or dissolution of the undersigned, of any endorser or guarantor, or if the undersigned is a partnership, the death or dissolution of a general partner.

Any failure to submit to Bank current financial information upon request.

The creation of any lien (except a lien to Bank) or the issuance of an attachment against or seizure of any of the property of, or the entry of a judgment against the undersigned.

In the judgment of Bank, any adverse change occurs in the ability of the undersigned to repay the Obligations, or the Bank deems itself insecure.

An assignment for the benefit of the creditors of, or the commencement of any bankruptcy, receivership, insolvency, reorganization, or liquidation proceedings by or against the undersigned, or any endorser or guarantor hereof.

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The institution of any garnishment proceedings by attachment, levy, or otherwise, against any Collateral, any deposit balance maintained or any property deposited with the Bank by the undersigned or any endorser or guarantor hereof.

Bank has called for additional security and the undersigned has not furnished satisfactory additional security on demand.

Upon the occurrence of an Event in Default herein described Bank may, at its option, cease making advances hereunder, declare this note and all other Obligations of the undersigned, to be fully due and payable in their aggregate amount together with accrued interest plus any applicable prepayment premiums, fees and charges.

In addition to any other remedy permitted by law, the Bank may at any time,

without notice, apply the Collateral to this note or such other Obligations, whether due or not, and Bank may, at its option, proceed to enforce and protect its rights by an action at law or in equity or by any other appropriate proceedings. Notwithstanding any other legal or equitable rights of Bank, Bank, in the Event of Default, is (a) hereby irrevocably appointed and constituted attorney-in-fact, with full power of substitution, to exercise all rights of ownership with respect to Collateral including, but not limited to, the right to collect all income of other distributions arising therefrom and to exercise all voting rights connected with Collateral; and (b) is hereby given full power to collect, sell, assign, transfer and deliver all of said Collateral or any part thereof, or any substitutes therefor, or any additions thereto through any private or public sale without either demand or notice to the undersigned, or any advertisement, the same being hereby expressly waived, at which sale Bank is authorized to purchase said property or any part thereof, free from any right of redemption on the part of the undersigned, which is hereby expressly waived and released. In case of sale for any cause, after deducting all costs and expenses of every kind, Bank may apply, as it shall deem proper, the residue of the proceeds of such sale toward the payment of any one or more or all of the Obligations of the undersigned, whether due or not due, to Bank; after such application and the return of any surplus, the undersigned agrees to be and remains liable to Bank for any and every deficiency after application as aforesaid upon this and any other Obligation. The undersigned shall pay all costs of collection incurred by Bank, including its attorney's fees, if this note is referred to an attorney for collection, whether or not payment is obtained before entry of judgment, which costs and fees are Obligations secured by the Collateral.

If any payment is not paid when due (whether by acceleration or otherwise) or within 10 days thereafter, the undersigned agrees to pay to Bank a late payment fee as in any loan agreement or 5% of the payment amount, whichever is greater, with a minimum fee of \$20.00. After an Event of Default, the undersigned agrees to pay to charge of \$25.00, or the undersigned agrees that Bank may, without notice, increase the above stated interest rate by 6%, whichever is greater. Under no circumstances interest rate be raised to a rate which shall be in excess of the maximum rate of interest allowable under the state and/or federal usury laws in force at the time of such change.

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The undersigned may prepay all or part of this note, which prepaid amounts shall be applied to the amounts due in reverse order of their due dates. Partial shall not excuse any subsequent payment due.

ENTIRE AGREEMENT: The undersigned agrees that there are no conditions or understandings which are not expressed in this note and the documents referred to herein.

WAIVER: No failure on the part of Bank to exercise any of its rights hereunder shall be deemed a waiver of any such rights or of any default. Demand,

presentment of dishonor, notice of protest, and notice of default are hereby waived. Each of the undersigned, including but not limited to all co-makers and accommodation makers of this note. _____ hereby waives all suretyship defenses including but not limited to all defenses based upon impairment of collateral and all suretyship defenses described in Section 3-605 of the Uniform Commercial Code, as revised in 1990 (the "UCC"). Such waiver is entered to the full extent permitted by Section 3-605(I) of the UCC.

JURY WAIVER: THE UNDERSIGNED, AND ANY ENDORSER OR GUARANTOR HEREOF, WAIVE THE RIGHT TO A TRIAL BY JURY OF ANY MATTERS ARISING OUT OF THIS NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY.

The declaration of invalidity of any provision of this note shall not affect any part of the remainder of the provisions.

X This note is supplemented by the terms and conditions of a loan agreement dated March 1, 1999, between the undersigned and Bank.

DUE DATE	April 1, 2000 -----	KFC National Purchasing Cooperative, Inc. -----
ADDRESS	950 Breckenridge Lane ----- Louisville, KY 40207 -----	By: William V. Holden ----- Title: Vice President and CFO -----

FIRST ADDENDUM TO \$15,000,000 REVOLVING NOTE
DATED MARCH 1, 1999, EXECUTED AND DELIVERED BY
KFC NATIONAL PURCHASING COOPERATIVE, INC.
d/b/a FOOD SERVICE PURCHASING COOPERATIVE, INC.
IN FAVOR OF FIFTH THIRD BANK, KENTUCKY, INC.

THIS FIRST ADDENDUM TO REVOLVING NOTE (the "First Addendum") is made and entered into on this 1st day of March, 1999, by and between (i) KFC NATIONAL PURCHASING COOPERATIVE, INC., a Delaware corporation d/b/a FoodService Purchasing Cooperative, Inc. (the "KFC Cooperative"), and (ii) FIFTH THIRD BANK, KENTUCKY, INC., a Kentucky banking corporation (the "Bank").

P R E L I M I N A R Y S T A T E M E N T:

A. Pursuant to that certain Loan Agreement of even date herewith, among the KFC Cooperative, Pizza Hut National Purchasing Coop, Inc., Taco Bell National Purchasing Coop, Inc., Unified FoodService Purchasing Coop, LLC and the Bank (the "Loan Agreement"), the Bank has, among other things, established a revolving line of credit in the original principal amount of Fifteen Million

Dollars (\$15,000,000.00) in favor of the KFC Cooperative (the "KFC Line of Credit").

B. The obligation of the KFC Cooperative to repay all advances under the KFC Line of Credit together with accrued interest thereon is evidenced by that certain Revolving Note of even date herewith, made by the KFC Cooperative, payable to the order of the Bank, and in the face principal amount of Fifteen Million Dollars (\$15,000,000.00) (the "KFC Promissory Note").

C. The KFC Cooperative and the Bank desire to amend and supplement the terms and provisions of the KFC Promissory Note in the manner set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements set forth in the Loan Agreement, and for other good and valuable consideration, the mutuality, receipt and sufficiency of which are hereby acknowledged, the KFC Cooperative and the Bank hereby agree as follows:

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1. Interest Rate. The entire unpaid principal balance of the KFC Promissory Note, as the same shall exist from time to time, shall bear interest at a variable rate equal to .80% per annum (80 basis points) plus the LIBOR Rate, as such term is defined below (the "Base Rate"). The Base Rate is the interest rate applicable to the KFC Promissory Note so long as no KFC Event of Default, as such term is defined in the Loan Agreement, has occurred and is continuing. As used herein, the term "LIBOR Rate" means the offered rate for U.S. Dollar deposits for a period of time equal to thirty (30) days as shown on the Telerate System ("Telerate"). Provided, however, that if such rate is not available on Telerate then the LIBOR Rate shall be otherwise independently determined by the Bank from an alternate, substantially similar independent source available to the Bank or shall be calculated by the Bank by a substantially similar methodology as that theretofore used to determine such offered rate on Telerate. The LIBOR Rate shall be determined daily by the Bank for purposes of determining the Base Rate applicable to the KFC Promissory Note on each day during the term of the KFC Line of Credit. In the event of any change in the LIBOR Rate, the interest rate applicable to the KFC Promissory Note shall be changed immediately. Each determination of the LIBOR Rate by the Bank shall be binding upon the KFC Cooperative in the absence of manifest error on the part of the Bank.

2. Ratification and Reaffirmation. Except to the extent as expressly amended or modified pursuant to this First Addendum, the KFC Cooperative hereby ratifies and reaffirms all of its covenants, agreements, obligations, representations and warranties set forth in the Loan Agreement and the KFC Promissory Note.

IN WITNESS WHEREOF, the KFC Cooperative and the Bank have caused this

agent for any affiliate of Fifth Third Bancorp as collateral and grant(s) to Fifth Third Bank, Kentucky, Inc. (hereinafter the "Secured Party"), a security interest in and to all items of property described in paragraph 2 of this Agreement (all of which shall hereinafter be the "Collateral").

1. OBLIGATIONS: The security interest hereby granted shall secure the following (collectively, the "Obligations"): all loans, advances, indebtedness and other obligations of each of Debtor and n/a (if different from Debtor, hereinafter referred to as the "Borrower") owed to Secured Party and/or any affiliate of Fifth Third Bancorp, of every kind and description whether now existing or hereafter arising including without limitation those owed to others and acquired by Secured Party (by purchase, assignment or otherwise) and whether direct or indirect, primary or as guarantor or surety, absolute or contingent, liquidated or unliquidated, matured or unmatured, whether or not secured by additional collateral, and all liabilities, obligations and indebtedness arising under this Agreement and all other instruments and agreements evidencing, guarantying or securing any of the foregoing, and all obligations to perform or forbear from performing acts, all amounts represented by letters of credit now or hereafter issued by Secured Party for the benefit of or at the request of Debtor or Borrower and all expenses and attorneys' fees incurred by Secured Party under this Agreement or any other document or instrument related thereto or related to any of the Obligations, including but not limited to the following:

The \$15,000,000.00 Revolving Note of even date herewith, made by the Debtor, payable to the order of the Secured Party, as amended pursuant to First Addendum to Revolving Note of even date herewith, between the Debtor and the Secured Party.

2. COLLATERAL: The Collateral in which a security interest is hereby granted includes that Collateral now existing and hereafter arising or acquired by Debtor, regardless of where it is located, and is defined as follows:

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(a) all Accounts, all Inventory, all Equipment, all General Intangibles (each as defined in paragraph 3 of this Agreement);

(b) all instruments, chattel paper, documents, securities, moneys, cash, letters of credit, warrants, dividends, distributions, contracts, agreements, contract rights or other property, owned by Debtor or in which Debtor has an interest, including but not limited to, those which are now or hereafter in the possession or control of Secured Party or in transit by mail or carrier to or in the possession of any third party acting on behalf of Secured Party, without regard to whether Secured Party received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether Secured Party had

conditionally released the same, and the proceeds thereof, all rights to payment from, and all claims against Secured Party, and any deposit accounts of Debtor with Secured Party, including all demand time, savings, passbook or other accounts and all deposits therein;

(c) other Collateral: see First Addendum to Security Agreement of even date herewith, between the Debtor and the Secured Party.

(d) all proceeds and products of the Collateral and all additions and accessions to, replacements of, insurance or condemnation proceeds of, and documents covering Collateral, all tort or other claims against third parties arising out of damage or destruction of Collateral, all property received wholly or partly in trade or exchange for Collateral, all fixtures, all leases of Collateral and all rents, revenues, issues, profits and proceeds arising from the sale, lease, license, encumbrance, collection, or any other temporary or permanent disposition, of the Collateral or any interest therein.

3. DEFINITIONS: As used herein the following capitalized terms will have the following meanings:

(a) "Accounts" means all accounts, accounts receivable, contract rights, instruments, documents, chattel paper, tax refunds from federal, state or local governments and all obligations in any form including without limitation those arising out of the sale or lease of goods or the rendition of services by Debtor; all guaranties, letters of credit and other security for any of the above; all merchandise returned to or reclaimed by Debtor; and all books and records (including computer programs, tapes and data processing software) evidencing an interest in or relating to the above.

(b) "Equipment" means all machinery, machine tools, equipment, fixtures, office equipment, furniture, furnishings, motors, motor vehicles, tools, dies, parts, jigs, goods (including, without limitation, each of the items of equipment set forth on any schedule which is either now or in the future attached to Secured Party's copy of this Agreement), and all attachments, accessories, accessions, replacements, substitutions, additions and improvements thereto, and all supplies used or useful in connection therewith.

(c) "General Intangibles" means all general intangibles, choses in action, cause of action, obligations or indebtedness owed to Borrower from any source whatsoever, and all other intangible personal property of every kind and nature (other than Accounts) including without limitation patents, trademarks, trade names, service marks, copyrights and applications for any of the above, and good will, trade secrets, licenses, franchises, rights under agreements, tax refund claims, and all books and records including all computer programs, disks, tapes, printouts, customer lists, credit files and other business and financial records, and the equipment containing any such information.

(d) "Inventory" means all goods, supplies, wares, merchandise and other tangible personal property, including raw materials, work in process, supplies and components, and finished goods, whether held for sale or lease, or furnished or to be furnished under any contract for service, or used or consumed in business, and also including products of and accessions to inventory, packing and shipping materials, and all documents of title, whether negotiable or non-negotiable, representing any of the foregoing.

In addition to the foregoing, each of the above defined terms and certain other terms set forth in paragraph 2 of this Agreement will have the meanings attributed thereto in the applicable version of the Uniform Commercial Code adopted in the jurisdiction where Secured Party's principal place of business is located, as such definitions may be enlarged or expanded from time to time by amendment or judicial decision.

4. WARRANTIES AS TO COLLATERAL: Debtor warrants that:

(a) Except for the security interest hereby granted, Debtor is, and as to any property which at any time forms a part of the Collateral, shall be, the owner of each and every item of the Collateral, free from any lien, security interest or encumbrance;

(b) That Debtor has full right to grant such security interest there; and that Debtor shall defend such Collateral and each and every part thereof against all claims of all person at any time claiming such Collateral or claiming any interest therein adverse to Secured Party;

(c) That as to any accounts receivable which are or become part of the Collateral, each such account is a valid account receivable and that no such account shall be sold, assigned, transferred, discounted, hypothecated, or otherwise subject to any lien, encumbrance or security interest, and that Debtors shall defend such accounts against all claims of any person whosoever.

(d) That if any of the Collateral is or will be attached to real estate in such a manner as to become a fixture under applicable state law, that said real estate is not encumbered in any way, or if said real estate is encumbered, Debtor will secure from the lien holder or the party in whose favor it is or will become so encumbered a written consent and subordination to the security interest hereby granted or written disclaimer of any interest in the Collateral, in such form as is acceptable to Secured Party.

(e) The financial statements of Debtor dated _____ and heretofore submitted, to the Secured Party are true and correct and there are no material adverse changes in the condition, financial or otherwise, of Debtor since the date of said financial statements.

THIS AGREEMENT IS SUBJECT TO, AND DEBTOR AGREES TO BE BOUND BY, THE ADDITIONAL PROVISIONS SET FORTH ON THE REVERSE SIDE HEREOF, THE SAME BEING INCORPORATED HEREIN BY REFERENCE.

SECURED PARTY:

DEBTOR:

Fifth Third Bank, Kentucky, Inc.

KFC National Purchasing Cooperative, Inc.

By: /s/

By: /s/

Its:

Its:

5. DEBTOR'S RESPONSIBILITIES:

(a) Furnish to Secured Party in writing a current list of all Collateral for the purpose of identifying the Collateral and, further, execute and deliver such supplemental instruments, in the form of assignments or otherwise, as Secured Party shall require for the purpose of confirming and perfecting Secured Party's security interest in any or all of such Collateral;

(b) At its expense and upon request of Secured Party, furnish copies of invoices issued by Debtor in connection with the Collateral, furnish certificates of insurance evidencing insurance on Collateral, furnish proof of payment of taxes and assessments on Collateral, make available to Secured Party any and all of Debtor's books, records, written memoranda, correspondence, purchase orders, invoices and other instruments or writings that in a way evidence or relate to the Collateral;

(c) Keep the Collateral insured at all times against risks of loss or damage by fire (including so-called extended coverage), theft and such other casualties including collision in the case any motor vehicle, all in such amounts, under such forms of policies, upon such terms, for such periods as written by such companies or underwriters as is satisfactory to Secured Party. In all cases losses shall be payable to Secured Party and any surpluses shall be paid to Debtor. All policies of insurance shall provide for at least ten (10) days prior written notice of cancellation to Secured Party. Should Debtor at any time fail to purchase or maintain insurance, Secured Party may, but is not obligated to, pay taxes, or pay for any expense, incident or such insurance, pay such taxes, order and pay for such necessary items of preservation, maintenance or protection of the Collateral, and Debtor agrees to reimburse Secured Party for all expenses incurred under this paragraph;

(d) Pay all taxes or assessments imposed on or with respect to the Collateral;

(e) Keep all of the Collateral in good condition and repair, protecting

it from weather and other contingencies which might adversely affect it as secured hereunder;

(f) Notify Secured Party immediately in writing of any information which Debtor has or may receive which might in any way adversely affect the value of the Collateral or the rights of Secured Party with respect thereto;

(g) Notify Secured Party promptly, in writing, of any change in the location of the Collateral or of any place of business or mailing addresses the establishment of any new place of business or mailing address;

(h) Pay all costs of filing any financing, continuation or termination statements with respect to the security interest created hereby;

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(i) Upon the occurrence of an Event of Default or breach of any provision of this Security Agreement, pay all expenses and reasonable attorney fees of Secured Party; and Debtor agrees that said expenses and fees shall be secured under this Agreement;

(j) Maintain possession of all Collateral at the location disclosed to Secured Party and not to remove the Collateral from that location;

(k) Not sell, contract to sell, lease, encumber, or otherwise transfer the Collateral (other than sales of inventory in the ordinary course of business until the Obligations have been paid and performed, Debtor acknowledging nonetheless that Secured Party has a security interest in the proceeds of such Collateral.

6. ACCOUNTS RECEIVABLE:

(a) Debtor hereby agrees that Secured Party may serve written notice on Debtor instructing Debtor to deliver to Secured Party all subsequent payments on accounts receivable which Debtor shall do until notified otherwise;

(b) Secured Party may notify the account debtor(s) of its security interest and instruct such account debtor(s) to make further payments on accounts to Secured Party instead of to Debtor; and

(c) Secured Party may serve written notice upon Debtor that all subsequent billings or statements of account rendered to any account Debtor shall bear a notation directing the account debtor(s) to make payment directly to Secured Party. Any payment received by Secured Party pursuant to the paragraph shall be retained in a separate non-interest bearing account as security for the payment and performance of all Obligations of Debtor. Debtor hereby agrees that

Secured Party shall have the absolute right to take any one or all of the actions set forth in this paragraph 6 notwithstanding the fact that all or any part of the Obligations is not matured and Debtor is current in payment according to the tenor of the Obligations.

7. POWER OF ATTORNEY: Debtor hereby makes, constitutes and appoints Secured Party its true and lawful attorney in fact to act with respect to the Collateral in any transaction, legal proceeding, or other matter in which Secured Party is acting pursuant to this Agreement.

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8. DEFAULT: In the event of (herein "Events of Default"): (a) the default in the payment or performance of the Obligations or any part thereof; (b) the occurrence of a default or an Event of Default under any instrument or agreement evidencing, guarantying or securing any of the Obligation; (c) the failure of Debtor to perform or observe any of the provisions of this Agreement; (d) any misrepresentation by Debtor or Borrower to Secure Party for the purpose of obtaining credit or an extension of credit; (e) the issuance of a court order, lien or attachment against the any part of the Collateral; (f) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of Debtor or Borrower in an involuntary or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of Debtor or Borrower or for any substantial part of either of their properties, or ordering the wind-up or liquidation of either of their affairs, or the filing and pendency for 60 days without dismissal of a petition initiating an involuntary case under any such bankruptcy, insolvency or other similar law; or (g) the commencement by Debtor or Borrower of a voluntary case under any applicable bankruptcy, insolvency or other similarly law now or hereafter in effect, or the consent by either of them to the entry of an order for relief in an involuntary case under any such law or to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Debtor or Borrower or of any substantial part of either of their properties, or the making by either of them of any general assignment for the benefit of creditors, or the failure of Debtor or Borrower generally to pay either of their debts as such debts become due, or the taking of corporate action by either Debtor or Borrower in furtherance of any of the foregoing; (h) the death or dissolution of Borrower, Debtor or any endorser or guarantor of the Obligations; (i) the occurrence of any adverse change in the condition or affairs (financially or otherwise) of Debtor, Borrower or of any endorser, guarantor or surety for any of the Obligations, which in the opinion of Secured Party impairs Secured Party's security or the ability of Secured Party to recover repayment or performance of any Obligations or the Secured Party deems itself insecure; then, in any such event, Secured Party may, without further notice to Debtor, at Secured Party's option, declare any note and all of the Obligations to become due and payable in its aggregate amount. Secured Party may resort to the rights and remedies of a secured party under the Uniform Commercial Code including the

right to enter any premises of Debtor with or without legal process and take possession of the Collateral and remove it and any records pertaining thereto and/or remain on such premises and use it for the purpose of collecting, preparing and disposing of the Collateral; ship, reclaim, recover, store, finish, maintain and repair the Collateral; and sell the Collateral at public or private sale, and Debtor will be credited with the net proceeds of such sale only when they are actually received by Secured Party, any requirement of reasonable notice of any disposition of the Collateral will be satisfied if such notice is sent to Debtor 10 days prior to such disposition. Debtor will, upon request, assemble the Collateral and any records pertaining thereto and make them available at a place designated by Secured Party. Secured party may use, in connection with any assembly or disposition of the Collateral, any trademark, trade name, tradestyle, copyright, patent right, trade secret or technical process used or utilized by Debtor. No remedy set forth herein is exclusive of any other available remedy or remedies, but each is cumulative and in addition to every other remedy given under this Agreement or now hereafter existing at law or in equity or by statute. Secured Party may proceed to protect and enforce its rights by an action at law, in equity or by any other appropriate proceedings. No failure on the part of Secured Party to enforce any of the rights hereunder shall be deemed a waiver of such

rights or of any Event of Default and no waiver of any Event of Default will be deemed to be a waiver of any subsequent Event of Default.

9. MISCELLANEOUS PROVISIONS:

(a) All rights of Secured Party shall inure to the benefit of its successors and assigns and all obligations of Debtor shall bind the heirs, executor, administrators, successors and assigns of Debtor.

(b) Debtor acknowledges and agrees that, in addition to the security interests set granted herein, Secured Party has a banker's lien and common law right of set-off in and to Debtor's deposits, accounts and credits held by Secured Party and Secured Party may apply or set-off such deposits or other sums against the Obligations upon the occurrence of an Event Default as set forth in paragraph 8 of this Agreement.

(c) This Agreement contains the entire Agreement of the parties and no oral Agreement whatsoever, whether made contemporaneously herewith or hereafter shall amend, modify or otherwise affect the terms of this Agreement.

(d) All rights and liabilities hereunder shall be governed and limited by and construed in accordance with the laws of the state where Secured Party principal place of business is located; unless otherwise defined, words used herein have the meanings given them in Article Nine of the Uniform Commercial

Code as adopted in the state where Secured Party's principal place of business is located.

(e) Any provision herein which may prove limited or unenforceable under any law or judicial ruling shall not affect the validity or enforceability of the remainder of this Agreement.

(f) Debtor hereby authorizes Secured Party to file a copy of this Agreement as a Financing Statement with appropriate county and state government authorities necessary to perfect Secured Party's security interest in the Collateral as set forth herein.

FIRST ADDENDUM TO SECURITY AGREEMENT DATED MARCH 1, 1999,
BETWEEN KFC NATIONAL PURCHASING COOPERATIVE, INC.
D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.
AND FIFTH THIRD BANK, KENTUCKY, INC.

THIS FIRST ADDENDUM TO SECURITY AGREEMENT (the "First Addendum") is made and entered into on this 1st day of March, 1999, by and between (i) KFC NATIONAL PURCHASING COOPERATIVE, INC., a Delaware corporation d/b/a FoodService Purchasing Cooperative, Inc. (the "KFC Cooperative"), and (ii) FIFTH THIRD BANK, KENTUCKY, INC., a Kentucky banking corporation (the "Bank").

P R E L I M I N A R Y S T A T E M E N T :

A. Pursuant to that certain Loan Agreement of even date herewith, among the KFC Cooperative, Pizza Hut National Purchasing Coop, Inc. (the "Pizza Hut Cooperative"), Taco Bell National Purchasing Coop, Inc. (the "Taco Bell Cooperative"), Unified FoodService Purchasing Coop, LLC ("Unified") and the Bank (the "Loan Agreement"), the Bank has, among other things, established a revolving line of credit in the original principal amount of Fifteen Million Dollars (\$15,000,000.00) in favor of the KFC Cooperative (the "KFC Line of Credit").

B. The obligation of the KFC Cooperative to repay all advances under the KFC Line of Credit together with accrued interest thereon is evidenced by that certain Revolving Note of even date herewith, made by the KFC Cooperative, payable to the order of the Bank, and in the face principal amount of Fifteen Million Dollars (\$15,000,000.00), as amended and supplemented pursuant to that certain First Addendum to Revolving Note of even date herewith, between the KFC Cooperative and the Bank (collectively, the "KFC Promissory Note").

C. Pursuant to that certain Security Agreement of even date herewith, between the KFC Cooperative and the Bank (the "KFC Security Agreement"), the KFC

Cooperative has granted to the Bank a first priority security interest in all of its assets to secure the payment of the KFC Promissory Note and the other Secured Obligations, as such term is defined in the Loan Agreement, now or hereafter owed by the KFC Cooperative to the Bank.

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D. The KFC Cooperative and the Bank now desire to amend and supplement the terms and provisions of the KFC Security Agreement in the manner set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements set forth in the Loan Agreement and in the KFC Security Agreement, and for other good and valuable consideration, the mutuality, receipt and sufficiency of which are hereby acknowledged, the KFC Cooperative and the Bank hereby agree as follows:

1. Capitalized Terms. Capitalized terms used herein, unless otherwise defined herein, shall have the meanings ascribed thereto in the KFC Security Agreement.

2. Collateral. The term "Collateral", as defined in the KFC Security Agreement, expressly includes all right, title and interest of the KFC Cooperative in and to (a) that certain Loan Agreement of even date herewith, between the KFC Cooperative and Unified (the "Unified Loan Agreement"), (b) that certain Revolving Credit Note of even date herewith, made by Unified, payable to the order of the KFC Cooperative, and in the face principal amount of One Million Dollars (\$1,000,000.00) (the "Unified Note"), (c) that certain Security Agreement of even date herewith, between Unified and the KFC Cooperative (the "Unified Security Agreement"), together with all accompanying Uniform Commercial Code Financing Statements (the "Financing Statements"), (d) the Promissory Note (the "Taco Bell Note") and the Security Agreement (the "Taco Bell Security Agreement") executed by the Taco Bell Cooperative in favor of the KFC Cooperative to evidence and secure the Intercompany Liability (as such term is defined in that certain Agreement and Plan of Corporate Separation of even date herewith, adopted by the KFC Cooperative) owed by the Taco Bell Cooperative to the KFC Cooperative, and (e) the Promissory Note executed and delivered by the Pizza Hut Cooperative in favor of the KFC Cooperative to evidence the loan in the principal amount of Five Hundred Thousand Dollars (\$500,000.00) made by the KFC Cooperative to the Pizza Hut Cooperative (the "Pizza Hut Note"). The KFC Cooperative hereby specifically pledges to the Bank, and hereby grants to the Bank a first priority security interest in, (i) the Unified Loan Agreement, the Unified Note and the Unified Security Agreement (collectively, the "Unified Loan Documents"), (ii) the Taco Bell Note and the Taco Bell Security Agreement (collectively, the "Taco Bell Documents"), and (iii) the Pizza

Hut Note, in each case to secure the payment of the KFC Promissory Note and the other Secured Obligations now or hereafter owed by the KFC Cooperative to the Bank. In furtherance thereof, the KFC Cooperative hereby endorses each of the Unified Note, the Taco Bell Note and the Pizza Hut Note to the order of the Bank and hereby assigns the security interest created pursuant to each of the Unified Security Agreement and the Taco Bell Security Agreement to the Bank pursuant to duly executed Uniform Commercial Code Assignments.

3. Special Covenants. The KFC Cooperative hereby covenants and agrees with the Bank that the KFC Cooperative will perform and observe the following covenants with respect to the Unified Loan Documents, the Taco Bell Documents and the Pizza Hut Note until the KFC Promissory Note and all other Secured Obligations now or hereafter owed by the KFC Cooperative to the Bank have been paid in full and the Loan Agreement has been terminated by the Bank with respect to the KFC Cooperative:

(a) The KFC Cooperative will do all acts and execute all documents and instruments that may be necessary or as may be reasonably requested by the Bank to maintain, preserve and protect the Unified Loan Documents, the Taco Bell Documents and the Pizza Hut Note and the Bank's first priority security interest therein.

(b) The KFC Cooperative will use the payments of principal of and accrued interest now or hereafter paid to the KFC Cooperative pursuant to the Unified Note, the Taco Bell Note and the Pizza Hut Note to pay the principal of and the accrued interest on the KFC Promissory Note as well as other valid operating expenses of the KFC Cooperative.

(c) The KFC Cooperative will immediately notify the Bank in writing of the occurrence of any default by Unified under the Unified Loan Documents and/or the assertion by Unified of any defense to or right of offset with respect to the obligations of Unified under the Unified Loan Documents.

(d) The KFC Cooperative will enforce the Unified Loan Documents against Unified in accordance with their respective terms.

(e) Unless otherwise notified in writing by the Bank, upon the occurrence of any default by Unified under the Unified Loan Documents, the KFC Cooperative will, as the agent of the Bank, exercise all of its rights and remedies under the Unified Loan Documents and/or at law or in equity against Unified.

(f) The KFC Cooperative will not agree to any amendment or modification of any of the Unified Loan Documents without the prior written consent of the Bank.

(g) The KFC Cooperative will not grant any extension or renewal of the due dates of the principal of and/or accrued interest on the Unified Note without the prior written consent of the Bank.

(h) The KFC Cooperative will not waive any of its rights and remedies under the Unified Loan Documents and/or at law or in equity without the prior written consent of the Bank.

(i) The KFC Cooperative will not discharge or release Unified from any of its obligations under the Unified Loan Documents without the prior written consent of the Bank.

(j) The KFC Cooperative will not release any of the collateral subject to the Unified Security Agreement or terminate or subordinate to any other security interest, lien or other encumbrance the security interest created in favor of the KFC Cooperative pursuant to the Unified Security Agreement without the prior written consent of the Bank.

(k) The KFC Cooperative will not subordinate the payment of the Unified Note to any other indebtedness of Unified without the prior written consent of the Bank.

(l) The KFC Cooperative will immediately notify the Bank in writing of the occurrence of any default by the Taco Bell Cooperative under the Taco Bell Documents and/or the assertion by the Taco Bell Cooperative of any defense to or right of offset with respect to the obligations of the Taco Bell Cooperative under the Taco Bell Documents.

(m) The KFC Cooperative will enforce the Taco Bell Documents against the Taco Bell Cooperative in accordance with their respective terms.

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(n) Unless otherwise notified in writing by the Bank, upon the occurrence of any default by the Taco Bell Cooperative under the Taco Bell Documents, the KFC Cooperative will, as the agent of the Bank, exercise all of its rights and remedies under the Taco Bell Documents and/or at law or in equity against the Taco Bell Cooperative.

(o) The KFC Cooperative will not agree to any amendment or modification of any of the Taco Bell Documents without the prior written consent of the Bank.

(p) The KFC Cooperative will not grant any extension or renewal of the due dates of the principal of and/or accrued interest on the Taco Bell Note without the prior written consent of the Bank.

(q) The KFC Cooperative will not waive any of its rights and remedies under the Taco Bell Documents and/or at law or in equity without the prior written consent of the Bank.

(r) The KFC Cooperative will not discharge or release the Taco Bell Cooperative from any of its obligations under the Taco Bell Documents without the prior written consent of the Bank.

(s) The KFC Cooperative will not release any of the collateral subject to the Taco Bell Security Agreement or terminate or subordinate to any other security interest, lien or other encumbrance the security interest created in favor of the KFC Cooperative pursuant to the Taco Bell Security Agreement without the prior written consent of the Bank.

(t) The KFC Cooperative will not subordinate the payment of the Taco Bell Note to any other indebtedness of the Taco Bell Cooperative without the prior written consent of the Bank.

(u) The KFC Cooperative will immediately notify the Bank in writing of the occurrence of any default by the Pizza Hut Cooperative under the Pizza Hut Note and/or the assertion by the Pizza Hut Cooperative of any defense to or right of offset with respect to the obligations of the Pizza Hut Cooperative under the Pizza Hut Note.

(v) The KFC Cooperative will enforce the Pizza Hut Note against the Pizza Hut Cooperative in accordance with its terms.

(w) Unless otherwise notified in writing by the Bank, upon the occurrence of any default by the Pizza Hut Cooperative under the Pizza Hut Note, the KFC Cooperative will, as the agent of the Bank, exercise all of its rights and remedies under the Pizza Hut Note and/or at law or in equity against the Pizza Hut Cooperative.

(x) The KFC Cooperative will not agree to any amendment or modification of the Pizza Hut Note without the prior written consent of the Bank.

(y) The KFC Cooperative will not grant any extension or renewal of the due dates of the principal of and/or accrued interest on the Pizza Hut Note without the prior written consent of the Bank.

(z) The KFC Cooperative will not waive any of its rights and remedies under the Pizza Hut Note and/or at law or in equity without the prior written consent of the Bank.

(aa) The KFC Cooperative will not discharge or release the Pizza Hut Cooperative from any of its obligations under the Pizza Hut Note without the prior written consent of the Bank.

(bb) The KFC Cooperative will not subordinate the payment of the Pizza Hut Note to any other indebtedness of the Pizza Hut Cooperative without the prior written consent of the Bank.

4. Ratification and Reaffirmation. Except to the extent as expressly amended or modified pursuant to this First Addendum, the KFC Cooperative hereby ratifies and reaffirms all of its covenants, agreements, obligations, representations and warranties set forth in the Loan Agreement and the KFC Security Agreement.

IN WITNESS WHEREOF, the KFC Cooperative and the Bank have caused this First Addendum to Security Agreement to be duly authorized and delivered by their proper and duly authorized

officers as of the day and year first above written.

KFC NATIONAL PURCHASING COOPERATIVE, INC.
D/B/A FOODSERVICE PURCHASING COOPERATIVE, INC.

By: /s/

Title:

(the "KFC Cooperative")

FIFTH THIRD BANK, KENTUCKY, INC.

By: /s/

Title:

(the "Bank")

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our reports dated January 26, 1999 relating to the financial statements and financial statement schedule of KFC National Purchasing Cooperative, Inc., which appear in such Registration Statement. We also consent to the references to us under the headings "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Louisville, Kentucky

July 22, 1999

REPORT ON FINANCIAL STATEMENT SCHEDULE AND
CONSENT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
KFC National Purchasing Cooperative, Inc.:

The audits referred to in our report dated December 8, 1997, included the related financial statement schedule for each of the years in the two-year period ended October 31, 1997, included in the Registration Statement. This financial statement schedule is the responsibility of the Cooperative's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the use of our reports included herein and to the reference to our firm under the heading "Experts" in the prospectus.

KPMG LLP

Louisville, Kentucky

July 22, 1999

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints David G. Neal and Daniel E. Woodside, with full power to act without the other, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities to sign (i) any and all post-effective amendments to the Registration Statement of KFC National Purchasing Cooperative, Inc. (the "Cooperative") (File No. 33-56982), and (ii) any other Registration Statement, and all amendments thereto, relating to a class or classes of the Cooperative's securities to which the Power of Attorney is filed as an exhibit, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

<TABLE>

<CAPTION>

Name	Title	Date
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<S>	<C>	<C>
/s/ William E. Allen ----- William E. Allen	Director, Secretary	5/23/99 -----
 /s/ William Bickley ----- William Bickley	Vice President, Chief Financial Officer (Principal Accounting Officer) (Principal Financial Officer)	5/23/99 -----
 ----- Christian L. Campbell	Director	-----
 /s/ Robert C. Carle ----- Robert C. Carle	Director	5/23/99 -----
 /s/ James G. Cocolin ----- James G. Cocolin	Director	5/23/99 -----

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<S>	<C>	<C>
/s/ Ben E. Edwards	Director	5/23/99
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Ben E. Edwards		
/s/ Lois G. Foust	Director	5/23/99
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Lois G. Foust		
/s/ Edward J. Henriquez, Jr.	Director	5/23/99
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Edward J. Henriquez, Jr.		
-----	Director	-----
Paul A. Houston		
/s/ David G. Neal	Director, Chairman	5/23/99
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David G. Neal		
-----	Director	-----
James D. Olson		
/s/ Darlene L. Pfeiffer	Director	5/23/99
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Darlene L. Pfeiffer		
/s/ Charles Rawley	Director	5/23/99
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Charles Rawley		
-----	Director	-----
Edward W. Rhawn		
/s/ James B. Royster	Director	5/23/99
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James B. Royster		
-----	Director	-----
Dean M. Sorgdrager		
/s/ Daniel E. Woodside	Director, President, Chief Executive Officer	5/23/99
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Daniel E. Woodside		

/s/ Ronald J. Young

Director

5/23/99

Ronald J. Young

</TABLE>