

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **2007-03-01** | Period of Report: **2006-12-31**
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FILER

APPLEBEES INTERNATIONAL INC

CIK: **853665** | IRS No.: **431461763** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **000-17962** | Film No.: **07659764**
SIC: **5812** Eating places

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-17962

Applebee's International, Inc.

(Exact name of registrant as specified in its charter)

Delaware

43-1461763

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

4551 W. 107th Street, Overland Park, Kansas 66207

(Address of principal executive offices and zip code)

(913) 967-4000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Common Stock, par value \$.01 per share

Name of Each Exchange on Which Registered

The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. |_|

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the voting and non-voting common stock equity held by non-affiliates of the registrant as of the last business day of the second fiscal quarter ended June 25, 2006 was \$1,453,104,313 based on the closing sale price on June 23, 2006.

The number of shares of the registrant's common stock outstanding as of February 23, 2007 was 74,321,615.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2007 Annual Stockholder's Meeting are incorporated into Part III hereof.

APPLEBEE'S INTERNATIONAL, INC.
FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 2006
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PART I

Introductory Note

References to "Applebee's," "we," "us," and "our" in this document are references to Applebee's International, Inc. and its subsidiaries and any predecessor companies of Applebee's International, Inc.

On February 13, 2007, we announced that our Board of Directors has formed a committee of independent directors to explore strategic alternatives for enhancing shareholder value, including a possible recapitalization or sale of the company. There is no assurance that the process will result in any specific transaction. However, the implementation of certain strategic alternatives could affect our current plans and strategies, and any forward-looking statements in this document are qualified by reference to the committee's ongoing analysis.

Item 1. Business

General

We develop, franchise and operate restaurants in the bar and grill segment of the casual dining industry under the name "Applebee's Neighborhood Grill & Bar(R)." With over 1,900 system-wide restaurants as of December 31, 2006, Applebee's Neighborhood Grill & Bar is the largest casual dining concept in the world, in terms of number of restaurants and market share(1). Applebee's International, Inc. maintains an Internet website address at www.applebees.com. We make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as they are reasonably available after these materials are electronically filed with or furnished to the Securities and Exchange Commission ("SEC").

We opened our first restaurant in 1986. We initially developed and operated six restaurants as a franchisee of the Applebee's Neighborhood Grill & Bar Division, an indirect subsidiary of W.R. Grace & Co. In March 1988, we acquired substantially all the assets of our franchisor. When we acquired the Applebee's Division, it operated 13 restaurants and had 10 franchisees, including us, operating 41 franchise restaurants.

As of December 31, 2006, there were 1,930 Applebee's restaurants. Franchisees operated 1,409 of these restaurants and 521 restaurants were company-owned. The restaurants were located in 49 states, 16 countries outside of the United States and one U.S. territory. During 2006, 143 new restaurants were opened, including 108 franchise restaurants and 35 company restaurants.

We continue to expect that the Applebee's system will ultimately encompass at least 3,000 restaurants in the United States as well as the potential for at least 1,000 restaurants internationally.

Our current operating strategy is to focus on increasing comparable sales and average unit volumes in existing restaurants by improving the fundamentals of the Applebee's concept and placing less emphasis on new restaurant development for company-owned markets than in the past. As part of this strategy, we are concentrating on leveraging our value position and broadening our appeal to guests through an improved menu and consumer messaging.

(1) Source: Nation's Restaurant News, "Special Report: Top 100," June 26, 2006.

Fiscal 2006 contained 53 weeks. Fiscal 2005 and 2004 each contained 52 weeks. The following table sets forth certain unaudited financial information and other restaurant data relating to company and franchise restaurants, as reported to us by franchisees:

<TABLE>
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	Fiscal Year Ended		
	December 31, 2006	December 25, 2005	December 26, 2004
<S>	<C>	<C>	<C>
Number of restaurants:			
Company:			
Beginning of year.....	486	424	383
Restaurant openings.....	35	52	32
Restaurant closings.....	(4)	(1)	(1)
Restaurants acquired from franchisees.....	4	11	10
End of year.....	521	486	424
Franchise:			
Beginning of year.....	1,318	1,247	1,202
Restaurant openings.....	108	92	77
Restaurant closings.....	(13)	(10)	(22)
Restaurants acquired by franchisor.....	(4)	(11)	(10)
End of year.....	1,409	1,318	1,247
Total:			
Beginning of year.....	1,804	1,671	1,585
Restaurant openings.....	143	144	109
Restaurant closings.....	(17)	(11)	(23)
End of year.....	1,930	1,804	1,671
Weighted average weekly sales per restaurant:			
Company.....	\$ 44,637	\$ 45,552	\$ 46,536
Domestic franchise.....	\$ 49,521	\$ 49,564	\$ 48,143
Domestic total.....	\$ 48,134	\$ 48,462	\$ 47,737
Change in comparable restaurant sales(1):			
Company.....	(1.0)%	(0.9)%	3.8%
Domestic franchise.....	(0.5)%	2.6%	5.0%
Domestic total.....	(0.6)%	1.7%	4.7%
Total operating revenues (in thousands):			
Company restaurant sales(2).....	\$ 1,196,258	\$ 1,082,641	\$ 976,798
Franchise royalties and fees(3).....	139,855	128,813	121,221
Other franchise income(4).....	1,808	5,196	13,615
Total.....	\$ 1,337,921	\$ 1,216,650	\$ 1,111,634

<FN>

(1) When computing comparable restaurant sales, restaurants open for at least 18 months are compared from period to period.

(2) Our 2006 fiscal year included 53 weeks while fiscal years 2005 and 2004 each included 52 weeks. The 53rd week in 2006 contributed \$24,312, in thousands, to company restaurant sales.

(3) Franchise royalties are generally 4% of each franchise restaurant's reported monthly gross sales. Reported unaudited franchise sales, in thousands, were \$3,498,967, \$3,223,505 and \$3,001,287 in 2006, 2005 and 2004, respectively. The 53rd week in 2006 contributed approximately \$73,500, in thousands, to reported franchise sales and approximately \$2,900, in thousands, to franchise royalties. Franchise fees typically are \$35,000 for each restaurant opened.

(4) Other franchise income includes insurance premiums from franchisee participation in our captive insurance program in 2005 and 2004 and revenue from information technology products and services provided to certain franchisees in all periods.

</FN>
</TABLE>

The Applebee's System

Concept. Each Applebee's restaurant is designed as an attractive, friendly, neighborhood establishment featuring moderately-priced food and beverage items, table service and a comfortable atmosphere. Our restaurants appeal to a wide range of customers including young adults, senior citizens and families with children.

Since 2002, we have offered our customers the convenience of carry-out service featuring our Carside To Go program. This program, offered at both company-owned and franchise restaurants, focuses on convenience by allowing the customer to place their order by telephone, park in designated spots at our restaurants and

have servers deliver the order to their vehicle. During 2006, Carside To Go accounted for 9.7% of company-owned restaurant sales.

We have developed certain specifications for the design of our restaurants. Our restaurants are primarily located in free-standing buildings, end caps of strip shopping centers, and shopping center malls. Each of our restaurants generally has a bar and many restaurants offer patio seating. The decor, which frequently highlights local history and personalities, gives each restaurant a unique, neighborhood identity, which is an important aspect of the Applebee's brand. In addition, we generally require that each restaurant be remodeled every six to seven years to embody the design elements of the current prototype. We are continually evaluating our restaurant design to ensure that we keep our brand fresh and appealing to our guests.

Menu. Each restaurant offers a diverse menu of moderately-priced food and beverage items consisting of traditional favorites and signature dishes. The restaurants feature a broad selection of entrees, including beef, chicken, pork, seafood and pasta items prepared in a variety of cuisines, as well as appetizers, salads, sandwiches, specialty drinks and desserts. Substantially all restaurants offer beer, wine, liquor and premium specialty drinks. During 2006, alcoholic beverages accounted for 12.5% of company-owned restaurant sales.

In 2006, we began implementation of new initiatives to broaden the appeal of our brand. These initiatives included advertising that targets both the frequent casual dining guest and those seeking value, beverage and late-night programs, as well as the introduction of 20 new or improved menu items, including several which were developed in partnership with celebrity chef Tyler Florence.

During 2004, we entered into a five-year exclusive strategic alliance with Weight Watchers International, Inc. to offer Weight Watchers(R) branded menu alternatives to our guests. As part of our exclusive arrangement with Weight Watchers, we and our franchisees pay a percentage royalty on the total domestic sales of Weight Watchers menu items.

Restaurant Operations. We stipulate operating standards and specifications for our company-owned and franchise restaurants. These standards pertain to the quality, preparation and selection of menu items, maintenance and handling of food, maintenance and cleanliness of premises and service procedures.

Training. We have comprehensive training programs for restaurant associates and managers. Restaurant associates and managers complete a training and orientation process by certified training personnel upon hire. In addition, associates and managers receive ongoing training to further develop their job skills and knowledge.

Franchise and company restaurant managers also have access to the Lloyd Hill Applebee's Leadership Institute which offers learning and development opportunities. Programs and services include training, leadership assessments and life coaching.

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Marketing. We have historically concentrated our advertising and marketing efforts primarily on food-specific promotions, Weight Watchers(R), Carside To Go and Applebee's branded messaging. Our marketing includes national, regional and local expenditures, utilizing primarily television, radio, direct mail and print media, as well as alternative channels such as the Internet, product placement and the use of third-party retailers to market our gift cards. In 2006, approximately 4.1% of company restaurant sales was allocated for marketing purposes. This amount includes contributions to the national marketing pool, which develops and funds the specific national promotions, including Weight Watchers and Carside To Go. We focus the remainder of our marketing expenditures on local marketing in areas with company-owned restaurants.

Information Technology. We believe technology can assist us in achieving our operational goals. Our restaurant systems, including point-of-sale and food, kitchen and labor management systems, are tightly integrated with our above-store data warehousing and decision support platforms. This integration provides management with a timely, accurate and comprehensive view of our business performance.

Supply Chain. Maintaining high food quality, system-wide consistency and availability is the central focus of our supply chain program. We establish quality standards for products used in the restaurants, and we maintain a list of approved suppliers and distributors from which we and our franchisees must select. We periodically review the quality of the products served in our domestic restaurants in an effort to ensure compliance with these standards. We have negotiated purchasing agreements with most of our approved suppliers which result in volume discounts for us and our franchisees. Due to cultural and regulatory differences, we may have different requirements for restaurants opened outside of the United States.

Food Safety and Quality Assurance. We are committed to providing our customers with products that meet or exceed regulatory and industry standards for food

safety as well as our high quality standards. Our quality assurance department establishes and monitors our food safety programs in domestic restaurants, including restaurant, supplier and distributor audits, food safety and sanitation monitoring, and product testing.

Company Restaurants

Company Restaurant Openings. Our strategy is to cluster restaurants in targeted markets to increase consumer awareness and convenience and enabling us to take advantage of operational, distribution and advertising efficiencies. Our development experience indicates that when we open multiple restaurants within a particular market, our market share increases.

We believe our effectiveness as a franchisor is enhanced by owning company restaurants. Operating company restaurants allows us to develop, implement and optimize restaurant initiatives and standards before introducing them to the entire system. We continually evaluate the mix of company restaurants to franchise restaurants and when it is consistent with our long-term strategies, we will re-franchise or acquire restaurants.

We opened 35 new company restaurants in 2006. The following table shows the areas where our company restaurants were located as of December 31, 2006:

<TABLE>
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Area	<C>
<S>	
New England (includes Maine, Massachusetts, New Hampshire, New York, Rhode Island and Vermont).....	77
Minneapolis/St. Paul, Minnesota.....	67
Detroit/Southern Michigan.....	67
Texas	60
Virginia.....	59
St. Louis, Missouri/Illinois.....	58
Kansas City, Missouri/Kansas.....	34
Washington, D.C. (Maryland, Virginia).....	31
San Diego/Southern California.....	24
Las Vegas/Reno, Nevada.....	16
Central Missouri/Kansas/Arkansas.....	12
Albuquerque, New Mexico.....	8
Memphis, Tennessee.....	8

	521
	=====

</TABLE>

Restaurant Operations. The staff for a typical restaurant consists of one general manager, one kitchen manager, two or three managers and approximately 60 hourly associates. Generally, managers of company-owned restaurants receive a salary and may receive a performance bonus based on financial performance, guest satisfaction and associate retention measures. As of December 31, 2006, we employed three Regional Vice Presidents of Operations, 15 Directors of Operations and 85 Area Directors. The Area Directors' duties include regular restaurant visits and inspections which ensure the ongoing maintenance of our standards of quality, service, cleanliness, value and courtesy. We also have corporate personnel that support operations with functions such as accounting, human resources, information technology, marketing and training.

The Applebee's Franchise System

Franchise Territory and Restaurant Openings. We currently have 75 franchise groups, including 31 international franchisees. We have generally selected franchisees that are experienced multi-unit restaurant operators who have operated other restaurant concepts. Our franchisees operate Applebee's restaurants in 43 states, 16 countries outside of the United States and one U.S. territory. We have assigned development rights to the vast majority of domestic territories in all states except Hawaii or have designated them for company development.

As of December 31, 2006, there were 1,409 franchise restaurants. Franchisees opened 77 restaurants in 2004, 92 restaurants in 2005, and 108 restaurants in 2006.

Development of Restaurants. We make available to franchisees the design specifications for a typical restaurant, and we retain the right to prohibit or modify the use of any set of plans. Each franchisee is responsible for selecting the site for each restaurant within their territory. We may assist franchisees in selecting appropriate sites, and any selection made by a franchisee is subject to our approval. We also conduct a physical inspection, review any proposed lease or purchase agreement and make available demographic and other

Domestic Franchise Arrangements. Generally, franchise arrangements consist of a development agreement and separate franchise agreements. Development agreements grant the exclusive right to develop a number of restaurants in a designated geographical area. The term of a domestic development agreement is generally 20 years. The development agreements contain provisions which allow for the continued development of the Applebee's concept and support our long-term expectation of at least 3,000 restaurants in the United States.

The franchisee enters into a separate franchise agreement for the operation of each restaurant. Our standard franchise agreement has a term of 20 years and permits renewal for up to an additional 20 years upon payment of an additional franchise fee. For each restaurant developed, our standard franchise arrangement requires an initial franchisee fee of \$35,000 and a royalty fee equal to 4% of the restaurant's monthly net sales. We have executed agreements with a majority of our franchisees for restaurants opened before January 1, 2000, which maintain the existing royalty rate of 4% and extend the initial term of the franchise agreements until 2020. The terms, royalties and advertising fees under a limited number of franchise agreements and the remaining franchise fees under older development agreements vary from the currently offered arrangements.

Marketing. We currently require domestic franchisees to contribute 2.75% of their gross sales to the national marketing pool and to spend at least 1% of their gross sales on local marketing and promotional activities. Under our current franchise agreements, we have the ability to increase the amount of the required combined contribution to the national marketing pool and the amount required to be spent on local marketing and promotional activities to a maximum of 5% of gross sales.

Training and Support. We provide ongoing advice and assistance to franchisees in connection with the operation and management of each restaurant through training sessions, meetings, seminars, on-premises visits and by written or other material. We also assist franchisees on request with business planning, restaurant development, technology and human resource efforts.

Operations Quality Control. We continuously monitor franchise restaurant operations, principally through our full-time Franchise Area Directors (30 as of December 31, 2006) and our Directors of Franchise Operations (five as of December 31, 2006). Company and third-party representatives make both scheduled and unannounced inspections of restaurants to ensure that only approved products are in use and that our prescribed operations practices and procedures are being followed. During 2006, these representatives made an average of two visits to each of our franchise restaurants during which they conducted an inspection and consultation in the restaurant. We have the right to terminate a franchise agreement if a franchisee does not operate and maintain a restaurant in accordance with our requirements.

Franchise Business Council. We maintain a Franchise Business Council which provides us with input about operations, marketing, product development and other aspects of restaurant operations for the purpose of improving the franchise system. As of December 31, 2006, the Franchise Business Council consisted of seven franchisee representatives and two members of our senior management team. One franchisee representative is a permanent member. Franchisees elect the franchisee representatives annually. The Franchise Business Council is also responsible for the appointment of members to advisory committees related to marketing, supply chain, information technology and food development.

Franchise Financing. Although financing is the sole responsibility of the franchisee, we make available to franchisees information about financial institutions interested in financing the costs of restaurant development for qualified franchisees. None of these financial institutions is our affiliate or agent, and we have no control over the terms or conditions of any financing arrangement offered by these financial institutions.

In 2004, we arranged for a third-party financing company to provide up to \$250,000,000 to qualified franchisees for loans to fund development of new restaurants through October 2007, subject to our approval. We will provide a limited guarantee of 10% of certain loans advanced under this program. We will be released from our guarantee if certain operating results are met after the restaurant has been open for at least two years. As of December 31, 2006, there were loans outstanding to five franchisees for approximately \$65,800,000 under this program.

International Development

International Franchise Arrangements. We continue to pursue franchising of the Applebee's concept as the primary method of international expansion. This

strategy includes seeking qualified franchisees with the resources to open multiple restaurants in each territory and those familiar with the specific local business environment. We currently are focusing on international franchising primarily in Canada, Central and South America, the Mediterranean/Middle East and Mexico. We currently have 31 international franchisees. These franchisees operated 89 restaurants as of December 31, 2006. The success of further international expansion will depend on, among other things, local acceptance of the Applebee's concept and our ability to attract qualified franchisees and operating personnel. Our franchisees must comply with the regulatory requirements of the local jurisdictions.

We work closely with our international franchisees to develop and implement the Applebee's system outside the United States, recognizing commercial, cultural and dietary diversity. These local issues involve the need to be flexible and pragmatic on all elements of the system, including menu, restaurant design, restaurant operations, training, marketing, purchasing and financing.

Employees

As of December 31, 2006, we employed approximately 32,600 full and part-time associates. Of those, approximately 680 were corporate personnel, 2,120 were restaurant managers or managers in training and 29,800 were employed in non-management full and part-time restaurant positions. Of the 680 corporate associates, approximately 240 were in management positions and 440 were general office associates, including part-time associates.

We consider our associate relations to be good. Most associates, other than restaurant management and corporate personnel, are paid on an hourly basis. We strive to provide working conditions and wages that compare favorably with those of our competition. We have never experienced a work stoppage due to labor difficulty, and our associates are not covered by a collective bargaining agreement.

Service Marks

We own the rights to the "Applebee's Neighborhood Grill & Bar(R)" service mark and certain variations thereof and to other service marks used in our system in the United States and in various foreign countries. We are aware of names and marks similar to our service marks used by third parties in certain limited geographical areas. We intend to protect our service marks by appropriate legal action when necessary.

Executive and Other Senior Officers of the Registrant

Our executive and other senior officers as of February 23, 2007 are shown below.

<TABLE>
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Name	Age	Position
----	---	-----
<S>	<C>	<C>
David L. Goebel.....	56	Chief Executive Officer and President, and Member of the Board of Directors
Steven K. Lumpkin.....	52	Executive Vice President, Chief Financial Officer and Treasurer, and Member of the Board of Directors
Carin L. Stutz.....	50	Executive Vice President of Operations
Stanley M. Sword.....	45	Executive Vice President and Chief People Officer
George S. Williams.....	54	Executive Vice President and Chief Marketing Officer
Rohan St. George.....	47	President of International Division
Philip R. Crimmins.....	55	Senior Vice President of Development
Michael Czinege.....	53	Senior Vice President and Chief Information Officer
Kurt Hankins.....	47	Senior Vice President of Menu Development and Innovation
David R. Parsley.....	60	Senior Vice President of Supply Chain Management
Carol A. DiRaimo.....	45	Vice President of Investor Relations
Beverly O. Elving.....	53	Vice President and Controller
Rebecca R. Tilden.....	51	Vice President, General Counsel and Secretary

</TABLE>

David L. Goebel was employed by Applebee's in February 2001 as Senior Vice President of Franchise Operations and was promoted to Executive Vice President of Operations in December 2002. In January 2004, Mr. Goebel was promoted to Chief Operating Officer. In January 2005, he was also named President. In January 2006, Mr. Goebel was named to the Board of Directors and he assumed additional responsibilities including serving as principal executive officer. In September 2006, Mr. Goebel was named Chief Executive Officer. Prior to joining Applebee's, Mr. Goebel headed a management company that provided consulting and strategic planning services to various businesses from April 1998 to February 2001. Prior to 1998, he was a franchise principal with an early developer group of the Boston Market concept. Mr. Goebel's business experience also includes positions as Vice President of Business Development for Rent-a-Center (a subsidiary of Thorn, EMI) and Vice President of Operations for Ground Round restaurants.

Steven K. Lumpkin was employed by Applebee's in May 1995 as Vice President of Administration. In January 1996, he was promoted to Senior Vice President of Administration. In November 1997, he assumed the position of Senior Vice President of Strategic Development and in January 1998 was promoted to Executive Vice President of Strategic Development. He was named Chief Development Officer in March 2001. In March 2002, Mr. Lumpkin assumed the position of Chief Financial Officer and Treasurer. In January 2004, he was appointed to the Board of Directors. Prior to joining Applebee's, Mr. Lumpkin was a Senior Vice President of a division of the Olsten Corporation, Kimberly Quality Care, from July 1993 until January 1995. From June 1990 until July 1993, Mr. Lumpkin was an Executive Vice President and a member of the board of directors of Kimberly Quality Care. From January 1978 until June 1990, Mr. Lumpkin was employed by Price Waterhouse LLP, where he served as a management consulting partner and certified public accountant.

Carin L. Stutz was employed by Applebee's in November 1999 as Senior Vice President of Company Operations. In January 2005, she was promoted to Executive Vice President of Operations. Prior to joining Applebee's, Ms. Stutz was Division Vice President with Wendy's International from July 1994 to November 1999. From 1993 to 1994, she was Regional Operations Vice President for Sodexho, USA. From 1990 to 1993, Ms. Stutz was employed by Nutri/System, Inc. as Vice President of Corporate Operations. Prior to 1990, Ms. Stutz was employed for 12 years with Wendy's International.

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Stanley M. Sword was employed by Applebee's in August 2005 as Executive Vice President and Chief People Officer. Prior to joining Applebee's, Mr. Sword was employed for seven years as an executive with Cerner Corporation. He was hired in August 1998 as Senior Vice President and Chief People Officer and became President of Cerner's Great Lakes region in August 2003. Prior to Cerner, Mr. Sword spent five years with AT&T including three years as the Vice President of Organization Development of NCR Corporation and two years as a client partner in the outsourcing practice of AT&T Solutions. Prior to joining AT&T, Mr. Sword spent 10 years with Andersen Consulting, a division of Arthur Andersen & Co., in a variety of roles within their systems integration practice.

George S. Williams was employed by Applebee's in February 2007 as Executive Vice President and Chief Marketing Officer. From 2002 until joining Applebee's, Mr. Williams was an independent marketing consultant and founder of Williams Enterprises. From 1997 to 2002, Mr. Williams was Senior Vice President of U.S. Marketing for Blockbuster, Inc. Mr. Williams spent seven years in corporate brand marketing positions with Pearle Vision, Inc., where he was Vice President of Field Marketing and Sales, Long John Silver's, where he was Vice President of Advertising and Promotions, and Days Inns of America Inc., where he was Vice President of Marketing. Mr. Williams also has 12 years of advertising agency experience with Marc U.S.A.

Rohan M. St. George was employed by Applebee's in November 2004 as President of the International Division. Prior to joining Applebee's, Mr. St. George was a managing director for Yum! Restaurants International which included responsibility for Puerto Rico, the U.S. Virgin Islands and Venezuela. From 1998 to 2003, he was Vice President of Global Operations for KFC, Pizza Hut and Taco Bell. Prior to 1998, Mr. St. George had 14 years operations experience with Pizza Hut and KFC in various management positions.

Philip R. Crimmins was employed by Applebee's in August 2002 as Vice President of Operations Excellence. In September 2003, Mr. Crimmins was promoted to Senior Vice President of Development. Prior to joining Applebee's, he was employed by Pizza Hut, Inc. for 27 years, most recently as Vice President of Service Strategies. While at Pizza Hut, Inc., Mr. Crimmins held several other positions of increasing responsibility, including senior leadership positions in research and development, concept development, customer satisfaction, field training and restaurant operations.

Michael Czinege was employed by Applebee's in April 2004 as Senior Vice President and Chief Information Officer. Prior to joining Applebee's, Mr. Czinege was Executive Vice President of North American operations for Celerant Consulting. From 1996 to 2004, he was a partner and later Vice President of Cap Gemini Ernst & Young, one of the world's leading providers of consulting, technology and outsourcing services. Mr. Czinege has nearly three decades of industry and consulting experience in manufacturing and supply chain management operations, business planning, sales and marketing, and information systems.

Kurt Hankins was employed by Applebee's in August 2001 as Vice President of Research and Development. In December 2003, Mr. Hankins was promoted to Senior Vice President of Menu Development and Innovation. Prior to joining Applebee's, he served as Vice President of Food and Beverage for Darden Restaurants, Inc. from July 1999 through July 2001. From August 1994 to July 1999, he served as Director of Food Research and Development for Darden Restaurants, Inc. Prior to his employment with Darden Restaurants, Inc., he held various positions in food and beverage research and development within the restaurant industry.

David R. Parsley was employed by Applebee's in April 2000 as Senior Vice President of Purchasing and Distribution. In January 2003, Mr. Parsley was named Senior Vice President of Supply Chain Management. Prior to joining Applebee's, Mr. Parsley held several positions with Prandium, Inc., operator of El Torito, Chi-Chi's and Koo Koo Roo, from November 1996 to April 2000, most recently as Senior Vice President of Quality and Supply Chain Management. He has also held purchasing positions with The Panda Management Company, Carl Karcher Enterprises, Proficient Food Company, Inc. and Baxter Healthcare Corporation.

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Carol A. DiRaimo was employed by Applebee's in November 1993 as Associate Director of Financial Planning and Reporting and was promoted to Director in 1995. She was named Director of Treasury and Corporate Analysis in 1998 and Director of Investor Relations and Corporate Analysis in April 2000. She was promoted to Executive Director of Investor Relations in January 2003 and Vice President of Investor Relations in February 2004. Prior to joining Applebee's, she was employed by Gilbert/Robinson, Inc. from May 1989 to November 1993. Ms. DiRaimo, a certified public accountant, was also employed by Deloitte Haskins & Sells for six years.

Beverly O. Elving was employed by Applebee's in June 1998 as Director of Corporate Accounting. In September 2002, Ms. Elving was promoted to Vice President of Accounting. In February 2005, she was named Vice President and Controller. Prior to joining Applebee's, she was Chief Financial Officer from 1996 to 1998 for Integrated Medical Resources, a publicly-held management services company. From 1990 to 1996, Ms. Elving was employed by the Federal Deposit Insurance Corporation as Director of Financial Operations and was later promoted to Vice President of Financial Operations & Accounting. Ms. Elving, a certified public accountant, was also employed by Arthur Andersen & Co. for five years.

Rebecca R. Tilden was employed by Applebee's in November 2003 and became Vice President and General Counsel in January 2004. Prior to joining Applebee's, Ms. Tilden was an independent consultant specializing in corporate compliance and ethics issues. From 1987 to 2000, Ms. Tilden was employed by Aventis Pharmaceuticals, Inc. in various positions of increasing responsibility and served most recently as Vice President, Assistant General Counsel and Secretary.

Item 1A. Risk Factors

Our business and operations are subject to a number of risks and uncertainties. Listed below are important factors that could cause actual results to differ materially from our historical results and from those projected in forward-looking statements contained in this report or in other filings with the SEC.

We and our franchisees may not be successful in operating restaurants profitably, generating positive operating cash flows and generating acceptable returns on invested capital.

Our financial success depends on our ability and the ability of our franchisees to operate restaurants profitably, to generate positive cash flows and to generate acceptable returns on invested capital. The returns and profitability of our restaurants may be negatively impacted by a number of factors. The most significant are:

- o Declines in comparable store sales growth rates due to:
 - o failing to consistently provide high quality products and innovate new products to retain the existing customer base and attract new customers;
 - o competitive intrusion in a market;
 - o opening new restaurants that may cannibalize the sales of existing restaurants; and
 - o less than effective national and local marketing.
- o Negative trends in operating expenses such as:
 - o increases in food costs including rising commodity costs;
 - o increases in labor costs including increases in minimum wage and other employment laws, immigration reform, increases due to tight labor market conditions, health care and workers compensation costs; and
 - o increases in other operating costs including utilities, lease-related expenses and credit card processing fees.

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- o Our inability to open new restaurants at acceptable sales volumes.
- o Our inability to increase menu pricing to offset increased operating expenses.
- o Negative trends in other expenses such as interest rates and the cost of construction materials that will affect our ability to maintain and refurbish existing stores.
- o Our ability to manage a large number of restaurants that may be impacted by unanticipated changes in executive management, and availability of

- qualified restaurant management, staff and other personnel.
- o Our ability to operate effectively in new and/or highly competitive geographic regions or local markets in which we have limited operating experience.
- o Our ability to manage a large number of restaurants in many geographic areas with a standardized operational and marketing approach.

Our profitability could be adversely impacted by economic, demographic and other changes that impact guest traffic.

Our business is affected by changes in consumer tastes and by national, regional and local economic conditions, demographic trends and traffic patterns near our restaurants. We can also be adversely affected by publicity resulting from actual or alleged food quality, illness, injury or other health concerns or operating issues related to restaurant operations or from food suppliers.

Our profitability depends upon maintaining and growing the value of the Applebee's brand.

Our business is dependent upon guest perceptions of the Applebee's brand. Management believes it must preserve and grow the value of the Applebee's brand to be successful in the future. Brand value is based upon actual guest experiences as well as consumer perceptions regarding a variety of subjective qualities, and can be damaged by isolated business incidents that erode consumer trust, particularly if the incidents receive considerable publicity or result in litigation.

Increased competition for locations, customers and staff could adversely impact our profitability.

Competition in the casual dining segment of the restaurant industry is expected to remain intense with respect to price, service, location, concept and the type and quality of food. There is also intense competition for real estate sites, qualified management personnel and hourly restaurant staff. Our competitors include national, regional and local chains, as well as local owner-operated restaurants. There are a number of well-established competitors, some of which have been in existence for a longer period than us and may be better established in the markets where our restaurants are or may be located.

Our future leverage could have an effect on our operations.

Our Board of Directors is reviewing various strategic alternatives to enhance shareholder value. While no decision as to any particular course of action has been made, some of the alternatives under review could lead us to increase our debt. Increased leverage and debt service obligations could have the following consequences:

- o We may be more vulnerable in the event of deterioration in our business, in the restaurant industry or in the economy generally. In addition, we may be limited in our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

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- o We may be required to dedicate a substantial portion of our cash flow to the payment of interest or principal on our indebtedness, which could reduce the amount of funds available for operations and thus place us at a competitive disadvantage as compared with competitors that are less highly leveraged.
- o From time to time, we may engage in various capital markets, bank credit and other financing activities to meet our cash requirements. We may have difficulty obtaining additional financing at economically acceptable interest rates.
- o Our new revolving credit facility contains, and any future debt obligations may contain, certain negative covenants including limitations on liens, consolidations and mergers, indebtedness, capital expenditures, asset dispositions, sale-leaseback transactions, dividends and stock repurchases.

We and our franchisees may not be successful in opening additional restaurants.

Our continued growth depends, in part, on our ability and the ability of our franchisees to open additional restaurants. The opening of new restaurants, both by us and our franchisees, depends on a number of factors, many of which are beyond our control or the control of our franchisees. The most significant factors are:

- o the cost and availability of suitable restaurant locations;
- o acceptable leasing or financial terms;
- o the availability of capital to finance growth;
- o cost-effective and timely construction of restaurants (construction can be delayed due to, among other reasons, labor disputes, local zoning and licensing matters and weather conditions); and
- o securing required governmental permits and licenses.

Substantial increases in capital expenditure costs may adversely impact future growth.

Our capital expenditures are primarily related to the development or acquisition of additional restaurants, maintenance and refurbishment of existing restaurants, and expansion of information technology systems and other corporate infrastructure. The costs related to restaurant development, maintenance and refurbishment include purchases and leases of land, buildings, equipment, and repairs and maintenance. The labor and material costs expended vary by geographical location and are subject to general price increases. There can be no assurance that future capital expenditure costs will not increase. In addition, capital expenditures will be required to maintain and refurbish restaurants as they age. There can be no assurance that we will remain profitable in these restaurants even after maintenance and refurbishment has been completed.

Our continued growth is, in part, dependent upon our ability to find and retain qualified franchisees and for those franchisees to operate restaurants profitably in compliance with our standards, build new restaurants and plan for succession.

Although we have established criteria to evaluate prospective franchisees, there can be no assurance that our existing or future franchisees will have the business abilities or access to financial resources necessary to open restaurants or that they will successfully develop or operate these restaurants in their franchise areas in a manner consistent with our standards.

We intend to continue our efforts to franchise restaurants in certain international territories. The ability of franchisees to open and operate restaurants outside of the United States is subject to the same factors as are applicable to opening domestic restaurants described above, as well as factors related to additional legal, regulatory, cultural acceptability and building design issues involved in international locations. There can be no assurance that we will be able to attract qualified franchisees or that such franchisees will be able to open and operate restaurants successfully.

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Further penetrating existing mature markets could impact the sales and profitability of our existing restaurants in those markets.

Part of our restaurant development may occur in more mature markets. Our restaurants typically attract customers within a limited trade area. Sales and profitability of existing restaurants may be negatively impacted by the opening of a restaurant within this trade area.

The impact of government regulation may cause us to incur additional costs or liabilities.

Our restaurants are subject to various foreign, federal, state and local government regulations, including those related to the sale of food and alcoholic beverages and labor laws. Failure to obtain or maintain the necessary licenses, permits and approvals, including food and liquor licenses, could adversely affect our operating results or delay or result in our decision to cancel the opening of new restaurants. Local authorities may suspend or deny renewal of our food and liquor licenses if they determine that our conduct does not meet applicable standards or if there are changes in regulations in which we are unable to comply.

We are subject to "dram shop" statutes in some states. These statutes generally allow a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. A judgment substantially in excess of our insurance coverage could harm our financial condition.

Various federal and state labor laws related to employment eligibility, minimum wage requirements, overtime pay, meal and rest breaks and other matters have an effect on our operating costs. Changes in these laws, including additional government-imposed increases in minimum wages, overtime pay, paid leaves of absence and mandated health benefits, and increased tax reporting and tax payment requirements for associates who receive tips, or a reduction in the number of states that allow tips to be credited toward minimum wage requirements could harm our operating results.

The federal Americans with Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment. Although our restaurants are designed to be accessible to the disabled, we could be required to make additional modifications to our restaurants to provide service to, or make reasonable accommodations for, disabled persons. We are also subject to various federal and state environmental regulations that could delay or prevent development of new restaurants in certain locations.

We are also subject to foreign, federal and state laws that regulate the offer

and sale of franchises and the relationship with our franchisees. These laws and regulations, together with decisions of several state and federal courts, may limit our ability to enforce certain provisions of, or alter or terminate, our franchise agreements.

A significant increase in litigation could have a material adverse effect on our results of operations, financial condition and business prospects.

We are subject to complaints or litigation from guests alleging illness, injury or other food quality, health or operational concerns. Adverse publicity resulting from these allegations could harm the operation and profitability of our restaurants, regardless of whether the allegations are valid, whether we are liable or whether the claim involves our restaurants or one of our franchisees.

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Failure to comply with the various federal and state labor laws pertaining to minimum wage, overtime pay, meal and rest breaks, unemployment tax rates, workers' compensation rates, citizenship or residency requirements, child labor requirements and sales taxes may have a material adverse effect on our business or operations. Further, employee claims based on, among other things, discrimination, harassment or wrongful termination may divert our financial and management resources and adversely affect our operations.

Our growth and profitability could be impacted by the lack of needed inventories.

Our profitability depends, in part, on our strategies to control food costs. Our dependence on commodities subjects us to the risk that shortages or interruption in supply, caused by adverse weather or other conditions, could negatively affect the availability, quality or cost of ingredients. Changes in the price of commodities, particularly beef and chicken, could materially impact our profitability. We may not be able to react to increased food costs by adjusting our supply chain practices or menu pricing which would negatively impact our operating results.

Our global supply chain may be subject to interruptions, dislocation or may be rendered less effective for a variety of reasons such as:

- o political unrest;
- o animal borne disease or illness;
- o contamination of growing fields, water supplies or animal processing facilities;
- o inadequate storage facilities; and
- o loss of effective climate controls in storage facilities and processing plants.

Our continued growth depends on our successful adaptation and implementation of our operating systems.

System-wide expansion has and will continue to require the implementation of enhanced operating systems. There can be no assurance that we will be able to anticipate, invest in and effectively manage the information technology and logistical resources necessary to support the growth of our business.

Our future growth may depend, in part, on our acquisition of Applebee's restaurants from our franchisees.

We may acquire Applebee's restaurants from our franchisees. There is no assurance that we will be able to acquire franchise restaurants at favorable prices. In addition, if we complete acquisitions in the future, the acquisitions may involve the following risks:

- o increases in our debt and contingent liabilities;
- o entry into geographic markets in which we have little or no direct prior experience; and
- o unanticipated or undiscovered legal liabilities or other obligations of acquired franchise restaurants.

Even if we are successful in acquiring franchise operations, there is no assurance that we will be able to operate the acquired restaurants profitably. The integration of acquired restaurants into our operations may involve a number of issues, any of which could materially and adversely affect our operations and financial performance. These issues include:

- o burdens on our management resources;
- o diversion of cash flows;
- o acquisition integration issues, such as business process and system incompatibilities;
- o potential loss of key personnel of acquired franchise restaurants; and
- o potential loss of customer relationships and related revenues.

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Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of December 31, 2006, we operated 521 company restaurants. Of these, we leased the building for 86 sites, owned the building and leased the land for 230 sites, and owned the land and building for 205 sites. In addition, as of December 31, 2006, we owned five sites for future development of restaurants and had entered into 11 lease agreements for restaurant sites we plan to open during 2007. Our leases generally have an initial term of 10 to 20 years, with renewal terms of 5 to 20 years, and provide for a fixed rental plus, in certain instances, percentage rentals based on gross sales. In addition, our leases in many instances include escalation of rent payments during the initial term and/or during the renewal terms. Our company-owned restaurants have an average of 4,940 square feet and seat an average of 168 guests.

Under our franchise agreements, we have certain rights to gain control of a restaurant site in the event of default under the franchise agreement.

We own an 80,000 square foot office building and lease a 23,000 square foot office building in Overland Park, Kansas, located in the Kansas City metropolitan area, in which our corporate offices are headquartered. In September 2006, we began to actively market our existing 80,000 square foot headquarters under a plan approved by management. We also lease office space in certain regions in which we operate restaurants.

In January 2006, we purchased land for a new corporate headquarters in Lenexa, Kansas, located in the Kansas City metropolitan area. We anticipate relocating to our new corporate headquarters in the fourth quarter of 2007.

The following table sets forth the 49 states, 16 countries outside of the United States and one U.S. territory in which Applebee's are located and the number of restaurants operating in each state or country as of December 31, 2006:

<TABLE>
<CAPTION>

State or Country	Number of Restaurants		
	Company	Franchise	Total System
<S>	<C>	<C>	<C>
Domestic:			
Alabama.....	--	28	28
Alaska.....	--	2	2
Arizona.....	--	32	32
Arkansas.....	2	9	11
California.....	25	87	112
Colorado.....	--	31	31
Connecticut.....	--	11	11
Delaware.....	3	8	11
Florida.....	--	106	106
Georgia.....	--	71	71
Idaho.....	--	10	10
Illinois.....	13	54	67
Indiana.....	7	58	65
Iowa.....	--	25	25
Kansas.....	16	19	35
Kentucky.....	5	31	36
Louisiana.....	--	16	16
Maine.....	11	--	11
Maryland.....	12	14	26
Massachusetts.....	38	--	38
Michigan.....	67	21	88
Minnesota.....	63	2	65
Mississippi.....	3	13	16
Missouri.....	61	2	63
Montana.....	--	7	7
Nebraska.....	--	19	19
Nevada.....	15	--	15
New Hampshire.....	16	--	16

New Jersey.....	--	50	50
New Mexico.....	8	10	18
New York.....	1	94	95
North Carolina.....	2	53	55
North Dakota.....	--	10	10
Ohio.....	--	92	92
Oklahoma.....	--	19	19
Oregon.....	--	17	17
Pennsylvania.....	1	63	64
Rhode Island.....	8	--	8
South Carolina.....	--	41	41
South Dakota.....	--	7	7
Tennessee.....	5	39	44
Texas.....	60	34	94
Utah.....	--	15	15
Vermont.....	3	--	3
Virginia.....	70	2	72
Washington.....	--	36	36
West Virginia.....	2	14	16
Wisconsin.....	4	43	47
Wyoming.....	--	5	5
Total Domestic.....	521	1,320	1,841

</TABLE>

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<TABLE>
<CAPTION>

State or Country	Number of Restaurants		
	Company	Franchise	Total System
<S>	<C>	<C>	<C>
International:			
Bahrain.....	--	1	1
Brazil.....	--	4	4
Canada.....	--	23	23
Chile.....	--	1	1
Ecuador.....	--	1	1
Egypt.....	--	1	1
Greece.....	--	8	8
Guatemala.....	--	1	1
Honduras.....	--	4	4
Jordan.....	--	1	1
Kuwait.....	--	3	3
Lebanon.....	--	1	1
Mexico.....	--	32	32
Qatar.....	--	2	2
Saudi Arabia.....	--	4	4
United Arab Emirates.....	--	1	1
U.S. Territories.....	--	1	1
Total International.....	--	89	89
Total System.....	521	1,409	1,930

</TABLE>

Item 3. Legal Proceedings

We are subject from time to time to lawsuits, claims and governmental inspections or audits arising in the ordinary course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. In the opinion of management, these matters are adequately covered by insurance, or if not so covered, are without merit or are of such a nature or involve amounts that would not have a material adverse impact on our business or consolidated financial position.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

1. Our common stock trades on The NASDAQ Global Select Market under the symbol

The table below sets forth for the fiscal quarters indicated the reported high and low sale prices of our common stock, as reported on The NASDAQ Global Select Market.

<TABLE>
<CAPTION>

	2006		2005	
	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
First Quarter	\$ 26.47	\$ 21.62	\$ 29.19	\$ 24.69
Second Quarter	\$ 25.04	\$ 19.43	\$ 28.65	\$ 24.25
Third Quarter	\$ 23.07	\$ 17.29	\$ 26.79	\$ 19.95
Fourth Quarter	\$ 25.47	\$ 20.77	\$ 23.98	\$ 19.73

</TABLE>

2. Number of stockholders of record at February 23, 2007: 1,279

3. We declared an annual dividend of \$0.22 per common share on December 7, 2006 for stockholders of record on December 22, 2006, and the dividend was paid on January 22, 2007. We declared an annual dividend of \$0.20 per common share in October 2005 for stockholders of record on December 23, 2005, and the dividend was paid on January 23, 2006.

We presently anticipate continuing the payment of cash dividends which will be dependent upon future earnings and cash flows, capital requirements, our financial condition, returns to shareholders and certain other factors. There can be no assurance in 2007 or future years as to the amount that will be available for the declaration of dividends, if any.

4. For information on our equity compensation plans, refer to Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

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5. Issuer Purchases of Equity Securities

During fiscal 2006, we repurchased 1,760,506 shares of our common stock at an average price of \$21.88 for an aggregate cost of approximately \$38,522,000. The table below sets forth purchases of our common stock during the fourth quarter of fiscal 2006:

<TABLE>
<CAPTION>

Purchases of Equity Securities (1)				
	(a)	(b)	(c)	(d)
<S>	<C>	<C>	<C>	<C>
Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
September 25, 2006 through October 22, 2006	4,200	\$20.96	4,200	\$101,351
October 23, 2006 through November 19, 2006	20,800	\$23.97	20,800	\$250,852
November 20, 2006 through December 31, 2006	449,606	\$23.15	449,606	\$240,445
Total	474,606		474,606	

<FN>
(1) In October 2005, our Board of Directors authorized repurchases of our common stock of up to \$175,000,000 during 2005 and 2006, subject to market conditions. In November 2006, with approximately \$100,000,000 of the previous authorization remaining, our Board of Directors authorized additional repurchases of our common stock of up to \$150,000,000, subject to market conditions, for a total of approximately \$250,000,000 in authorized repurchases.

</FN>
</TABLE>

5. Performance Graph

The following graph compares the annual change in our cumulative total stockholder return for the five fiscal years ended December 31, 2006 (December 30, 2001 to December 31, 2006) based upon the market price of our common stock, compared with the cumulative total return on the NASDAQ Market Index and the Hemscott Group Index assuming \$100 was invested and dividends were reinvested. The NASDAQ Market Index includes both domestic and foreign companies that trade on the NASD Capital, NASD Global and NASD Global Select Markets. The Hemscott Group Index includes approximately 80 restaurant companies.

Comparison of five-year cumulative total return among Applebee's International, Inc., NASDAQ Market Index and Hemscott Group Index

(PERFORMANCE GRAPH)

Source: Hemscott Industry Group

<TABLE>
<CAPTION>

Company/Index/Market	Measurement Period					
	December 30, 2001	December 29, 2002	December 28, 2003	December 26, 2004	December 25, 2005	December 31, 2006
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Applebee's International, Inc.....	\$ 100.00	\$ 103.72	\$ 169.81	\$ 167.92	\$ 153.78	\$ 166.10
Hemscott Group Index.....	\$ 100.00	\$ 79.82	\$ 109.90	\$ 134.23	\$ 142.81	\$ 175.65
NASDAQ Market Index.....	\$ 100.00	\$ 69.75	\$ 104.88	\$ 113.70	\$ 116.19	\$ 128.12

</TABLE>

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Item 6. Selected Financial Data

The following table sets forth our selected financial data for the periods and the dates indicated. Fiscal 2006 contained 53 weeks. Fiscal 2002 through 2005 each contained 52 weeks. The following should be read in conjunction with the Consolidated Financial Statements and Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Form 10-K.

<TABLE>
<CAPTION>

	Fiscal Year Ended				
	December 31, 2006(1)	December 25, 2005	December 26, 2004	December 28, 2003	December 29, 2002
	(in thousands, except per share amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF EARNINGS DATA:					
Company restaurant sales.....	\$ 1,196,258	\$ 1,082,641	\$ 976,798	\$ 867,158	\$ 724,616
Franchise royalties and fees.....	139,855	128,813	121,221	109,604	102,180
Other franchise income.....	1,808	5,196	13,615	13,147	2,688
Total operating revenues.....	\$ 1,337,921	\$ 1,216,650	\$ 1,111,634	\$ 989,909	\$ 829,484
Operating earnings.....	\$ 130,784	\$ 157,637	\$ 165,280	\$ 152,677	\$ 126,590
Net earnings.....	\$ 80,906	\$ 101,802	\$ 110,865	\$ 94,349	\$ 80,527
Basic net earnings per share.....	\$ 1.09	\$ 1.29	\$ 1.36	\$ 1.14	\$ 0.97
Diluted net earnings per share.....	\$ 1.08	\$ 1.27	\$ 1.33	\$ 1.10	\$ 0.94
Dividends declared per share.....	\$ 0.22	\$ 0.20	\$ 0.06	\$ 0.05	\$ 0.04
Basic weighted average shares outstanding.....	74,001	78,650	81,528	82,944	83,407
Diluted weighted average shares outstanding.....	74,936	80,010	83,600	85,409	85,382
BALANCE SHEET DATA (AT END OF FISCAL YEAR):					
Total assets.....	\$ 935,456	\$ 878,588	\$ 754,431	\$ 651,078	\$ 573,647
Long-term debt, including current portion, and notes payable.....	\$ 175,185	\$ 188,367	\$ 35,694	\$ 20,862	\$ 52,563
Stockholders' equity.....	\$ 486,654	\$ 412,610	\$ 496,727	\$ 453,143	\$ 385,201

<FN>
(1) Beginning in 2006, we began recording stock-based compensation expense in accordance with Statement of Financial Accounting Standards No. 123(R), "Stock-Based Compensation".
</FN>
</TABLE>

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The statements contained in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section regarding restaurant development, comparable sales, revenue growth, restaurant margins, commodity costs, general and administrative expenses, capital expenditures, return on equity and financial commitments are forward-looking and based on current expectations. There are several risks and uncertainties that could cause actual results to differ materially from those described. These risks include, but are not limited to, our ability and the ability of our franchisees to open and operate additional restaurants profitably and generate positive operating cash flows and return on invested capital, the impact of economic and demographic factors on consumer spending, maintaining and growing the value of the Applebee's brand, the impact of intense competition in the casual dining segment of the restaurant industry, the impact of future leverage on our operations, the failure to open the restaurants anticipated, the impact of increases in capital expenditure costs on future development, our ability to attract and retain qualified franchisees, and the impact of further penetration of restaurants in existing markets. For a more detailed discussion of the principal factors that could cause actual results to be materially different, you should read our risk factors in Item 1A of this Form 10-K. We disclaim any obligation to update forward-looking statements.

General

We operate on a 52 or 53 week fiscal year ending on the last Sunday in December. Our fiscal years are as follows:

<TABLE>
<CAPTION>

Fiscal Year	Fiscal Year Ending	Number of Weeks
<S>	<C>	<C>
2004	December 26, 2004	52
2005	December 25, 2005	52
2006	December 31, 2006	53
2007	December 30, 2007	52

</TABLE>

Our operating revenues are generated from three primary sources:

- o Company restaurant sales (food and beverage sales)
- o Franchise royalties and fees
- o Other franchise income

Beverage sales consist of sales of alcoholic beverages, while non-alcoholic beverages are included in food sales.

Franchise royalties are generally 4% of each franchise restaurant's monthly gross sales. Franchise fees typically are \$35,000 for each restaurant opened.

Other franchise income includes revenue from information technology products and services provided to certain franchisees. In 2005, other franchise income also included insurance premiums for the current year and premium audit adjustments for prior years from franchisee participation in our captive insurance program. In 2006, we discontinued writing insurance coverage for new or existing participants.

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Certain expenses relate only to company-owned restaurants. These include:

- o Food and beverage costs
- o Labor costs

- o Direct and occupancy costs
- o Pre-opening expenses

Cost of other franchise income includes costs related to information technology products and services provided to certain franchisees. In 2005, cost of other franchise income included the costs related to franchisee participation in our captive insurance program. In 2006, we discontinued writing insurance coverage for new or existing participants. Cost of other franchise income includes costs related to the resolution of claims arising from franchisee participation in our captive insurance program.

Other expenses, such as general and administrative and amortization expenses, relate to both company-owned restaurants and franchise operations.

Overview

Applebee's International, Inc. and our subsidiaries develop, franchise and operate casual dining restaurants under the name "Applebee's Neighborhood Grill & Bar(R)," which is the largest casual dining concept in the world with over 1,900 system-wide restaurants open as of December 31, 2006(1). The casual dining segment of the restaurant industry is highly competitive and there are many factors that affect our profitability. Our industry is susceptible to changes in economic conditions, trends in lifestyles, fluctuating costs, government regulation, availability of resources and consumer perceptions. When evaluating and assessing our financial performance, we believe there are five key factors:

- o Development - the number of new company and franchise restaurants opened during the period. Our expansion strategy has been to cluster restaurants in targeted markets, thereby increasing consumer awareness and convenience, and enabling us to take advantage of operational, distribution and advertising efficiencies. We currently expect that the Applebee's system will ultimately encompass at least 3,000 restaurants in the United States, as well as the potential for at least 1,000 restaurants internationally. In 2006, we and our franchisees opened 35 and 108 restaurants, respectively. Together, we have opened at least 100 restaurants system-wide each year for the past 14 fiscal years.
- o Comparable restaurant sales - a year-over-year comparison of sales for restaurants open at least 18 months. Changes in comparable restaurant sales are driven by changes in the average guest check and/or changes in guest traffic. Average guest check changes result from menu price changes and/or changes in menu mix. During 2006, the impact of menu price increases on company restaurants was approximately 2.2%. Although we may have changes in our average guest check from period to period, our main focus has been increasing guest traffic as we view this component to be more indicative of the long-term health of the Applebee's brand. We are constantly seeking to increase guest traffic by focusing on improving operations and enhancing our menu with new food and beverage offerings. In 2006, we began implementation of a plan to substantially improve the quality and flavor profile of our food and beverage offerings as a result of comprehensive consumer research we completed in 2005. In 2006, company comparable sales decreased 1.0%, while domestic franchise and domestic system-wide comparable sales decreased 0.5% and 0.6%, respectively. We believe our sales and traffic have been negatively impacted by multiple factors. Lower income households, which represent a significant portion of our guests, have been impacted by higher energy costs and interest rates. The bar and grill category of the restaurant industry has been negatively impacted by increased trade-down to quick-service restaurants. In addition, the supply growth of units opened in the category in 2006 and 2005 has outpaced demand contributing to weaker sales trends.

(1) Source: Nation's Restaurant News, "Special Report: Top 100," June 26, 2006.

- o Company restaurant margins - company restaurant sales, less food and beverage, labor, direct and occupancy restaurant costs and pre-opening expenses, expressed as a percentage of company restaurant sales. Company restaurant margins are susceptible to fluctuations in commodity costs, labor costs and other operating costs such as utilities. Company restaurant margins were 12.1%, 13.4% and 15.6% in 2006, 2005 and 2004, respectively.
- o General and administrative expenses - general and administrative expenses expressed as a percentage of total operating revenues. General and administrative expenses were 10.5%, 9.0% and 9.4% in 2006, 2005 and 2004, respectively. Stock-based compensation included in general and administrative expenses was 1.5%, 0.2%, and 0.1% in 2006, 2005 and 2004, respectively.
- o Return on invested capital - net earnings expressed as a percent of average invested capital. We believe this is an important indicator as it allows us to evaluate our ability to create value for our shareholders.

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America. These principles require us to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and notes thereto. Actual results may differ from these estimates, and such differences may be material to our consolidated financial statements. We believe that the following accounting policies involve a significant degree of judgment or complexity.

Inventory valuation: We state inventories at the lower of cost, using the first-in, first-out method, or market. Market is determined based upon our estimates of the net realizable value.

We may periodically purchase and maintain inventories of certain specialty products to ensure sufficient supplies to the system, to ensure continuity of supply, or to control food costs. We review and make quality control inspections of our inventories to determine obsolescence on an ongoing basis. These reviews require management to make certain estimates and judgments regarding projected usage which may change in the future and may require us to record an inventory impairment.

Property and equipment: We report property and equipment at historical cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful life of the related asset. The useful lives of the assets are based upon management's expectations. We periodically review the assets for changes in circumstances which may impact their useful lives. If there are changes in circumstances that revise an asset's useful life, we will adjust the depreciation expense accordingly for that asset in future periods.

Stock-based compensation: Beginning in 2006, we account for stock-based compensation in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment". As required by SFAS No. 123(R), stock-based compensation is estimated for equity awards at fair value at the grant date. We determine the fair value of equity awards using a binomial model. The binomial model requires various highly judgmental assumptions including the expected life, stock price volatility and the forfeiture rate. If any of the assumptions used in the model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period.

Impairment and other restaurant closure costs: We periodically review restaurant property and equipment for impairment on a restaurant-by-restaurant basis using certain market and restaurant operating indicators including historical cash flows as well as current estimates of future cash flows and/or appraisals. We review other long-lived assets at least annually and when events or circumstances indicate that the carrying value of the asset may not be recoverable. The recoverability is assessed in most instances by comparing the carrying value to its undiscounted cash flows. This assessment process requires the use of estimates and assumptions regarding future cash flows and estimated useful lives, which are subject to a significant degree of judgment. If these assumptions change in the future, we may be required to record impairment charges for these assets.

Income taxes: We record valuation allowances against our deferred tax assets, when necessary, in accordance with SFAS No. 109, "Accounting for Income Taxes." Realization of deferred tax assets is dependent on future taxable earnings and is therefore uncertain. We assess the likelihood that our deferred tax assets in each of the jurisdictions in which we operate will be recovered from future taxable income. Deferred tax assets do not include future tax benefits that we deem likely not to be realized.

We are periodically audited by foreign and domestic tax authorities for both income and sales and use taxes. We record accruals when we determine it is probable that we have an exposure in a matter relating to an audit. The accruals may change in the future due to new developments in each matter.

Legal and insurance reserves: We are periodically involved in various legal actions. We are required to assess the probability of any adverse judgments as well as the potential range of loss. We determine the required accruals after a review of the facts of each legal action.

We use estimates in the determination of the appropriate liabilities for general liability, workers' compensation and health insurance. The estimated liability is established based upon historical claims data and third-party actuarial estimates of settlement costs for incurred claims. Unanticipated changes in these factors may require us to revise our estimates.

We periodically reassess our assumptions and judgments and make adjustments when significant facts and circumstances dictate. A change in any of the above estimates could impact our consolidated statements of earnings, and the related asset or liability recorded in our consolidated balance sheets would be adjusted accordingly. Historically, actual results have not been materially different than the estimates that are described above.

Acquisitions

All of our acquisitions discussed below have been accounted for using the purchase method of accounting and, accordingly, our consolidated financial statements reflect the results of operations for each acquisition subsequent to the date of acquisition. The assets acquired and liabilities assumed are recorded at estimates of fair value as determined by management based upon information available. We finalize the allocation of purchase price to the fair value of assets acquired and liabilities assumed when we obtain information sufficient to complete the allocation, but in each case, no longer than one year after the acquisition date.

In April 2004, we completed the acquisition of the operations and assets of 10 Applebee's restaurants located in Southern California for approximately \$13,800,000 in cash. The purchase price was allocated to the fair value of property and equipment of \$2,500,000, goodwill of \$10,800,000, and other net assets of approximately \$500,000.

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In May 2005, we completed the acquisition of 12 Applebee's restaurants in Missouri, Kansas and Arkansas, which included one restaurant under construction, for approximately \$39,500,000 in cash. The purchase price was allocated to the fair value of property and equipment of \$17,500,000, goodwill of \$21,500,000, reacquired franchise rights of approximately \$300,000, and other net assets of approximately \$200,000.

In January 2006, we completed the acquisition of four Applebee's restaurants in the Houston market for approximately \$8,100,000 in cash. The purchase price was allocated to the fair value of property and equipment of \$7,400,000, goodwill of approximately \$500,000, reacquired franchise rights of approximately \$100,000, and other net assets of approximately \$100,000.

The following table is comprised of actual company restaurant sales for the three restaurant acquisitions above, which are included in our consolidated financial statements for each period presented, and pro forma company restaurant sales. The pro forma company restaurant sales for 2006 include sales related to the January 2006 acquisition discussed above as if the acquisition had occurred as of the beginning of 2006. The pro forma company restaurant sales for 2005 includes sales related to the January 2006 acquisition and the May 2005 acquisition discussed above as if the acquisitions had occurred as of the beginning of 2005. The pro forma company restaurant sales for 2004 includes sales related to the May 2005 acquisition and the April 2004 acquisition discussed above as if the acquisition had occurred as of the beginning of 2004.

<TABLE>

<CAPTION>

	2006	2005	2004
<S>	<C>	<C>	<C>
Actual company restaurant sales for acquired restaurants.....	\$ 6,400	\$ 17,000	\$ 17,600
Pro forma company restaurant sales for acquired restaurants.....	\$ 7,100	\$ 32,800	\$ 52,600

</TABLE>

In April 2005, we completed the acquisition of eight Applebee's restaurants in the Memphis market, which were closed in 2004 by a former franchisee, for approximately \$8,800,000 payable in cash. In connection with this acquisition, we paid approximately \$800,000 in 2004 and \$8,000,000 in 2005. The purchase price of \$8,800,000 was allocated to the fair value of property and equipment of approximately \$8,200,000 and goodwill of approximately \$600,000. We have remodeled and opened seven restaurants and the remaining restaurant was sold to a third-party.

Captive Insurance Subsidiary

In 2002, we formed Neighborhood Insurance, Inc., a Vermont corporation and a wholly-owned captive insurance subsidiary to provide Applebee's International, Inc. and qualified franchisees with workers' compensation and general liability insurance. In 2005, we reduced the types of insurance coverage plans offered which resulted in fewer franchisee participants in our captive insurance program. Through 2005, Applebee's International, Inc. and covered franchisees

made premium payments to the captive insurance company which pays administrative fees and insurance claims, subject to individual and aggregate maximum claim limits under the captive insurance company's reinsurance policies. Franchisee premium amounts billed by the captive insurance company were established based upon third-party actuarial estimates of settlement costs for incurred and anticipated claims and administrative fees. Franchisee premiums were included in other franchise income ratably over the policy year and the related offsetting expenses were included in cost of other franchise income. In 2006, we discontinued writing insurance coverage for new or existing participants. Cost of other franchise income includes costs related to the resolution of claims arising from franchisee participation in our captive insurance program. We do not expect franchisee participation in the captive insurance company to have a material impact on our net earnings. Our consolidated balance sheets include the following balances related to the captive insurance subsidiary:

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- o Franchise premium receivables of approximately \$400,000 and \$1,700,000 as of December 31, 2006 and December 25, 2005, respectively, included in receivables related to captive insurance subsidiary.
- o Cash equivalent and other long-term investments restricted for the payment of claims of approximately \$12,600,000 and \$18,600,000 as of December 31, 2006 and December 25, 2005, respectively, included in restricted assets related to captive insurance subsidiary.
- o Loss reserve related to captive insurance subsidiary of approximately \$12,600,000 and \$20,700,000 as of December 31, 2006 and December 25, 2005, respectively. Approximately \$6,500,000 and \$10,500,000 for December 31, 2006 and December 25, 2005, respectively, is included in other non-current liabilities.

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Results of Operations

The following table contains information derived from our consolidated statements of earnings expressed as a percentage of total operating revenues, except where otherwise noted. Percentages may not add due to rounding.

<TABLE>

<CAPTION>

	Fiscal Year Ended		
	December 31, 2006	December 25, 2005	December 26, 2004
<S>	<C>	<C>	<C>
Operating revenues:			
Company restaurant sales.....	89.4%	89.0%	87.9%
Franchise royalties and fees.....	10.5	10.6	10.9
Other franchise income.....	0.1	0.4	1.2
Total operating revenues.....	100.0%	100.0%	100.0%
Cost of sales (as a percentage of company restaurant sales):			
Food and beverage.....	26.7%	26.5%	26.5%
Labor.....	33.7	33.1	32.5
Direct and occupancy.....	27.1	26.6	25.1
Pre-opening expense.....	0.4	0.4	0.3
Total cost of sales.....	87.9%	86.6%	84.4%
Cost of other franchise income (as a percentage of other franchise income).....	149.3%	94.1%	105.8%
General and administrative expenses.....	10.5	9.0	9.4
Amortization of intangible assets.....	0.1	0.1	0.1
Impairment and other restaurant closure costs.....	0.7	0.3	--
Loss on disposition of property and equipment.....	0.2	0.2	0.2
Operating earnings.....	9.8	13.0	14.9
Other income (expense):			
Investment income.....	0.2	0.1	0.1
Interest expense.....	(0.9)	(0.4)	(0.1)
Other income.....	--	0.1	0.3
Total other income (expense).....	(0.6)	(0.1)	0.3
Earnings before income taxes and cumulative effect of change in accounting principle.....	9.1	12.9	15.2

Income taxes.....	3.1	4.5	5.2
Earnings before cumulative effect of change in accounting principle.....	6.0	8.4	10.0
Cumulative effect of change in accounting principle, net of tax.....	--	--	--
Net earnings.....	6.0%	8.4%	10.0%

</TABLE>

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Fiscal Year Ended December 31, 2006 Compared With Fiscal Year Ended December 25, 2005

Company Restaurant Sales. Total company restaurant sales increased \$113,617,000 (10.5%) from \$1,082,641,000 in 2005 to \$1,196,258,000 in 2006. The percentage increase in total company restaurant sales was due to an increase in the number of restaurant weeks open of approximately 13%. The 53rd week contributed \$24,312,000 to company restaurant sales. Excluding the 53rd week, company restaurant sales increased by 8.3%. This increase was partially offset by a decline in average weekly sales of 2.0%.

Comparable restaurant sales at company restaurants decreased by 1.0% in 2006. Weighted average weekly sales at company restaurants decreased 2.0% from \$45,552 in 2005 to \$44,637 in 2006. Excluding the 53rd week in 2006, company average weekly sales decreased 2.3%. The decrease in average weekly sales was due to a decline in guest traffic of approximately 3.5% in 2006, as well as the underperformance of restaurants open less than 18 months. In 2006, we experienced more significant guest count declines in New England and Virginia, where approximately 25% of our company restaurants are located. These decreases were partially offset by an increase in the average guest check resulting from menu price increases of approximately 2.2% in 2006. We took a price increase of approximately 1.4% in January 2007.

Franchise Royalties and Fees. Franchise royalties and fees increased \$11,042,000 (8.6%) from \$128,813,000 in 2005 to \$139,855,000 in 2006 due primarily to the increased number of franchise restaurants operating during 2006 as compared to 2005 and the impact of the 53rd week in 2006 which contributed approximately \$2,900,000 to franchise royalties. Excluding the 53rd week in 2006, franchise royalties and fees increased 6.3%. Domestic franchise weighted average weekly sales and franchise comparable restaurant sales decreased by 0.1% and 0.5%, respectively, in 2006. Excluding the 53rd week, domestic franchise weighted average weekly sales decreased 0.5% in 2006.

Other Franchise Income. Other franchise income decreased \$3,388,000 (65%) from \$5,196,000 in 2005 to \$1,808,000 in 2006 due primarily to the decision to discontinue writing new coverage in our captive insurance program.

Cost of Company Restaurant Sales. Food and beverage costs increased from 26.5% in 2005 to 26.7% in 2006. Food and beverage costs were negatively impacted by improved menu offerings which had higher food costs as a percentage of sales, an enhanced bar menu, and higher alcoholic beverage costs as a percentage of sales, partially related to our late-night value strategy. These increases were partially offset by menu price increases of approximately 2.2% in 2006. We currently expect net commodity costs to increase by approximately 1% in 2007.

Labor costs increased from 33.1% in 2005 to 33.7% in 2006. The increase in 2006 was due primarily to higher management and hourly wage rates including the impact of state minimum wage rate increases and payroll taxes, which were partially offset by lower health insurance and workers' compensation expenses. We currently expect labor costs to be negatively impacted by recently enacted state hourly minimum wage increases in 2007.

Direct and occupancy costs increased from 26.6% in 2005 to 27.1% in 2006 due primarily to higher utility costs and unfavorable year-over-year comparisons for depreciation, as a percentage of sales, due to its relatively fixed nature. These increases were partially offset by the favorable impact of a change in accounting convention for smallwares that was implemented in the second quarter of fiscal 2006.

Cost of Other Franchise Income. Cost of other franchise income decreased \$2,193,000 (45%) from \$4,892,000 in 2005 to \$2,699,000 in 2006. This decrease was due to the decision to discontinue writing new coverage in our captive insurance program, which was partially offset by \$1,500,000 recorded in 2006 for estimated insurance losses from franchise participants.

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General and Administrative Expenses. General and administrative expenses increased from 9.0% in 2005 to 10.5% in 2006 due primarily to the recognition of stock-based compensation related to adoption of SFAS No. 123(R), higher

compensation expense due to staffing levels and expenses incurred related to the development of international markets which increased our general and administrative expenses by 0.4%, as a percentage of total revenues. Stock-based compensation included in general and administrative expenses was 1.5% and 0.2% in 2006 and 2005, respectively.

Impairment and Other Restaurant Closure Costs. Impairment and other restaurant closure costs increased \$4,900,000 from \$3,900,000 in 2005 to \$8,800,000 in 2006. In 2006, we recorded the following costs:

- o \$5,500,000 to decrease the carrying amounts of property, equipment and lease acquisition costs of restaurants for which the original carrying value was not deemed recoverable
- o \$1,500,000 to decrease the carrying amount of an investment of which the original carrying value was deemed to be greater than the fair market value
- o \$900,000 to record lease obligations for restaurants closed during the year
- o \$900,000 to decrease the carrying amount of a corporate aircraft of which the original carrying value was deemed to be greater than fair market value

In 2005, we recorded the following impairment and restaurant closure costs:

- o \$2,600,000 to decrease the original carrying amounts of property and equipment of restaurants for which the carrying value was not deemed recoverable
- o \$1,300,000 to decrease the original carrying amount of a long-lived asset that was abandoned

Interest Expense. Interest expense increased \$7,056,000 from \$4,365,000 in 2005 to \$11,421,000 in 2006 due primarily to higher interest rates and increased borrowings under our credit facility used to fund capital expenditures and repurchases of our common stock.

Income Taxes. The effective income tax rate, as a percentage of earnings before income taxes, decreased from 34.9% in 2005 to 33.8% in 2006 due to higher employment tax credits and the resolution of state tax matters.

Net earnings. Net earnings decreased \$20,896,000 (21%) from \$101,802,000 in 2005 to \$80,906,000 in 2006 due primarily to the recognition of stock-based compensation related to adoption of SFAS No. 123(R) and lower restaurant margins due to a decrease in average weekly sales which resulted in an increase in labor and direct and occupancy costs, which were partially offset by the impact of the 53rd week in 2006.

Fiscal Year Ended December 25, 2005 Compared With Fiscal Year Ended December 26, 2004

Company Restaurant Sales. Total company restaurant sales increased \$105,843,000 (11%) from \$976,798,000 in 2004 to \$1,082,641,000 in 2005. The percentage increase in total company restaurant sales was due to an increase in the number of restaurant weeks open of approximately 13%, which was partially offset by a decline in average weekly sales of 2.1%.

Comparable restaurant sales at company restaurants decreased by 0.9% in 2005. Weighted average weekly sales at company restaurants decreased 2.1% from \$46,536 in 2004 to \$45,552 in 2005. These decreases were due, in part, to a reduction in guest traffic of approximately 3.0% in 2005 as compared to 2004 due to the launch of our Weight Watchers(R) menu system-wide in May 2004. In addition, we experienced more significant guest count declines in Kansas City, Minnesota and New England, where approximately 40% of our company restaurants are located, which was consistent with industry trends in these markets. Weighted average weekly sales declined more than comparable sales due to weaker new restaurant opening volumes in Kansas City, Minnesota, New England, St. Louis and Virginia. These decreases were partially offset by an increase in the average guest check resulting from menu price increases of approximately 2.5% in 2005 and our Carside To Go initiative. Carside To Go sales mix increased from 9.3% of company restaurant sales in 2004 to 10.0% of company restaurant sales in 2005.

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Franchise Royalties and Fees. Franchise royalties and fees increased \$7,592,000 (6%) from \$121,221,000 in 2004 to \$128,813,000 in 2005 due primarily to the increased number of franchise restaurants operating during 2005 as compared to 2004 and increases in comparable franchise restaurant sales. Weighted average weekly sales and franchise comparable restaurant sales each increased by 2.7% in 2005. These increases were due primarily to the implementation of the Carside To Go program which was completed in early 2005.

Other Franchise Income. Other franchise income decreased \$8,419,000 (62%) from \$13,615,000 in 2004 to \$5,196,000 in 2005 due primarily to fewer franchisee participants in our captive insurance program resulting from the reduction of the types of insurance coverage plans offered. Franchise premiums are included

in other franchise income ratably over the policy year.

Cost of Company Restaurant Sales. Food and beverage costs were 26.5% in both 2004 and 2005. Food and beverage costs were favorably impacted by menu price increases of 2.5% in 2005, which were offset by higher commodity costs and lower order incidences of both alcoholic and non-alcoholic beverages, which have a lower cost of sales. In addition, 2004 was unfavorably impacted by the company portion of the June 2004 impairment of approximately \$500,000 for excess riblet inventories which no longer met our quality standards.

Labor costs increased from 32.5% in 2004 to 33.1% in 2005. The increase in 2005 was due primarily to higher management and hourly costs due to lower sales volumes, higher wage rates, payroll taxes and group insurance costs, which were partially offset by lower management incentive compensation and workers' compensation expense.

Direct and occupancy costs increased from 25.1% in 2004 to 26.6% in 2005. Direct and occupancy costs were unfavorably impacted due primarily to lower sales volumes at company restaurants, which resulted in unfavorable year over year comparisons for depreciation, rent and property tax expenses as a percentage of sales, due to their relatively fixed nature, as well as higher utilities and packaging costs.

Cost of Other Franchise Income. Cost of other franchise income decreased \$9,509,000 (66%) from \$14,401,000 in 2004 to \$4,892,000 in 2005. This decrease was due primarily to fewer franchisee participants in our captive insurance program resulting from the reduction of the types of insurance coverage plans offered and the franchisee portion of the June 2004 impairment of approximately \$1,600,000 for excess riblet inventories which no longer met our quality standards.

General and Administrative Expenses. General and administrative expenses decreased from 9.4% in 2004 to 9.0% in 2005 as a result of the absorption of general and administrative expenses over a larger revenue base, lower incentive compensation expense and a reduction in costs associated with compliance with Section 404 of the Sarbanes-Oxley Act. These decreases were partially offset by higher compensation expense due to higher management training costs and increased regional operations management staffing relating to the increased number of company restaurant openings as compared to 2004.

Impairment and Other Restaurant Closure Costs. In 2005, we recorded an asset impairment charge of \$3,900,000 consisting of a \$2,600,000 write-down of the carrying value of the property and equipment of four restaurants and a \$1,300,000 write-down of one other long-lived asset (Note 6 of the consolidated financial statements).

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Interest Expense. Interest expense increased from \$1,626,000 in 2004 to \$4,365,000 in 2005 due primarily to increased borrowings under our credit facility used to acquire 12 restaurants in May 2005 and to fund capital expenditures and repurchases of our common stock.

Other Income. Other income decreased \$1,795,000 from \$3,557,000 in 2004 to \$1,762,000 in 2005. In 2004, we recorded several significant items which resulted in higher other income for that year. These items consisted of income of \$1,600,000 for the resolution of certain previously disclosed long-running international franchise disputes and \$600,000 of income for final consideration related to the sale of 12 restaurants in Philadelphia in 1999.

Income Taxes. The effective income tax rate, as a percentage of earnings before income taxes, increased from 34.2% in 2004 to 34.9% in 2005 due to an increase in state and local income taxes.

Net earnings. Net earnings decreased \$9,063,000 (8%) from \$110,865,000 in 2004 to \$101,802,000 in 2005 due primarily to lower restaurant margins due to a decrease in average weekly sales which resulted in an increase in labor and direct and occupancy costs.

Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by operations and borrowings under our credit facility. Our need for capital resources historically has resulted from the construction and acquisition of restaurants, refurbishment and capital replacement for existing restaurants, the repurchase of our common stock and investment in information technology systems. We obtain capital through our ongoing operations and debt financing.

Cash flows from our operating activities primarily include the net cash generated from company and franchise operations and management of credit from trade suppliers. Cash flows used by investing activities include capital expenditures for restaurant construction, refurbishment, information technology, acquisitions of franchise restaurants, sale-leaseback transactions and asset sales. Cash flows used by financing activities include borrowings and repayments of debt, repurchases of our common stock, dividends to shareholders and the cash

received from the exercise of employee stock options. The following table presents a summary of our cash flows for 2006, 2005 and 2004 (in thousands):

<TABLE>

<CAPTION>

	2006	2005	2004
<S>	<C>	<C>	<C>
Net cash provided by operating activities.....	\$ 174,594	\$ 221,203	\$ 190,605
Net cash used by investing activities.....	(121,672)	(187,718)	(134,055)
Net cash used by financing activities.....	(43,653)	(31,087)	(63,775)
Net increase (decrease) in cash and cash equivalents.....	\$ 9,269	\$ 2,398	\$ (7,225)

</TABLE>

Capital expenditures, excluding franchise acquisitions, were \$122,896,000 in 2006, \$139,396,000 in 2005 and \$104,620,000 in 2004.

Excluding costs related to the construction of our new corporate headquarters, capital expenditures are expected to be between \$70,000,000 and \$80,000,000 in 2007 and will primarily be for the development of new restaurants, refurbishment and capital replacement for existing restaurants and the enhancement of information systems. Costs for the new corporate headquarters are expected to be approximately \$30,000,000 in 2007. We intend to enter into a sale-leaseback transaction with respect to the new headquarters upon its completion or thereafter, depending upon market conditions. We currently expect to open between 10 and 15 company restaurants in 2007. Because we expect to continue to purchase a portion of our restaurant sites, the amount of actual capital expenditures will be dependent upon, among other things, the proportion of leased versus owned properties. If we construct more or fewer restaurants than we currently anticipate, or acquire additional restaurants, our capital requirements will increase or decrease accordingly.

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In January 2006, we completed the acquisition of four Applebee's restaurants in the Houston area for approximately \$8,100,000 in cash.

In May 2005, we completed the acquisition of 12 Applebee's restaurants in Missouri, Kansas and Arkansas, which included one restaurant under construction, for approximately \$39,500,000 in cash.

In April 2005, we completed the acquisition of eight Applebee's restaurants in the Memphis market, which were closed in 2004 by a former franchisee, for approximately \$8,800,000 payable in cash. In connection with this acquisition, we paid approximately \$800,000 in 2004 and \$8,000,000 in 2005.

In April 2004, we completed the acquisition of the operations and assets of 10 Applebee's restaurants located in Southern California for approximately \$13,800,000 in cash.

In December 2006, we entered into a new five-year revolving credit facility. The terms of the bank credit agreement provide for \$400,000,000 in unsecured revolving credit as well as an additional \$200,000,000 of revolving credit upon satisfaction of the conditions set forth in the credit facility. The facility is subject to various covenants and restrictions which, among other things, require the maintenance of stipulated fixed charge and leverage ratios, as defined. There is no limit on cash dividends or repurchases of our common stock provided the declaration and payment of such dividend or repurchase of stock does not cause a default of any other covenant contained in the agreement. The facility is subject to other standard terms, conditions, covenants and fees. As of December 31, 2006, we were in compliance with the covenants contained in our credit agreement. We had borrowings of \$170,000,000, standby letters of credit of approximately \$15,600,000 outstanding and approximately \$214,400,000 available under our revolving credit facility.

In October 2005, our Board of Directors approved a \$175,000,000 authorization to repurchase our common stock, subject to market conditions. In November 2006, with approximately \$100,000,000 of the previous authorization remaining, our Board of Directors authorized additional repurchases of our common stock of up to \$150,000,000, subject to market conditions, for a total of approximately \$250,000,000 in authorized repurchases. During 2006, we repurchased 1,760,506 shares of our common stock at an average price of \$21.88 for an aggregate cost of approximately \$38,522,000. As of December 31, 2006, we had approximately \$240,400,000 remaining under our repurchase authorizations.

In October 2006, we entered into a sale-leaseback arrangement with a third-party finance company involving five restaurant properties. As a result of this transaction, we received approximately \$3,100,000 in cash.

In December 2006, the Board of Directors declared an annual dividend of \$0.22 per share payable to shareholders of record on December 22, 2006. We paid approximately \$16,300,000 in January 2007 related to this dividend.

As of December 31, 2006, our liquid assets totaled \$22,602,000. These assets consisted of cash and cash equivalents in the amount of \$22,309,000 and short-term investments in the amount of \$293,000. The working capital deficit decreased from \$107,400,000 as of December 25, 2005 to \$81,626,000 as of December 31, 2006. This decrease resulted primarily from a combination of factors which included decreases in accounts payable and inventories, an increase in receivables and accrued income taxes, a reclassification of property and equipment to assets held for sale, and higher sales of gift cards as compared to the redemption of gift cards.

We believe that our liquid assets and cash generated from operations, combined with available borrowings, will provide sufficient funds for operating activities, capital expenditures, currently approved repurchases of our common stock and the payment of dividends for at least the next 12 months and thereafter for the foreseeable future.

The following table shows our debt amortization schedule, future capital lease commitments (including principal and interest payments), future operating lease commitments (operating leases in Note 12 to the consolidated financial statements) and future purchase obligations as of December 31, 2006 (in thousands):

<TABLE>
<CAPTION>

Certain Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
<S>	<C>	<C>	<C>	<C>	<C>
Long-term Debt (excluding capital lease obligations) and Notes Payable(1).....	\$ 171,269	\$ 77	\$ 90	\$ 170,108	\$ 994
Capital Lease Obligations.....	7,522	822	1,731	1,792	3,177
Operating Leases (2).....	402,019	29,307	58,211	56,842	257,659
Purchase Obligations - Company(3).....	206,395	49,145	127,903	29,347	--
Purchase Obligations - Franchise(4).....	475,126	52,776	342,983	79,367	--

<FN>
(1) The amounts for long-term debt are primarily borrowings under our revolving credit facility and exclude interest payments which are variable in nature.
(2) The amounts for operating leases include option periods where failure to exercise such options would result in an economic penalty such that the renewal appears reasonably assured.
(3) The amounts for company purchase obligations include commitments for food items, energy, supplies, severance and employment agreements, our new corporate headquarters, and other miscellaneous commitments.
(4) The amounts for franchise purchase obligations include commitments for food items and supplies made by us for our franchisees. We contract with certain suppliers to ensure competitive pricing. These amounts will only be payable by us if our franchisees do not meet certain minimum contractual requirements.
</FN>
</TABLE>

Other Contractual Obligations

In connection with the sale of restaurants to franchisees and other parties, we have, in certain cases, remained contingently liable for the remaining lease payments. As of December 31, 2006, we have outstanding lease guarantees of approximately \$15,300,000. In addition, we or our subsidiaries are contingently liable for various leases that we have assigned in connection with the sale of restaurants to franchisees and other parties, in the potential amount of \$12,300,000. These leases expire at various times with the final lease agreement expiring in 2018. We did not record a liability related to these contingent lease liabilities as of December 31, 2006 or December 25, 2005.

In 2004, we arranged for a third-party financing company to provide up to \$250,000,000 to qualified franchisees for loans to fund development of new restaurants through October 2007, subject to our approval. We will provide a limited guarantee of 10% of certain loans advanced under this program. We will be released from our guarantee if certain operating results are met after the restaurant has been open for at least two years. As of December 31, 2006, there were loans outstanding to five franchisees for approximately \$65,800,000 under this program. The fair value of our guarantees under this financing program is approximately \$130,000 and is recorded in non-current liabilities in our consolidated balance sheet as of December 31, 2006.

We have severance and employment agreements with certain officers providing for severance payments to be made in the event the associate resigns or is terminated not related to a change in control, some of which require payments to be made only if we enforce certain terms in the agreements. If the severance payments had been due as of December 31, 2006, we would have been required to

make payments totaling approximately \$10,600,000. In addition, we have severance and employment agreements with certain officers which contain severance provisions related to a change in control. The agreements define the circumstances which will constitute a change in control. Those provisions would have required additional aggregate payments of approximately \$5,300,000 if such officers had been terminated as of December 31, 2006.

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New Accounting Pronouncements

In March 2006, the Emerging Issues Task Force ("EITF") issued EITF Issue 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)." A consensus was reached that entities may adopt a policy of presenting sales taxes in the income statement on either a gross or net basis. If taxes are significant, an entity should disclose its policy of presenting taxes and the amounts of taxes. The guidance is effective for periods beginning after December 15, 2006. We present company sales net of sales taxes. The impact of this adoption did not change our method for recording sales taxes in our consolidated financial statements.

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 is effective for fiscal years beginning after December 15, 2006. The impact of this adoption will not be material to our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The impact of this adoption will not be material to our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." This statement requires companies to recognize a net liability or asset and an offsetting adjustment to accumulated other comprehensive income to report the funded status of defined benefit pension and other postretirement benefit plans. The statement requires prospective application, and the recognition and disclosure requirements are effective for companies with fiscal years ending after December 15, 2006. Additionally, SFAS No. 158 requires companies to measure plan assets and obligations at their year-end balance sheet date. This requirement is effective for fiscal years ending after December 15, 2008. The impact of this adoption was not material to our consolidated financial statements and we are in compliance with the measurement date provisions of this statement as of December 31, 2006.

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements," which provides interpretive guidance regarding the consideration given to prior year misstatements when determining materiality in current year financial statements. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The impact of this adoption was not material to our consolidated financial statements.

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In October 2006, the FASB issued FASB Staff Position ("FSP") FAS 123 (R)-5, "Amendment to FSP FAS 123 (R)-1." FSP FAS 123(R)-5 addresses whether a modification of an instrument in connection with an equity restructuring should be considered a modification for purposes of applying FSP FAS 123(R)-1. This FSP states that no change in the recognition or the measurement (due to a change in classification as a result of a modification solely to reflect an equity restructuring that occurs when the holders are no longer employees) of the instruments will result if two conditions are met: (1) there is no increase in fair value of the award or the antidilution provision is not added to the terms of the award in contemplation of an equity restructuring and (2) all holders of the same class of equity instruments are treated in the same manner. The effective date of FSP FAS 123(R)-5 is the first reporting period beginning after October 10, 2006. The impact of this adoption was not material to our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Liabilities." This statement permits entities to choose to measure many financial instruments and certain other items at fair value. If the fair value option is elected, unrealized gains and losses will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of this adoption on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from fluctuations in interest rates and changes in commodity prices. Our revolving credit facility currently bears interest at either the bank's prime rate or LIBOR plus 0.50%, at our option. As of December 31, 2006, the total amount of debt subject to interest rate fluctuations was \$170,000,000, which was outstanding on our revolving credit facility. A 1% change in interest rates would result in an increase or decrease in interest expense of approximately \$1,700,000 per year. We may from time to time enter into interest rate swap agreements to manage the impact of interest rate changes on our earnings. A substantial portion of the food products and utilities we purchase are subject to price volatility due to factors that are outside of our control such as weather, seasonality and fuel costs. As part of our strategy to moderate this volatility, we have entered into fixed price purchase commitments.

Item 8. Financial Statements and Supplementary Data

See the Index to Consolidated Financial Statements on Page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

As of December 31, 2006, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures, under the supervision and with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Based on this evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures are effective.

During the fourth fiscal quarter, there have been no changes in our internal control over financial reporting that occurred that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

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Management's Report on Internal Control over Financial Reporting

The management of Applebee's International, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Our internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation and fair presentation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Under the supervision and with the participation of our management, including our CEO and CFO, we assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2006. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control--Integrated Framework. Based upon our assessment, we conclude that, as of December 31, 2006, the company's internal control over financial reporting is effective, in all material respects, based upon those criteria. Our independent registered public accounting firm, Deloitte & Touche LLP, issued an attestation report dated February 28, 2007 on our assessment and on the effectiveness of the company's internal control over financial reporting, which is included herein.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Applebee's International, Inc. and Subsidiaries
Overland Park, Kansas

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Applebee's International, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control

over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2006, of the Company and our report dated February 28, 2007 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding a change in accounting for stock-based compensation upon adoption of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment."

DELOITTE & TOUCHE LLP

Kansas City, Missouri
February 28, 2007

Item 9B. Other Information

Not applicable.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

If you would like information about our executive officers, you should read the section entitled "Executive and Other Senior Officers of the Registrant" in Part I of this report. You should read the information under the caption "Information About the Board of Directors and Executive and Other Senior Officers" for

information on our Board of Directors and audit committee of the Board of Directors and the caption "Section 16(a) Beneficial Ownership Reporting Compliance" for information regarding our Section 16(a) reporting compliance located in the definitive proxy statement for the 2007 Annual Meeting of Stockholders (the "Proxy Statement"). We incorporate that information in this document by reference.

Our Board of Directors has adopted a Code of Conduct for all associates and directors. A copy of this document is available on our website at www.applebees.com, free of charge, under the Investors section. We will satisfy any disclosure requirements under Item 5.05 on Form 8-K regarding an amendment to, or waiver from, any provision of the Code with respect to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions by disclosing the nature of such amendment or waiver on our website or in a report on Form 8-K.

Our Board of Directors has determined that Mr. Eric L. Hansen, a member of the audit committee and an independent director, is an audit committee financial expert, as defined under 407(d)(5) of Regulation S-K.

Item 11. Executive Compensation

If you would like information about our director and executive compensation, you should read the information under the caption "Executive Compensation" and "Information About the Board of Directors and Executive and Other Senior Officers - Director Compensation and - Compensation Committee Interlocks and Insider Participation" in the Proxy Statement. We incorporate that information in this document by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

If you would like information about the stock owned by our management and certain large stockholders and information about our equity compensation plans, you should read the information under the captions "Stock Ownership of Officers and Directors" and "Stock Ownership of Major Stockholders" and "Executive Compensation - Equity Compensation Plan Information" in the Proxy Statement for the Annual Meeting of Stockholders. We incorporate that information in this document by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

If you would like information about certain transactions which we have completed or certain relationships which we have entered into, you should read the information under the caption "Related Party Transactions" in the Proxy Statement. For information on director independence you should read the information under the caption "Information About the Board of Directors and Executive and Other Senior Officers - Corporate Governance" in the Proxy Statement. We incorporate that information in this document by reference.

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Item 14. Principal Accounting Fees and Services

If you would like information about fees paid to our auditors, you should read the information under the caption "Fees and Services of Deloitte & Touche LLP" in the Proxy Statement. We incorporate that information in this document by reference.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) List of documents filed as part of this report:

1. Financial Statements:

The financial statements are listed in the accompanying "Index to Consolidated Financial Statements" on Page F-1.

2. Financial Statement Schedules:

None.

3. Exhibits:

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

APPLEBEE'S INTERNATIONAL, INC.

Date: February 28, 2007

By: /s/ David L. Goebel

David L. Goebel
Director, Chief Executive Officer and
President
(principal executive officer)

POWER OF ATTORNEY

KNOWN TO ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David L. Goebel and Rebecca R. Tilden, and each of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any amendments to this Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ David L. Goebel

Date: February 28, 2007

David L. Goebel
Director, Chief Executive Officer and President
(principal executive officer)

By: /s/ Steven K. Lumpkin

Date: February 28, 2007

Steven K. Lumpkin
Director, Executive Vice President, Chief
Financial Officer and Treasurer
(principal financial officer)

By: /s/ Beverly O. Elving

Date: February 28, 2007

Beverly O. Elving
Vice President and Controller
(principal accounting officer)

By: /s/ Lloyd L. Hill

Date: February 28, 2007

Lloyd L. Hill
Director, Chairman of the Board

By: /s/ Erline Belton

Date: February 28, 2007

Erline Belton
Director

By: /s/ Gina Boswell

Date: February 28, 2007

Gina Boswell
Director

By: /s/ Douglas R. Conant Date: February 28, 2007

Douglas R. Conant
Director

By: /s/ D. Patrick Curran Date: February 28, 2007

D. Patrick Curran
Director

By: /s/ Eric L. Hansen Date: February 28, 2007

Eric L. Hansen
Director

By: /s/ Jack P. Helms Date: February 28, 2007

Jack P. Helms
Director

By: /s/ Rogelio Rebolledo Date: February 28, 2007

Rogelio Rebolledo
Director

By: /s/ Burton M. Sack Date: February 28, 2007

Burton M. Sack
Director

By: /s/ Michael A. Volkema Date: February 28, 2007

Michael A. Volkema
Director

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Applebee's International, Inc. and Subsidiaries
Overland Park, Kansas

We have audited the accompanying consolidated balance sheets of Applebee's International, Inc. and subsidiaries (the "Company") as of December 31, 2006 and December 25, 2005, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and December 25, 2005, and the results of its operations and its cash flows for each of the three fiscal years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for stock-based compensation upon adoption of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment."

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2007, expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

Kansas City, Missouri
February 28, 2007

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

<TABLE>
<CAPTION>

	December 31, 2006	December 25, 2005
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents.....	\$ 22,309	\$ 13,040
Short-term investments, at market value.....	293	286
Receivables, net of allowance.....	47,771	37,857
Receivables related to captive insurance subsidiary.....	453	1,712
Inventories.....	11,524	20,373
Prepaid income taxes.....	55	3,488
Prepaid and other current assets.....	15,255	13,518
Assets held for sale.....	7,633	--
Total current assets.....	105,293	90,274
Property and equipment, net.....	636,031	590,593
Goodwill.....	138,950	138,443
Restricted assets related to captive insurance subsidiary.....	13,356	19,329
Other intangible assets, net.....	6,408	8,050
Other assets, net.....	35,418	31,899
	\$ 935,456	\$ 878,588
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt.....	\$ 265	\$ 259
Notes payable.....	--	7,900
Accounts payable.....	43,235	63,445
Accrued expenses and other current liabilities.....	113,641	100,995
Loss reserve related to captive insurance subsidiary.....	6,094	10,235
Accrued dividends.....	16,299	14,840
Accrued income taxes.....	7,385	--
Total current liabilities.....	186,919	197,674
Non-current liabilities:		
Long-term debt, less current portion.....	174,920	180,208
Deferred income taxes.....	25,126	37,722
Other non-current liabilities.....	61,837	50,374
Total non-current liabilities.....	261,883	268,304
Total liabilities.....	448,802	465,978
Commitments and contingencies (Notes 12, 13 and 18)		
Stockholders' equity:		
Preferred stock - par value \$0.01 per share: authorized - 1,000,000 shares; no shares issued.....	--	--
Common stock - par value \$0.01 per share: authorized - 125,000,000 shares; issued - 108,503,243 shares.....	1,085	1,085
Additional paid-in capital.....	265,122	234,988
Unearned compensation.....	--	(2,614)
Retained earnings.....	774,884	710,277
	1,041,091	943,736
Treasury stock - 34,393,331 shares in 2006 and 34,304,693 shares in 2005, at cost.....	(554,437)	(531,126)
Total stockholders' equity.....	486,654	412,610
	\$ 935,456	\$ 878,588

</TABLE>

See notes to consolidated financial statements.

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APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per share amounts)

<TABLE>
<CAPTION>

	Fiscal Year Ended		
	December 31, 2006	December 25, 2005	December 26, 2004
<S>	<C>	<C>	<C>
Operating revenues:			
Company restaurant sales.....	\$ 1,196,258	\$ 1,082,641	\$ 976,798
Franchise royalties and fees.....	139,855	128,813	121,221
Other franchise income.....	1,808	5,196	13,615
Total operating revenues.....	1,337,921	1,216,650	1,111,634
Cost of company restaurant sales:			
Food and beverage.....	319,813	286,522	259,134
Labor.....	403,516	358,563	317,659
Direct and occupancy.....	323,843	287,656	244,707
Pre-opening expense.....	4,348	4,767	3,025
Total cost of company restaurant sales.....	1,051,520	937,508	824,525
Cost of other franchise income.....	2,699	4,892	14,401
General and administrative expenses.....	140,824	109,768	104,810
Amortization of intangible assets.....	721	878	663
Impairment and other restaurant closure costs.....	8,800	3,900	--
Loss on disposition of property and equipment.....	2,573	2,067	1,955
Operating earnings.....	130,784	157,637	165,280
Other income (expense):			
Investment income.....	2,768	1,695	1,284
Interest expense.....	(11,421)	(4,365)	(1,626)
Other income.....	16	1,762	3,557
Total other income (expense).....	(8,637)	(908)	3,215
Earnings before income taxes and cumulative effect of change in accounting principle.....	122,147	156,729	168,495
Income taxes.....	41,241	54,702	57,630
Earnings before cumulative effect of change in accounting principle.....	80,906	102,027	110,865
Cumulative effect of change in accounting principle, net of tax.....	--	(225)	--
Net earnings.....	\$ 80,906	\$ 101,802	\$ 110,865
Basic net earnings per common share:			
Basic earnings before cumulative effect of change in accounting principle.....	\$ 1.09	\$ 1.30	\$ 1.36
Cumulative effect of change in accounting principle, net of tax.....	--	--	--
Basic net earnings per common share.....	\$ 1.09	\$ 1.29	\$ 1.36
Diluted net earnings per common share:			
Diluted earnings before cumulative effect of change in accounting principle.....	\$ 1.08	\$ 1.28	\$ 1.33
Cumulative effect of change in accounting principle, net of tax.....	--	--	--
Diluted net earnings per common share.....	\$ 1.08	\$ 1.27	\$ 1.33
Basic weighted average shares outstanding.....	74,001	78,650	81,528
Diluted weighted average shares outstanding.....	74,936	80,010	83,600

</TABLE>

See notes to consolidated financial statements.

(in thousands, except per share amounts)

<S>	Common Stock		Additional Paid-In Capital	Unearned Compensation	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 28, 2003.....	108,503	\$1,085	\$ 201,951	\$ (1,377)	\$ 517,365	\$ (265,881)	\$ 453,143
Net earnings.....	--	--	--	--	110,865	--	110,865
Purchases of treasury stock.....	--	--	--	--	--	(99,723)	(99,723)
Dividends declared on common stock, \$0.06 per share.....	--	--	--	--	(4,867)	--	(4,867)
Stock options exercised and related tax benefit.....	--	--	13,756	--	--	16,200	29,956
Shares issued under employee benefit plans..	--	--	3,747	--	--	2,232	5,979
Nonvested shares awarded under equity incentive plans, net of forfeitures.....	--	--	1,443	(1,969)	--	526	--
Amortization of unearned compensation relating to nonvested shares.....	--	--	--	1,422	--	--	1,422
Dividends paid for fractional shares.....	--	--	--	--	(48)	--	(48)
Balance, December 26, 2004.....	108,503	1,085	220,897	(1,924)	623,315	(346,646)	496,727
Net earnings.....	--	--	--	--	101,802	--	101,802
Purchases of treasury stock.....	--	--	--	--	--	(196,066)	(196,066)
Dividends declared on common stock, \$0.20 per share.....	--	--	--	--	(14,840)	--	(14,840)
Stock options exercised and related tax benefit.....	--	--	9,274	--	--	9,080	18,354
Shares issued under employee benefit plans	--	--	2,586	--	--	1,816	4,402
Nonvested shares awarded under equity incentive plans, net of forfeitures.....	--	--	2,231	(2,921)	--	690	--
Amortization of unearned compensation relating to nonvested shares.....	--	--	--	2,231	--	--	2,231
Balance, December 25, 2005.....	108,503	1,085	234,988	(2,614)	710,277	(531,126)	412,610
Net earnings.....	--	--	--	--	80,906	--	80,906
Purchases of treasury stock.....	--	--	--	--	--	(38,522)	(38,522)
Dividends declared on common stock, \$0.22 per share.....	--	--	--	--	(16,299)	--	(16,299)
Reclassification of unearned compensation related to the adoption of Statement of Financial Accounting Standards No. 123(R) (Note 3).....	--	--	(2,614)	2,614	--	--	--
Stock options exercised and related tax benefit.....	--	--	10,017	--	--	11,981	21,998
Shares issued under employee benefit plans	--	--	1,935	--	--	2,232	4,167
Nonvested shares awarded under equity incentive plans.....	--	--	(998)	--	--	998	--
Stock-based compensation expense related to employee-based equity awards.....	--	--	21,794	--	--	--	21,794
Balance, December 31, 2006.....	108,503	\$1,085	\$ 265,122	\$ --	\$ 774,884	\$ (554,437)	\$ 486,654

</TABLE>

See notes to consolidated financial statements.

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APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<TABLE>

<CAPTION>

<S>	Fiscal Year Ended		
	December 31, 2006	December 25, 2005	December 26, 2004
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings.....	\$ 80,906	\$ 101,802	\$ 110,865
Adjustments to reconcile net earnings to net cash provided by operating activities:			

Cumulative effect of change in accounting principle, net of net of tax.....	--	225	--
Depreciation and amortization.....	64,738	54,580	46,051
Amortization of intangible assets.....	721	878	663
Stock-based compensation.....	21,794	2,231	1,422
Other amortization.....	366	246	309
Deferred income tax provision (benefit).....	(12,083)	9,871	25,313
Inventory impairment.....	--	--	2,000
Impairment and other restaurant closure costs.....	8,800	3,900	--
Loss on disposition of property and equipment.....	2,573	2,067	1,955
Income tax benefit from stock-based compensation.....	2,757	5,370	10,459
Changes in assets and liabilities, exclusive of effects of acquisitions:			
Receivables.....	(9,202)	1,371	(7,218)
Receivables related to captive insurance subsidiary.....	1,259	154	(2,116)
Inventories.....	8,907	15,753	(16,925)
Prepaid and other current assets.....	(2,246)	(2,583)	(665)
Accounts payable.....	(16,194)	18,757	5,197
Accrued expenses and other current liabilities.....	13,694	11,842	(3,542)
Loss reserve and unearned premiums related to captive insurance subsidiary.....	(8,143)	(1,202)	6,880
Income taxes.....	10,818	(5,941)	8,378
Other non-current liabilities.....	7,070	4,866	2,702
Other.....	(1,941)	(2,984)	(1,123)
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	174,594	221,203	190,605
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment.....	(122,896)	(139,396)	(104,620)
Change in restricted assets related to captive insurance subsidiary.....	5,973	(1,943)	(6,623)
Acquisition of restaurants.....	(8,120)	(47,616)	(13,817)
Lease acquisition costs.....	--	--	(4,875)
Acquisition of other intangible asset.....	--	--	(2,809)
Proceeds from sale of property and equipment.....	281	1,237	66
Proceeds from sale-leaseback transaction.....	3,090	--	--
Maturities and sales of short-term investments.....	--	--	(253)
Other investing activities.....	--	--	(1,124)
NET CASH USED BY INVESTING ACTIVITIES.....	(121,672)	(187,718)	(134,055)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchases of treasury stock.....	(38,522)	(196,066)	(99,723)
Dividends paid.....	(14,840)	(4,867)	(3,911)
Issuance of common stock upon exercise of stock options.....	17,072	12,984	19,497
Shares issued under employee benefit plans.....	4,167	4,402	5,979
Excess tax benefits from stock-based compensation.....	2,169	--	--
Net debt proceeds (payments).....	(13,182)	152,673	14,832
Deferred financing costs relating to issuance of long-term debt.....	(517)	(213)	(449)
NET CASH USED BY FINANCING ACTIVITIES.....	(43,653)	(31,087)	(63,775)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	9,269	2,398	(7,225)
CASH AND CASH EQUIVALENTS, beginning of period.....	13,040	10,642	17,867
CASH AND CASH EQUIVALENTS, end of period.....	\$ 22,309	\$ 13,040	\$ 10,642

</TABLE>

See notes to consolidated financial statements.

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APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
(in thousands)

	Fiscal Year Ended		
	December 31, 2006	December 25, 2005	December 26, 2004
<S>	<C>	<C>	<C>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Income taxes.....	\$ 37,580	\$ 45,402	\$ 12,428

Interest.....

	\$	11,575	\$	3,340	\$	1,056
--	----	--------	----	-------	----	-------

</TABLE>

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:

We issued nonvested shares (referred to as restricted stock prior to fiscal 2006) with grant date fair values of \$4,500,000 in 2006, \$2,921,000 in 2005 and \$1,945,000 in 2004.

In 2002, we entered into a rabbi trust agreement to protect the assets of the nonqualified deferred compensation plan for certain of our associates. The plan investments are included in other assets and the offsetting obligation is included in other non-current liabilities in our consolidated balance sheets. We had non-cash increases in these balances of \$3,357,000, \$3,940,000 and \$3,881,000 in 2006, 2005 and 2004, respectively.

We made matching contributions in shares of our common stock to a profit sharing plan and trust established in accordance with Section 401(k) of the Internal Revenue Code of \$1,308,000 in 2004. In 2005, we began matching contributions in cash.

We had property and equipment purchases accrued in accounts payable of approximately \$10,400,000 and \$11,100,000 as of December 31, 2006 and December 25, 2005, respectively.

We declared cash dividends of \$16,299,000, \$14,840,000 and \$4,867,000 in 2006, 2005 and 2004 which were subsequently paid in the following year.

See notes to consolidated financial statements.

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APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Applebee's International, Inc. and our subsidiaries develop, franchise and operate casual dining restaurants under the name "Applebee's Neighborhood Grill & Bar." As of December 31, 2006, there were 1,930 Applebee's restaurants. Franchisees operated 1,409 of these restaurants and 521 restaurants were company-owned. These restaurants were located in 49 states, 16 countries outside of the United States and one U.S. territory.

On September 20, 2002, we formed Neighborhood Insurance, Inc., a regulated Vermont corporation and a wholly-owned subsidiary, as a captive insurance company. Neighborhood Insurance, Inc. was established to provide Applebee's International, Inc. and qualified franchisees with workers' compensation and general liability insurance. In 2006, we discontinued writing insurance coverage for new or existing participants (Note 14).

2. Summary of Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries. We have eliminated all intercompany profits, transactions and balances.

Fiscal year: Our fiscal year ends on the last Sunday of the calendar year. The fiscal year ended December 31, 2006 contained 53 weeks. The fiscal years ended December 25, 2005 and December 26, 2004 each contained 52 weeks. These fiscal years will be referred to hereafter as 2006, 2005 and 2004, respectively.

Cash and cash equivalents: We consider all money market investment instruments to be cash and cash equivalents. Periodically, we have outstanding checks that are written in excess of the cash balances at our bank which create a book overdraft and are required to be presented as a current liability. As of December 25, 2005, we had checks written in excess of a bank balance of \$13,430,000 which were included in accounts payable in the consolidated balance sheets. This balance was subsequently funded through our credit facility in 2006.

Financial instruments: Our financial instruments as of December 31, 2006 and December 25, 2005 consist of cash equivalents, short-term investments, accounts receivable, notes payable and long-term debt, excluding capitalized lease obligations. The carrying amount of cash equivalents and accounts receivable (including receivables related to the captive insurance subsidiary) approximates fair value because of the short maturity of those instruments. We based the carrying amount of short-term investments on quoted market prices. We based the fair value of our long-term debt, excluding capitalized lease obligations, on

quotations made on similar issues. The fair value of these financial instruments approximates the carrying amounts reported in the consolidated balance sheets.

Investments: We have certificates of deposit that are included in short-term investments and auction rate securities that are included in restricted assets related to the captive insurance subsidiary in our consolidated balance sheets. We have classified all investments as available-for-sale. Due to the short time period between reset dates of the interest rates, there are no unrealized gains or losses associated with the auction rate securities. The contractual maturities of the auction rate securities range from 2030 to 2033.

Inventories: We state inventories at the lower of cost, using the first-in, first-out method, or market. When necessary, we record inventory reserves for obsolescence and shrinkage based upon inventory turnover trends, historical experience and the specific identification method.

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Property and equipment: We report property and equipment at historical cost less accumulated depreciation. Depreciation is recorded on a straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the lease term, as defined in operating leases below, or the estimated useful life of the related asset. The general ranges of original depreciable lives are as follows:

- o Buildings 20 years
- o Leasehold improvements 15-20 years
- o Furniture and equipment 2-7 years

We record capitalized interest in connection with the development of new restaurants and amortize it over the estimated useful life of the related asset. We capitalized \$959,000 in interest costs during 2006, \$462,000 during 2005 and \$189,000 during 2004.

Software costs: Costs incurred in connection with the development of internal-use software are capitalized and amortized over the expected useful life of the asset.

Goodwill: Goodwill is not subject to amortization but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. If an impairment is indicated, the fair value of the reporting unit's goodwill is determined by allocating the unit's fair value to its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. The amount of impairment for goodwill is measured as the excess of its carrying value over its implied fair value.

Impairment of long-lived assets: We review our restaurant property and equipment for impairment quarterly on a restaurant-by-restaurant basis using historical cash flows as well as current estimates of future cash flows and/or appraisals.

We review other non-amortizing long-lived assets annually and when events or circumstances indicate that the carrying value of the asset may not be recoverable. The recoverability is assessed in most instances by comparing the carrying value to its undiscounted cash flows.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates, which are frequently made in consultation with certain third-party advisors, include, but are not limited to, estimates for legal actions and general liability, workers' compensation and health insurance, long-term incentives and the collectibility of receivables.

We are periodically involved in various legal actions arising in the normal course of business. We are required to assess the probability of any adverse judgments as well as the potential range of loss. We determine the required accruals after consideration of the probability of adverse judgment and a review of the facts of each legal action.

The estimated liability for general liability, workers' compensation and health insurance is established based upon historical claims data and third-party actuarial estimates of settlement costs for incurred claims. We recognized expense of \$24,168,000 in 2006, \$27,557,000 in 2005 and \$25,116,000 in 2004 related to these types of insurance in our consolidated financial statements. Unanticipated changes in these factors may require us to revise our estimates.

We have various long-term associate incentive compensation plans which require us to make estimates to determine our liability based upon projected performance of plan criteria. If actual performance against the criteria differs from our estimates in the future, we will be required to adjust our liability accordingly.

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We continually assess the collectibility of our franchise receivables. We establish our allowance for bad debts based on several factors, including historical collection experience, the current economic environment and other specific information available to us at the time. The allowance for bad debts may change in the future due to changes in the factors above or other new developments.

Estimates and assumptions used by management affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition: We recognize company restaurant sales when food and beverage items are sold. Company restaurant sales are reported net of sales tax collected from our guests and are remitted to the appropriate taxing authorities.

We record a liability in the period in which a gift card is issued and proceeds are received. As gift cards are redeemed, this liability is reduced and revenue is recognized. We recognize gift card slippage income when the likelihood of the redemption of the card becomes remote.

We recognize royalties on a franchisee's sales in the period in which the sales are reported to have occurred. The recognition of franchise fees is deferred until we have performed substantially all of our related obligations as franchisor, typically when the restaurant opens. Franchise fees, included in franchise royalties and fees in the consolidated statements of earnings, totaled \$3,957,000 for 2006, \$3,358,000 for 2005 and \$3,096,000 for 2004.

Other franchise income includes insurance premiums from franchisee participation in our captive insurance program in 2005 and 2004 and revenue from information technology products and services provided to certain franchisees in all periods. Income from franchisee premiums and information technology services is recognized ratably over the related contract period. Income from information technology products is recognized when the products are installed at the restaurant.

Advertising costs: We recognize company-owned restaurant contributions to the national marketing pool in the period the contribution accrues. We expense most local advertising costs for company-owned restaurants as we incur them, but we expense the production costs of advertising the first time the advertising takes place. Advertising expense related to company-owned restaurants was \$56,731,000 for 2006, \$51,969,000 for 2005 and \$46,324,000 for 2004.

Operating leases: We account for our restaurant and office space leases in accordance with Statement of Financial Accounting Standards ("SFAS") No.13, "Accounting for Leases" and other authoritative guidance. We recognize rent expense for our operating leases, which have escalating rentals over the term of the lease, on a straight-line basis over the initial term and those option periods where failure to exercise such options would result in an economic penalty such that the renewal appears reasonably assured. In addition, the lease term is deemed to commence on the date we become legally obligated for rent payments. Prior to 2006, we capitalized the straight-line rent amounts during the construction period of leased properties. In 2006, we changed our policy to expense the straight-line rent during the construction period as required by FASB Staff Position ("FSP") 13-1, "Accounting for Rental Costs Incurred during a Construction Period." The impact of FSP 13-1 was not material to our consolidated financial statements. Straight-line rent subsequent to the construction period and prior to the restaurant opening is recognized as expense. We use a consistent lease term when calculating depreciation of leasehold improvements, determining straight-line rent expense and determining classification of our leases as either operating or capital. Contingent rents are generally amounts due as a result of sales in excess of amounts stipulated in certain restaurant leases and are included in rent expense as they accrue.

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Certain of our lease agreements contain tenant improvement allowances, rent holidays, lease premiums, rent escalation clauses and/or contingent rent provisions. For purposes of recognizing incentives, premiums, rent holidays and minimum rental expenses on a straight-line basis over the terms of the leases, we use the date of initial possession to begin amortization, which is generally when we enter the property and begin to make improvements in preparation of its intended use.

For tenant improvement allowances, we record a deferred rent liability in either other current liabilities or other non-current liabilities on the consolidated balance sheet and amortize the deferred rent over the term of the lease as a reduction to direct and occupancy costs in the consolidated statements of earnings.

Asset Retirement Obligations: In 2005, we adopted FASB Interpretation No. 47

"Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). We have entered into certain leases which may require us to return the property to the landlord in its original condition. Beginning in 2005, we recorded expenses for these leases in our consolidated financial statements in direct and occupancy costs. We recorded an expense of \$350,000 (\$225,000, net of income taxes) for years prior to 2005 as a cumulative effect of a change in accounting principle as required by FIN 47.

Pre-opening expense: We expense direct training, food and beverage costs and other costs, including rent expense subsequent to the construction period but prior to restaurant opening, related to opening new or relocated restaurants as they are incurred, which is typically in the month of opening.

Income taxes: We use the asset and liability method to determine deferred income taxes. Deferred tax assets and liabilities are computed based upon future tax consequences associated with differences between the financial statement carrying amount and the tax bases of assets and liabilities.

Net earnings per share: We compute basic net earnings per common share by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted net earnings per common share reflects the potential dilution that could occur if holders of options or other contracts to issue common stock exercised or converted their holdings into common stock. Outstanding stock options, stock appreciation rights and other equity-based compensation represent the only dilutive effects on weighted average shares. The chart below presents a reconciliation between basic and diluted weighted average shares outstanding and the related net earnings per share. All amounts in the chart, except per share amounts, are expressed in thousands.

<TABLE>
<CAPTION>

	2006	2005	2004
<S>	<C>	<C>	<C>
Net earnings.....	\$ 80,906	\$ 101,802	\$ 110,865
Basic weighted average shares outstanding.....	74,001	78,650	81,528
Dilutive effect of stock options and equity-based compensation.....	935	1,360	2,072
Diluted weighted average shares outstanding.....	74,936	80,010	83,600
Basic net earnings per common share.....	\$ 1.09	\$ 1.29	\$ 1.36
Diluted net earnings per common share.....	\$ 1.08	\$ 1.27	\$ 1.33

</TABLE>

We excluded stock options and stock appreciation rights ("SARs") with exercise prices greater than the average market price of our common stock for the applicable periods from the computation of diluted weighted average shares outstanding as the effect would be anti-dilutive. We excluded approximately 5,400,000, 2,800,000 and 1,500,000 of these options and SARs from our diluted weighted average share computation for 2006, 2005 and 2004, respectively.

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Cash flows: For purposes of the consolidated statements of cash flows, we consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

New accounting pronouncements: In March 2006, the Emerging Issues Task Force ("EITF") issued EITF Issue 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)." A consensus was reached that entities may adopt a policy of presenting sales taxes in the income statement on either a gross or net basis. If taxes are significant, an entity should disclose its policy of presenting taxes and the amounts of taxes. The guidance is effective for periods beginning after December 15, 2006. We present company sales net of sales taxes in our consolidated financial statements. The impact of this adoption did not change our method for recording sales taxes in our consolidated financial statements.

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 is effective for fiscal years beginning after December 15, 2006. The impact of this adoption will not be material to our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The impact of this adoption will not be material to our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." This statement requires companies to recognize a net liability or asset and an offsetting adjustment to accumulated other comprehensive income to report the funded status of defined benefit pension and other postretirement benefit plans. The statement requires prospective application, and the recognition and disclosure requirements are effective for companies with fiscal years ending after December 15, 2006. Additionally, SFAS No. 158 requires companies to measure plan assets and obligations at their year-end balance sheet date. This requirement is effective for fiscal years ending after December 15, 2008. The impact of this adoption was not material to our consolidated financial statements and we are in compliance with the measurement date provisions of this statement as of December 31, 2006.

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements," which provides interpretive guidance regarding the consideration given to prior year misstatements when determining materiality in current year financial statements. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The impact of this adoption was not material to our consolidated financial statements.

In October 2006, the FASB issued FASB Staff Position ("FSP") FAS 123 (R)-5, "Amendment to FSP FAS 123 (R)-1." FSP FAS 123(R)-5 addresses whether a modification of an instrument in connection with an equity restructuring should be considered a modification for purposes of applying FSP FAS 123(R)-1. This FSP states that no change in the recognition or the measurement (due to a change in classification as a result of a modification solely to reflect an equity restructuring that occurs when the holders are no longer employees) of the instruments will result if two conditions are met: (1) there is no increase in fair value of the award or the antidilution provision is not added to the terms of the award in contemplation of an equity restructuring and (2) all holders of the same class of equity instruments are treated in the same manner. The effective date of FSP FAS 123(R)-5 is the first reporting period beginning after October 10, 2006. The impact of this adoption was not material to our consolidated financial statements.

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In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Liabilities." This statement permits entities to choose to measure many financial instruments and certain other items at fair value. If the fair value option is elected, unrealized gains and losses will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of this adoption on our consolidated financial statements.

3. Stock-Based Compensation

Our Board of Directors has approved the Amended and Restated 1995 Equity Incentive Plan ("1995 Plan") and the 1999 Employee Incentive Plan ("1999 Plan") which allow for the granting of stock options, SARs, nonvested shares, performance units and performance shares to eligible participants. Grants of stock options may be either incentive or nonqualified. There are 19,900,000 and 2,473,875 shares authorized under the 1995 Plan and the 1999 Plan, respectively. As of December 31, 2006, we estimate there are 3,382,155 shares available for grant under the 1995 Plan. This estimate is based upon the total number of SARs that would be exercised using the market price of our stock as of December 29, 2006. We will not make additional grants under the 1999 Plan. Only shares actually issued upon exercise of a SAR are counted against the shares authorized under the 1995 Plan. We issue shares out of our treasury for stock option exercises, SAR exercises and nonvested share issuances.

In 2002, our Board of Directors approved performance share plans with a three-year performance period. Performance shares represent rights to receive our common stock, cash or any combination thereof, based upon certain performance criteria. In 2004, we reversed \$447,000 of compensation expense previously recognized due to the 2004 performance versus our three-year performance criteria. We recorded compensation expense of \$65,000 in 2005 related to these grants. These amounts were based on the market price of our common stock at the end of each fiscal year. We no longer grant performance shares.

Prior to 2006, we accounted for these stock-based compensation equity awards under the intrinsic method of Accounting Principles Board ("APB") Opinion No. 25. APB Opinion No. 25 required compensation cost to be recognized based on the

excess, if any, between the quoted market price of the stock at the date of grant and the amount an employee must pay to acquire the stock. All options awarded under both of our plans were granted with an exercise price equal to the fair market value on the date of the grant and, accordingly, no compensation expense was recognized for stock option awards. In addition, we adopted the disclosure provisions of SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123." The statement required prominent disclosures in financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

F-13

Under APB Opinion No. 25, pro forma expense for stock-based compensation was calculated using a graded vesting schedule over the explicit vesting period. The following table presents the effect on our net earnings and earnings per share had we adopted the fair value method of accounting for stock-based compensation under SFAS No. 123, "Accounting for Stock-Based Compensation" for 2005 and 2004 (in thousands, except for per share amounts).

<TABLE>
<CAPTION>

	2005	2004
<S>	<C>	<C>
Net earnings, as reported.....	\$ 101,802	\$ 110,865
Add: Stock-based compensation expense included in net earnings, net of related taxes	1,409	638
Less: Total stock-based employee compensation expense determined under fair value based methods for all equity awards, net of related taxes (1).....	8,536	8,555
Pro forma net earnings.....	\$ 94,675	\$ 102,948
Basic net earnings per common share, as reported.....	\$ 1.29	\$ 1.36
Basic net earnings per common share, as adjusted.....	\$ 1.20	\$ 1.26
Diluted net earnings per common share, as reported.....	\$ 1.27	\$ 1.33
Diluted net earnings per common share, as adjusted.....	\$ 1.18	\$ 1.23

<FN>
(1) SFAS No. 123 (revised 2004) requires compensation expense to be recognized over the requisite service period which is generally from the grant date to the earlier of a) the explicit vesting date or b) the date on which the employee becomes retirement eligible. If pro forma expense for 2005 and 2004 had been derived using this approach, additional stock-based compensation would have been \$2,731 and \$2,013, net of tax, respectively, and pro forma net income would have been \$91,944 and \$100,935, respectively. Additionally, basic and diluted pro forma earnings per share would have been \$1.17 and \$1.15, respectively, for 2005 and \$1.24 and \$1.21, respectively, for 2004.

</FN>
</TABLE>

We adopted the fair value recognition provisions of SFAS No. 123(R), "Share-Based Payment" ("SFAS 123(R)") at the beginning of 2006. SFAS No. 123(R) requires all stock-based compensation, including grants of employee stock options, to be recognized in the statement of earnings based on fair value. With limited exceptions, the amount of compensation cost is measured based on the fair value on the grant date of the equity or liability instruments issued. Compensation cost is recognized over the period that an employee provides service for that award. We adopted this accounting treatment using the modified prospective transition method; therefore, results for prior periods have not been restated.

Beginning in 2006, we changed our method of determining the fair value of stock-based equity awards from the Black-Scholes model to a binomial model. The binomial model considers a range of assumptions relative to volatility, risk-free interest rates and employee exercise behavior, which models actual employee behaviors. We believe the binomial model provides a fair value that is

more representative of actual and future experience as compared to the Black-Scholes model.

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Compensation costs for 2006 have been recognized for all new equity awards granted in 2006 and those equity awards granted prior to 2006 that have yet to reach the end of their service period. As required by SFAS No. 123(R), we began recognizing expense for employee stock-based compensation over the shorter of the vesting period or the period from the date of the grant until the date the employee becomes eligible for retirement. We recognize expense for stock-based compensation over the graded vesting period. We recognized stock-based compensation in the consolidated financial statements as follows:

<TABLE>
<CAPTION>

	2006	2005	2004
<S>	<C>	<C>	<C>
Labor.....	\$ 930	\$ --	\$ --
General and administrative expenses.....	20,864	2,231	975
Income taxes.....	(7,410)	(822)	(337)
Stock-based compensation expense included in net earnings, net of related tax.....	\$ 14,384	\$ 1,409	\$ 638

</TABLE>

As of December 31, 2006, we had unrecognized compensation expense for stock options and SARs of \$16,300,000 to be recognized over a weighted average period of 1.8 years.

As required by SFAS No. 123(R), unearned compensation of \$2,614,000, which was previously reflected as a reduction to stockholders' equity as of December 25, 2005, was reclassified as a reduction to additional paid-in capital upon our adoption of this statement.

Stock Options

Prior to 2005, we granted substantially all of our equity awards through stock options once per year. These stock options generally vest over three years and expire ten years from the date of the grant.

In 2005, we granted substantially all of our equity awards through quarterly stock option grants. Grants issued in the first quarter of each year vest three years from the date of the grant. Grants issued in subsequent quarters vest on the same date as the first quarterly stock option grant of that year. In 2005 and 2006, we also granted to certain employees stock options with 25% of the grant vesting four years from the grant date and the remaining 75% of the grant vesting five years from the grant date. The 2005 option grants expire six to seven years from the date of the grant. In the first quarter of 2006, we issued grants to certain employees and members of the Board of Directors which vest either one or three years from the date of the grant. As part of their compensation package, the outside members of the board of directors receive a grant of options in the first quarter of every year which expire ten years from the grant date.

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Transactions for stock options relative to both plans for 2004 to 2006 were as follows:

<TABLE>
<CAPTION>

1995 Plan				
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
<S>	<C>	<C>	<C>	(in thousands) <C>
Options outstanding at December 28, 2003.....	5,487,048	\$ 12.84	7.4 years	
Granted.....	1,596,944	\$ 25.82		
Exercised.....	(1,445,331)	\$ 10.09		\$ 22,138
Forfeited.....	(570,853)	\$ 14.91		

Options outstanding at				
December 26, 2004.....	5,067,808	\$ 17.48	7.3 years	
Granted.....	3,277,725	\$ 25.69		
Exercised.....	(638,163)	\$ 11.89		\$ 9,188
Forfeited.....	(341,437)	\$ 23.80		
Options outstanding at				
December 25, 2005.....	7,365,933	\$ 21.33	6.5 years	
Granted.....	453,943	\$ 22.16		
Exercised.....	(1,058,021)	\$ 13.45		\$ 10,838
Expired.....	(120)	\$ 8.30		
Forfeited.....	(586,486)	\$ 25.62		
Options outstanding at				
December 31, 2006.....	6,175,249	\$ 22.33	5.8 years	\$ 20,139
Options vested and expected to				
vest at December 31, 2006....	5,667,470	\$ 22.07	1.1 years	\$ 19,786
Options exercisable at				
December 31, 2006.....	1,985,145	\$ 16.02	5.4 years	\$ 17,473

</TABLE>

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<TABLE>
<CAPTION>

1999 Plan				
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
<S>	<C>	<C>	<C>	<C>
Options outstanding at				
December 28, 2003.....	1,775,097	\$ 12.77	7.7 years	
Granted.....	--	--		
Exercised.....	(572,048)	\$ 10.46		\$ 8,744
Forfeited.....	(73,439)	\$ 14.81		
Options outstanding at				
December 26, 2004.....	1,129,610	\$ 13.80	7.0 years	
Granted.....	--	--		
Exercised.....	(418,813)	\$ 13.67		\$ 5,325
Forfeited.....	(46,141)	\$ 16.02		
Options outstanding at				
December 25, 2005.....	664,656	\$ 13.73	6.0 years	
Granted.....	--	--		
Exercised.....	(213,758)	\$ 13.74		\$ 2,090
Expired.....	--	--		
Forfeited.....	(505)	\$ 13.22		
Options outstanding at				
December 31, 2006.....	450,393	\$ 13.72	4.9 years	\$ 4,933
Options vested and expected to				
vest at December 31, 2006....	450,315	\$ 13.72	4.9 years	\$ 4,932
Options exercisable at				
December 31, 2006.....	445,893	\$ 13.69	4.9 years	\$ 4,895

</TABLE>

The aggregate intrinsic value was calculated using the difference between the current market price and the grant price for only those equity awards that have a grant price that is less than the current market price.

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The following table summarizes information relating to our fixed-priced stock options outstanding for both plans at December 31, 2006.

<TABLE>
<CAPTION>

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
1995 Plan:					
\$ 6.18 to \$ 14.72	849,089	4.0 years	\$ 11.40	849,089	\$ 11.40
\$ 16.12 to \$ 21.00	820,438	6.0 years	\$ 17.09	709,677	\$ 16.54
\$ 21.01 to \$ 23.22	1,136,137	6.0 years	\$ 22.39	136,330	\$ 21.47
\$ 23.35 to \$ 25.72	262,273	6.4 years	\$ 24.87	50,999	\$ 24.80
\$ 25.79 to \$ 25.79	940,453	7.0 years	\$ 25.79	131,220	\$ 25.79
\$ 25.85 to \$ 26.29	111,705	7.8 years	\$ 25.98	96,580	\$ 26.00
\$ 26.30 to \$ 26.30	1,429,000	5.6 years	\$ 26.30	--	--
\$ 26.31 to \$ 28.91	626,154	5.6 years	\$ 27.95	11,250	\$ 26.87
	=====			=====	
\$ 6.18 to \$ 28.91	6,175,249	5.8 years	\$ 22.33	1,985,145	\$ 16.02
	=====			=====	
1999 Plan:					
\$ 7.24 to \$ 13.22	161,969	4.0 years	\$ 10.27	161,969	\$ 10.27
\$ 13.60 to \$ 16.13	156,496	5.1 years	\$ 15.12	151,996	\$ 15.09
\$ 16.15 to \$ 17.60	131,928	5.9 years	\$ 16.29	131,928	\$ 16.29
	=====			=====	
\$ 7.24 to \$ 17.60	450,393	4.9 years	\$ 13.72	445,893	\$ 13.69
	=====			=====	

</TABLE>

The number of options exercisable for each plan are summarized below:

<TABLE>
<CAPTION>

	1995 Plan		1999 Plan	
	Options Exercisable	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>
December 26, 2004.....	1,572,468	\$ 10.70	403,863	\$10.95
December 25, 2005.....	1,919,347	\$ 13.33	556,656	\$13.24
December 31, 2006.....	1,985,145	\$ 16.02	445,893	\$13.69

</TABLE>

We derived the following weighted-average assumptions using the binomial model in 2006 and the Black-Scholes model for 2005 and 2004 for stock options:

<TABLE>
<CAPTION>

	2006	2005	2004
	(Binomial)	(Black-Scholes)	(Black-Scholes)
<S>	<C>	<C>	<C>
Expected term in years.....	4.8	5.1	4.8
Expected stock price volatility.....	31.5%	32.3%	41.6%
Expected dividend yield.....	0.9%	0.7%	0.3%
Risk-free interest rate.....	4.6%	3.9%	2.7%
Fair value of options granted.....	\$ 6.85	\$ 8.43	\$ 9.84

</TABLE>

Stock Appreciation Rights

Beginning in 2006, we began granting substantially all of our equity awards through quarterly nonvested share and SAR grants which are exercisable in shares of our common stock. Grants issued for the first quarter of each year vest three

years from the date of the grant. Grants issued in subsequent quarters vest on the same date as the first quarterly grant of that year. The SARs granted in 2006 expire six to seven years from the date of the grant. Transactions for SARs for 2006 were as follows:

<TABLE>
<CAPTION>

1995 Plan				
	Number of SARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
<S>	<C>	<C>	<C>	<C>
SARs outstanding at December 25, 2005.....	--	--		
Granted(1).....	1,231,467	\$ 21.81		
Exercised.....	--	--		
Expired.....	--	--		
Forfeited.....	(64,600)	\$ 22.17		

SARs outstanding at December 31, 2006.....	1,166,867	\$ 21.80	6.2 years	\$ 3.354
=====				
SARs vested and expected to vest at December 31, 2006....	997,571	\$ 21.80	2.2 years	\$ 2,868
=====				
SARs exercisable at December 31, 2006.....	--			
=====				

<FN>

(1) Upon exercise of SARs, employees will receive the number of shares of common stock equal in value to the appreciation in the fair market value based on the difference between the fair market value on the grant date and the fair market value on the date of exercise. The number of shares of common stock delivered as payment of such appreciation will reduce the shares available for issuance under the 1995 Plan.

</FN>
</TABLE>

The following table summarizes information related to our SARs outstanding at December 31, 2006.

<TABLE>
<CAPTION>

Range of Exercise Prices	SARs Outstanding			SARs Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
1995 Plan:					
\$ 19.92 to \$ 21.00	598,164	6.2 years	\$ 20.66	--	--
\$ 22.34 to \$ 22.34	267,978	6.2 years	\$ 22.34	--	--
\$ 23.57 to \$ 23.57	300,725	6.2 years	\$ 23.57	--	--

\$ 19.92 to \$ 23.57	1,166,867	6.2 years	\$ 21.80	--	--
=====					

</TABLE>

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We derived the following weighted-average assumptions for SARs using the binomial model:

<TABLE>
<CAPTION>

2006	
<S>	<C>
Expected term in years	4.2

Expected stock price volatility	31.7%
Expected dividend yield	0.9%
Risk-free interest rate	4.7%
Fair value of SARs granted	\$ 6.27

Assumptions

We determined our assumptions for stock options and SAR grants based on the following methodology:

Expected term: We have determined the expected term based upon the assumption that all outstanding options and SARs will be exercised at the midpoint of the current holding period and the full contractual term.

Expected volatility: We have determined the expected volatility based on a weighted average of Applebee's volatility over the expected term, historical volatility of certain peer group restaurant volatilities and Applebee's implied volatility.

Expected dividend yield: We have determined the expected dividend yield based upon our expected dividends as a percentage of our current stock price.

Risk-free interest rate: We have determined the risk-free interest rate using the U.S. Treasury yield curve in effect at the time of the grant for the expected term of the equity award.

Nonvested Shares

We grant nonvested shares under our 1995 Plan. Nonvested shares vest either one, two or three years after the date of the grant. The fair value of nonvested shares granted is equal to the market price of the stock at the date of grant. Transactions during 2004 to 2006 were as follows:

<TABLE>
<CAPTION>

	Number of Awards	Weighted Average Fair Value
<S>	<C>	<C>
Nonvested share awards outstanding as of December 28, 2003.....	182,602	\$16.59
Granted.....	84,882	25.08
Vested.....	(73,031)	14.99
Forfeited.....	(7,183)	22.26
Nonvested share awards outstanding as of December 26, 2004.....	187,270	\$20.85
Granted.....	117,679	27.66
Vested.....	(33,917)	18.53
Forfeited.....	(13,219)	25.30
Nonvested share awards outstanding as of December 25, 2005.....	257,813	\$24.03
Granted.....	204,501	21.79
Vested.....	(105,168)	19.29
Forfeited.....	(37,245)	25.85
Nonvested share awards outstanding as of December 31, 2006.....	319,901	\$23.95

</TABLE>

As of December 31, 2006, we had unrecognized compensation expense related to nonvested share awards of approximately \$2,200,000, which will be recognized over a weighted average period of 1.5 years.

Employee stock purchase plan

Our Board of Directors has authorized an employee stock purchase plan that allows associates to purchase shares of our common stock at a 15% discount through a payroll deduction. We record compensation for this plan using the Black-Scholes valuation model in the quarter that the purchase occurs. As of December 31, 2006, 142,480 shares of the 1,850,000 shares which were authorized under this plan were available for purchase.

4. Acquisitions

All of our acquisitions discussed below have been accounted for using the purchase method of accounting and, accordingly, our consolidated financial statements reflect the results of operations for each acquisition subsequent to the date of acquisition. The assets acquired and liabilities assumed are recorded at estimates of fair value as determined by management based upon information available. We finalize the allocation of purchase price to the fair

value of assets acquired and liabilities assumed when we obtain information sufficient to complete the allocation, but in each case, no longer than one year after the acquisition date.

In April 2004, we completed our acquisition of the operations and assets of 10 Applebee's restaurants located in Southern California for approximately \$13,800,000 in cash. The purchase price was allocated to the fair value of property and equipment of \$2,500,000, goodwill of \$10,800,000, and other net assets of approximately \$500,000.

In May 2005, we completed the acquisition of 12 Applebee's restaurants in Missouri, Kansas and Arkansas, which included one restaurant under construction, for approximately \$39,500,000 in cash. The purchase price was allocated to the fair value of property and equipment of \$17,500,000, goodwill of \$21,500,000, reacquired franchise rights of approximately \$300,000, and other net assets of approximately \$200,000.

In January 2006, we completed the acquisition of four Applebee's restaurants in the Houston market for approximately \$8,100,000 in cash. The purchase price was allocated to the fair value of property and equipment of \$7,400,000, goodwill of approximately \$500,000, reacquired franchise rights of approximately \$100,000, and other net assets of approximately \$100,000.

The following table is comprised of actual company restaurant sales for the three restaurant acquisitions above, which are included in our consolidated financial statements for each period presented, and pro forma company restaurant sales. The pro forma company restaurant sales for 2006 include sales related to the January 2006 acquisition discussed above as if the acquisition had occurred as of the beginning of 2006. The pro forma company restaurant sales for 2005 includes sales related to the January 2006 acquisition and the May 2005 acquisition discussed above as if the acquisitions had occurred as of the beginning of 2005. The pro forma company restaurant sale for 2004 includes sales related to the May 2005 acquisition and the April 2004 acquisition discussed above as if the acquisition had occurred as of the beginning of 2004.

<TABLE>
<CAPTION>

	2006	2005	2004
<S>	<C>	<C>	<C>
Actual company restaurant sales for acquired restaurants.....	\$ 6,400	\$ 17,000	\$ 17,600
Pro forma company restaurant sales for acquired restaurants.....	\$ 7,100	\$ 32,800	\$ 52,600

</TABLE>

In April 2005, we completed the acquisition of eight Applebee's restaurants in the Memphis market, which were closed in 2004 by a former franchisee, for approximately \$8,800,000 payable in cash. In connection with this acquisition, we paid approximately \$800,000 in 2004 and \$8,000,000 in 2005. The purchase price of \$8,800,000 was allocated to the fair value of property and equipment of approximately \$8,200,000 and goodwill of approximately \$600,000. We have remodeled and opened seven restaurants and the remaining restaurant was sold to a third-party.

5. Inventory Impairment

In 2004, we determined that we had excess inventories of riblets that no longer met our quality standards. Accordingly, we recorded an inventory impairment of \$2,000,000 (\$1,300,000, net of income taxes) in our consolidated statements of earnings for 2004. The portion of the riblet inventory impairment related to the company's historical usage of approximately \$400,000 was recorded in food and beverage cost and the portion related to the franchisee's historical usage of approximately \$1,600,000 was recorded in cost of other franchise income in the consolidated statements of earnings.

6. Impairment and Other Restaurant Closure Costs

In 2006, we recorded impairment and other restaurant closure costs of \$8,800,000 (\$5,830,000, net of taxes) consisting of \$5,500,000 of property and equipment and lease acquisition costs, \$1,500,000 for a write-down of an investment, \$900,000 for restaurant closure costs and \$900,000 for a write-down of a corporate aircraft. This charge has been included in our consolidated statement of earnings for 2006.

In 2005, we recorded an impairment of \$3,900,000 (\$2,500,000, net of income taxes) consisting of a \$2,600,000 write-down of the carrying value of the property and equipment of three restaurants that were not performing as expected

and one restaurant that was closed and relocated and a \$1,300,000 write-down of one other long-lived asset. This impairment charge has been included in our consolidated statements of earnings for 2005.

In assessing restaurants for impairment, we use current and historical operating results to estimate future cash flows on a restaurant by restaurant basis. The asset impairment charges for 2005 and 2006 were calculated by comparing the carrying value of the restaurants' assets to the estimated future cash flow projections. In assessing the above non-restaurant assets for impairment, we used an estimate of their fair market value.

7. Assets Held for Sale

We classify assets as held for sale when there is a plan for disposal of assets and those assets meet the held for sale criteria as defined in SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." During 2006, we began to actively market our existing corporate headquarters under a plan approved by management. Consequently, we have classified the building and land as held for sale as of December 31, 2006. In addition, we began to actively market a corporate aircraft and other assets with immaterial carrying values. We ceased amortizing these assets when we classify the assets as held for sale. In February 2007, the corporate aircraft was sold and we recognized an immaterial gain.

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8. Receivables

Receivables are comprised of the following (in thousands):

<TABLE>
<CAPTION>

	December 31, 2006	December 25, 2005
<S>	<C>	<C>
Franchise royalty, advertising and trade receivables.....	\$ 39,123	\$ 27,098
Credit card receivables.....	9,492	8,853
Other.....	73	2,246
	-----	-----
	48,688	38,197
Less allowance for bad debts.....	917	340
	-----	-----
	\$ 47,771	\$ 37,857
	=====	=====

</TABLE>

We had a provision for bad debts of \$592,000 in 2006. We did not have a provision for bad debts in 2005 or 2004. We had write-offs against the allowance for bad debts of \$15,000, \$77,000 and \$627,000 during 2006, 2005 and 2004, respectively.

9. Prepaid and Other Current Assets

Prepaid and other current assets are comprised of the following (in thousands):

<TABLE>
<CAPTION>

	December 31, 2006	December 25, 2005
<S>	<C>	<C>
Deferred income taxes.....	\$ 5,825	\$ 6,338
Other.....	9,430	7,180
	-----	-----
	\$ 15,255	\$ 13,518
	=====	=====

</TABLE>

10. Goodwill and Other Intangible Assets

We have completed the annual goodwill impairment test required under the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" in the fourth fiscal quarter for each year reported in our consolidated statements of earnings. We determined that no impairment existed and as a result, no impairment losses were recorded in any year.

Goodwill is summarized below (in thousands):

<TABLE>
<CAPTION>

	December 31, 2006	December 25, 2005
<S>	<C>	<C>
Carrying amount, beginning of the year.....	\$ 138,443	\$ 116,344
Goodwill acquired during the year.....	507	22,099

Carrying amount, end of the year.....	\$ 138,950	\$ 138,443
---------------------------------------	------------	------------

</TABLE>

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Intangible assets subject to amortization pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets," are summarized below (in thousands):

<TABLE>
<CAPTION>

	December 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
<S>	<C>	<C>	<C>
Amortized intangible assets:			
Franchise interest and rights.....	\$ 6,371	\$ 6,172	\$ 199
Lease acquisition costs(1).....	3,430	650	2,780
Noncompete agreement.....	350	199	151
Total.....	\$ 10,151	\$ 7,021	\$ 3,130

</TABLE>
<TABLE>
<CAPTION>

	December 25, 2005		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
<S>	<C>	<C>	<C>
Amortized intangible assets:			
Franchise interest and rights.....	\$ 6,371	\$ 5,896	\$ 475
Lease acquisition costs(1).....	4,939	743	4,196
Noncompete agreement.....	350	109	241
Total.....	\$ 11,660	\$ 6,748	\$ 4,912

<FN>
(1) In connection with the review of long-lived assets during our preparation of the second quarter of fiscal 2006 condensed consolidated financial statements, we recorded an asset impairment charge of approximately \$1,100,000, net of accumulated amortization, for lease acquisition costs related to two restaurants whose carrying amounts were not deemed recoverable (Note 6).

</FN>
</TABLE>

Amortizable other intangible assets consist of franchise interest and rights, lease acquisition costs and a noncompete agreement.

Franchise interest and rights represent the allocation of the purchase price of our 1988 acquisition of the Applebee's concept to the restaurants we acquired and the franchise agreements that we assumed based on an independent valuation. We amortize the allocated costs over the estimated life of the restaurants or the franchise agreements on a straight-line basis which originally ranged from 7 to 20 years.

Franchise interest and rights are being amortized over the next one to two years, lease acquisition costs are being amortized over the next 5 to 18 years and the noncompete agreement is being amortized over the next two years.

We expect annual amortization expense for amortizable other intangible assets for the next five fiscal years to range from approximately \$200,000 to \$500,000.

Intangible assets not subject to amortization are summarized below (in thousands):

<TABLE>
<CAPTION>

	December 31, 2006	December 25, 2005
<S>	<C>	<C>
Carrying amount, beginning of the year.....	\$ 3,138	\$ 2,793
Nonamortizable intangible assets acquired during the year.....	140	345
Nonamortizable intangible assets amount, end of the year.....	\$ 3,278	\$ 3,138

</TABLE>

In connection with our acquisition of four Applebee's restaurants in Houston from a franchisee in January 2006, we recorded approximately \$100,000 of reacquired franchise rights (Note 4).

F-24

In connection with our acquisition of 12 Applebee's restaurants in Missouri, Kansas and Arkansas from a franchisee in May 2005, we recorded approximately \$300,000 of reacquired franchise rights (Note 4).

The amount allocated to reacquired franchise rights is based upon the initial franchise fees received from these franchisees. This intangible asset has an indefinite life and, accordingly, will not be amortized but tested for impairment at least annually.

11. Other Assets

Other assets are comprised of the following (in thousands):

<TABLE>

<CAPTION>

	December 31, 2006	December 25, 2005
<S>	<C>	<C>
Nonqualified deferred compensation plan investments (Note 20).....	\$ 18,729	\$ 14,493
Liquor licenses.....	6,814	6,541
Notes receivable.....	1,305	1,478
Deferred financing costs, net.....	1,013	664
Minority investment in unaffiliated company, at net realizable value.....	750	2,250
Other.....	6,807	6,473
	\$ 35,418	\$ 31,899

</TABLE>

12. Property and Equipment

Property and equipment, net, is comprised of the following (in thousands):

<TABLE>

<CAPTION>

	December 31, 2006	December 25, 2005
<S>	<C>	<C>
Land.....	\$ 107,193	\$ 97,476
Buildings and leasehold improvements.....	527,049	482,074
Furniture and equipment.....	291,501	263,526
Construction in progress.....	28,757	25,755
	954,500	868,831
Less accumulated depreciation and capitalized lease amortization.....	318,469	278,238
	\$ 636,031	\$ 590,593

</TABLE>

We have recorded capitalized leases of \$4,055,000 at both December 31, 2006 and December 25, 2005, which are included in buildings and leasehold improvements. We had accumulated amortization of such property of \$2,258,000 at December 31, 2006 and \$2,025,000 at December 25, 2005. These capitalized leases relate to the buildings on certain restaurant properties. The land portion of the restaurant property leases is accounted for as an operating lease.

We had depreciation and capitalized lease amortization expense relating to property and equipment of \$64,738,000 for 2006, \$54,580,000 for 2005 and \$46,051,000 for 2004. Of these amounts, capitalized lease amortization was \$233,000 during 2006, \$240,000 during 2005 and \$239,000 during 2004.

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We lease certain of our restaurants. The leases generally provide for payment of minimum annual rent, real estate taxes, insurance and maintenance and, in some cases, contingent rent (calculated as a percentage of sales) in excess of minimum rent. Total rental expense for all operating leases is comprised of the following (in thousands):

<TABLE>

<CAPTION>

	2006	2005	2004
<S>	<C>	<C>	<C>
Minimum rent.....	\$ 26,860	\$ 23,929	\$ 20,416
Contingent rent.....	1,453	1,389	1,254
	\$ 28,313	\$ 25,318	\$ 21,670

</TABLE>

The present value of capitalized lease payments and the future minimum lease payments under noncancelable operating leases over the lease term as defined in Note 2 (including leases executed for sites to be developed in 2007) as of December 31, 2006 are as follows (in thousands):

<TABLE>

<CAPTION>

	Capitalized Leases	Operating Leases
<S>	<C>	<C>
2007.....	\$ 822	\$ 29,307
2008.....	851	29,234
2009.....	880	28,977
2010.....	895	28,544
2011.....	896	28,298
Thereafter.....	3,178	257,659
Total minimum lease payments.....	7,522	\$ 402,019
Less amounts representing interest.....	3,606	
Present value of minimum lease payments.....	\$ 3,916	

</TABLE>

In October 2006, we entered into a sale-leaseback arrangement with a third-party finance company involving five restaurant properties. As a result of this transaction, we recorded a deferred gain of approximately \$3,100,000 which will be recognized over the 10-year remaining lease term on a straight-line basis.

13. Notes Payable and Long-Term Debt

Our debt, which includes both notes payable and long-term debt, including capitalized lease obligations, is comprised of the following (in thousands):

<TABLE>

<CAPTION>

	December 31, 2006	December 25, 2005
<S>	<C>	<C>
Notes payable; interest at federal funds rate plus 0.50% at December 31, 2006, at federal funds rate plus 0.625% at December 25, 2005.....	\$ --	\$ 7,900
Unsecured revolving credit facility; interest at LIBOR plus 0.5% or prime rate at December 31, 2006, due December 2011 and LIBOR plus 0.625% or prime rate at December 25, 2005.....	170,000	175,000
Capitalized lease obligations (Note 12).....	3,916	4,054
Other.....	1,269	1,413
Total notes payable and long-term debt.....	175,185	188,367
Less notes payable and current portion of long-term debt.....	265	8,159
Long-term debt, less current portion.....	\$ 174,920	\$ 180,208

</TABLE>

In December 2006, we entered into a new five-year revolving credit facility. The terms of the bank credit agreement provide for \$400,000,000 in unsecured revolving credit and an additional \$200,000,000 of revolving credit upon satisfaction of the conditions set forth in the credit facility. The facility is subject to various covenants and restrictions which, among other things, require the maintenance of stipulated fixed charge and leverage ratios, as defined. There is no limit on cash dividends provided that the declaration and payment of such dividend does not cause a default of any other covenant contained in the agreement. The facility is subject to other standard terms, conditions, covenants and fees.

As of December 31, 2006, we are in compliance with the covenants contained in

our credit agreement. As of December 31, 2006, we had borrowings of \$170,000,000, letters of credit of \$15,600,000 outstanding and approximately \$214,400,000 available under our revolving credit facility.

In December 2004, we had a \$150,000,000 unsecured revolving credit facility. The bank credit agreement provided for a \$150,000,000 five-year unsecured revolving credit facility, of which \$40,000,000 could be used for the issuance of letters of credit. The facility was subject to various covenants and restrictions which, among other things, required the maintenance of stipulated fixed charge, leverage and indebtedness to capitalization ratios, as defined. There was no limit on cash dividends provided that the declaration and payment of such dividend does not cause a default of any other covenant contained in the agreement. The facility was subject to other standard terms, conditions, covenants, and fees.

In September 2005, we entered into an amendment to our credit facility which increased the revolving credit commitment available from \$150,000,000 to \$200,000,000. In October 2005, we entered into a second amendment to our credit facility which increased the revolving credit commitment available from \$200,000,000 to \$250,000,000 and provided for an additional \$75,000,000 of revolving credit upon satisfaction of the conditions set forth in the credit facility.

Maturities of notes payable and long-term debt, including capitalized lease obligations, ending during the years indicated, are as follows (in thousands):

<TABLE>	<C>
<S>	
2007.....	\$ 265
2008.....	292
2009.....	368
2010.....	458
2011.....	170,519
Thereafter.....	3,283

	\$ 175,185
	=====

</TABLE>

14. Captive Insurance Subsidiary

In 2002, we formed Neighborhood Insurance, Inc., a Vermont corporation and a wholly-owned captive insurance subsidiary to provide Applebee's International, Inc. and qualified franchisees with workers' compensation and general liability insurance. In 2005, we reduced the types of insurance coverage plans offered which resulted in fewer franchisee participants in our captive insurance program. Through 2005, Applebee's International, Inc. and covered franchisees made premium payments to the captive insurance company which pays administrative fees and insurance claims, subject to individual and aggregate maximum claim limits under the captive insurance company's reinsurance policies. Franchisee premium amounts billed by the captive insurance company were established based upon third-party actuarial estimates of settlement costs for incurred and anticipated claims and administrative fees. Franchisee premiums were included in other franchise income ratably over the policy year and the related offsetting expenses were included in cost of other franchise income. In 2006, we discontinued writing insurance coverage for new or existing participants. Cost of other franchise income includes costs related to the resolution of claims arising from franchisee participation in our captive insurance program. We do not expect franchisee participation in the captive insurance company to have a material impact on our net earnings. Our consolidated balance sheets include the following balances related to the captive insurance subsidiary:

- o Franchise premium receivables of approximately \$400,000 and \$1,700,000 as of December 31, 2006 and December 25, 2005, respectively, included in receivables related to captive insurance subsidiary.

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- o Cash equivalent and other long-term investments restricted for the payment of claims of approximately \$12,600,000 and \$18,600,000 as of December 31, 2006 and December 25, 2005, respectively, included in restricted assets related to captive insurance subsidiary.
- o Loss reserve related to captive insurance subsidiary of approximately \$12,600,000 and \$20,700,000 as of December 31, 2006 and December 25, 2005, respectively. Approximately \$6,500,000 and \$10,500,000 for December 31, 2006 and December 25, 2005, respectively, is included in other non-current liabilities.

Our activity in the loss and loss adjustment reserve, which includes Applebee's International, Inc. and participating franchisees, is summarized in the table below (in thousands):

<TABLE>

<CAPTION>

December 31,
2006

December 25,
2005

<S>	<C>	<C>
Total balance, beginning of the year.....	\$ 20,478	\$ 18,801
Incurring related to:		
Current year.....	--	7,141
Prior year.....	(2,190)	2,406
Total incurred.....	(2,190)	9,547
Paid related to:		
Current year.....	--	1,546
Prior year.....	5,878	6,324
Total paid.....	5,878	7,870
Total balance, end of the year.....	12,410	20,478
Less current portion.....	5,910	9,976
Long-term portion (Note 16).....	\$ 6,500	\$ 10,502

</TABLE>

Loss reserve estimates are established based upon third-party actuarial estimates of ultimate settlement costs for incurred claims (which includes claims incurred but not reported) using data currently available. The reserve estimates are regularly analyzed and adjusted when necessary. Unanticipated changes in the data used to determine the reserve may require us to revise our estimates.

Deferred policy acquisition costs include premium taxes, fronting fees and net commissions and are deferred and amortized over our fiscal year and, accordingly, we did not have any deferred policy acquisition costs as of December 31, 2006 or December 25, 2005. We had acquisition expenses payable of \$184,000 as of December 31, 2006 and \$259,000 as of December 25, 2005 that were included in the current portion of loss reserve and unearned premiums related to captive insurance subsidiary in the consolidated balance sheets.

15. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities are comprised of the following (in thousands):

<S>	December 31, 2006	December 25, 2005
Gift cards.....	\$ 48,252	\$ 39,162
Compensation and related taxes.....	31,701	35,488
Restaurant occupancy costs.....	13,821	9,271
Sales and use taxes.....	7,914	6,798
Insurance loss reserves.....	4,120	5,327
Other.....	7,833	4,949
	\$ 113,641	\$ 100,995

</TABLE>

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16. Other Non-Current Liabilities

Other non-current liabilities are comprised of the following (in thousands):

<S>	December 31, 2006	December 25, 2005
Restaurant occupancy costs.....	\$ 22,307	\$ 19,969
Nonqualified deferred compensation plan liabilities (Note 20).....	18,729	14,493
Long-term insurance loss reserves.....	7,117	--
Loss and loss adjustment reserve related to captive insurance subsidiary.....	6,500	10,502
Deferred gain on sale-leaseback.....	2,706	--
Compensation.....	2,190	3,033
Other.....	2,288	2,377
	\$ 61,837	\$ 50,374

</TABLE>

17. Income Taxes

We, along with our subsidiaries, file a consolidated federal income tax return. The income tax provision consists of the following (in thousands):

<TABLE>

<CAPTION>

	2006	2005	2004
<S>	<C>	<C>	<C>
Current provision:			
Federal.....	\$ 42,902	\$ 40,198	\$ 30,171
State and local.....	10,422	4,633	2,146
Deferred provision (benefit):			
Federal.....	(10,559)	9,248	23,625
State and local.....	(1,524)	623	1,688
Income taxes before cumulative effect of change in accounting principle.....	41,241	54,702	57,630
Income taxes related to the cumulative effect of change in accounting principle.....	--	(125)	--
Total income taxes.....	\$ 41,241	\$ 54,577	\$ 57,630

</TABLE>

The deferred income tax provision (benefit) is comprised of the following (in thousands):

<TABLE>

<CAPTION>

	2006	2005	2004
<S>	<C>	<C>	<C>
Depreciation and amortization.....	\$ 2,339	\$ 13,090	\$ 24,278
Stock-based compensation.....	(6,842)	--	--
Impairment and other restaurant closure costs.....	(3,300)	(1,463)	--
Other.....	(4,280)	(1,756)	1,035
Net change in deferred income taxes.....	\$ (12,083)	\$ 9,871	\$ 25,313

</TABLE>

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A reconciliation between the income tax provision and the expected tax determined by applying the statutory federal income tax rates to earnings before income taxes follows (in thousands):

<TABLE>

<CAPTION>

	2006	2005	2004
<S>	<C>	<C>	<C>
Federal income tax at statutory rates.....	\$ 42,751	\$ 54,851	\$ 58,973
Increase (decrease) to income tax expense:			
State and local income taxes, net of federal benefit.....	5,200	3,764	3,083
Employment related tax credits, net.....	(6,596)	(4,502)	(3,894)
Other.....	(114)	589	(532)
Income taxes before cumulative effect of change in accounting principle.....	41,241	54,702	57,630
Income taxes related to the cumulative effect of change in accounting principle.....	--	(125)	--
Total income taxes.....	\$ 41,241	\$ 54,577	\$ 57,630

</TABLE>

The net current deferred income tax asset amounts are included in prepaid and other current assets and the net non-current deferred income tax liability amounts are included in other non-current liabilities in the accompanying consolidated balance sheets. The significant components of deferred income tax assets and liabilities and the related balance sheet classifications are as follows (in thousands):

<TABLE>

<CAPTION>

December 31,
2006

December 25,
2005

<S>	<C>	<C>
Classified as current:		
Accrued expenses.....	\$ 3,032	\$ 3,879
Allowance for bad debts.....	783	128
Other, net.....	2,010	2,331
Net deferred income tax asset.....	\$ 5,825	\$ 6,338
Classified as non-current:		
Depreciation and amortization.....	\$ (48,984)	\$ (48,530)
Stock-based compensation.....	7,926	--
Impairment and other restaurant closure costs.....	3,300	1,463
Franchise deposits.....	648	446
Other, net.....	11,984	8,899
Net deferred income tax liability.....	\$ (25,126)	\$ (37,722)

</TABLE>

18. Commitments and Contingencies

Litigation, claims and disputes: We are subject from time to time to lawsuits, claims and governmental inspections or audits arising in the ordinary course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. In the opinion of management, these matters are adequately covered by insurance, or, if not so covered, are without merit or are of such a nature or involve amounts that would not have a material adverse impact on our business or consolidated financial position.

Lease guarantees and contingencies: In connection with the sale of restaurants to franchisees and other parties, we have, in certain cases, remained contingently liable for the remaining lease payments. As of December 31, 2006, we have outstanding lease guarantees of approximately \$15,300,000. In addition, we or our subsidiaries are contingently liable for various leases that we have assigned in connection with the sale of restaurants to franchisees and other parties in the potential amount of \$12,300,000. These leases expire at various times with the final lease agreement expiring in 2018. We did not record a liability related to these contingent lease liabilities as of December 31, 2006 or December 25, 2005.

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Franchisee guarantees: In 2004, we arranged for a third-party financing company to provide up to \$250,000,000 to qualified franchisees for loans to fund development of new restaurants through October 2007, subject to our approval. We will provide a limited guarantee of 10% of certain loans advanced under this program. We will be released from our guarantee if certain operating results are met after the restaurant has been open for at least two years. As of December 31, 2006, there were loans outstanding to five franchisees for approximately \$65,800,000 under this program. The fair value of our guarantees under this financing program is approximately \$130,000 and is recorded in non-current liabilities in our consolidated balance sheet as of December 31, 2006.

Severance agreements: We have severance and employment agreements with certain officers providing for severance payments to be made in the event the officer resigns or is terminated not related to a change in control, some of which require payments to be made only if we enforce certain terms in the agreements. If the severance payments had been due as of December 31, 2006, we would have been required to make payments totaling approximately \$10,600,000. In addition, we have severance and employment agreements with certain officers which contain severance provisions related to a change in control. The agreements define the circumstances which will constitute a change in control. Those provisions would have required additional aggregate payments of approximately \$5,300,000 if such officers had been terminated as of December 31, 2006.

19. Stockholders' Equity

In October 2005, our Board of Directors authorized repurchases of our common stock of up to \$175,000,000 during 2005 and 2006, subject to market conditions. In November 2006 our Board of Directors authorized additional repurchases of our common stock of up to \$150,000,000, subject to market conditions. During 2006, we repurchased 1,760,506 shares of our common stock at an average price of \$21.88 for an aggregate cost of approximately \$38,522,000. As of December 31, 2006, we had approximately \$240,400,000 remaining under our 2005 and 2006 repurchase authorizations.

A reconciliation of our treasury shares for the past three fiscal years is provided below (shares in thousands):

<TABLE>
<CAPTION>

	Treasury Shares
<S>	<C>
Balance as of December 28, 2003.....	25,716
Purchases of treasury stock.....	3,994
Stock options exercised.....	(1,982)
Shares issued under employee benefit plans.....	(275)
Nonvested shares awarded under equity incentive plans.....	(78)
Balance as of December 26, 2004.....	27,375
Purchases of treasury stock.....	8,288
Stock options exercised.....	(1,045)
Shares issued under employee benefit plans.....	(209)
Nonvested shares awarded under equity incentive plans.....	(104)
Balance as of December 25, 2005.....	34,305
Purchases of treasury stock.....	1,761
Stock options exercised.....	(1,268)
Shares issued under employee benefit plans.....	(237)
Nonvested shares awarded under equity incentive plans.....	(168)
Balance as of December 31, 2006.....	34,393

</TABLE>

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20. Employee Benefit Plans

Nonqualified deferred compensation plan: In 2002, we entered into a rabbi trust agreement to protect the assets of the nonqualified deferred compensation plan for certain of our associates. Each participant's account is comprised of their contribution, our matching contribution and each participant's share of earnings or losses in the plan. In accordance with Emerging Issues Task Force No. 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Are Held in a Rabbi Trust and Invested," the accounts of the rabbi trust are reported in our consolidated financial statements. As of December 31, 2006 and December 25, 2005, our consolidated balance sheets include the investments in other assets and the offsetting obligation is included in other non-current liabilities. The deferred compensation plan investments are considered trading securities and are reported at fair value with the realized and unrealized holding gains and losses related to these investments recorded in other income (expense) and the offsetting amount is recorded in general and administrative expenses.

Employee retirement plans: During 1992, we established a profit sharing plan and trust in accordance with Section 401(k) of the Internal Revenue Code. We make matching contributions of 50% of associate contributions not to exceed 4.0% of an associate's compensation in any year. Through 2004, we made our contributions in shares of our common stock. Beginning in 2005, we make our contributions in cash. In 2005, our contributions vested at the rate of 20% after the associate's second year of service, 60% after three years of service, 80% after four years of service and 100% after five years of service. In 2006, our vesting schedule changed to 100% vesting immediately. Contributions under these plans were \$2,614,000 in 2006, \$2,429,000 in 2005 and \$2,158,000 in 2004.

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21. Quarterly Results of Operations (Unaudited)

The following presents the unaudited consolidated quarterly results of operations for 2006 and 2005. The fiscal quarter ended December 31, 2006 contained 14 weeks. All other fiscal quarters contained 13 weeks. All amounts, except per share amounts, are expressed in thousands.

	2006			
	Fiscal Quarter Ended			
	March 26, 2006	June 25, 2006	September 24, 2006	December 31, 2006
<S>	<C>	<C>	<C>	<C>
Operating revenues:				
Company restaurant sales.....	\$307,899	\$296,128	\$286,938	\$305,293
Franchise royalties and fees.....	35,935	34,306	33,340	36,274
Other franchise income.....	445	539	371	453
Total operating revenues.....	344,279	330,973	320,649	342,020
Cost of company restaurant sales:				
Food and beverage.....	82,236	78,433	76,616	82,528
Labor.....	101,031	100,296	99,105	103,084

Direct and occupancy.....	78,946	80,411	80,047	84,439
Pre-opening expense.....	750	1,157	1,115	1,326
Total cost of company restaurant sales.....	262,963	260,297	256,883	271,377
Cost of other franchise income.....	766	281	694	958
General and administrative expenses.....	35,606	32,320	35,601	37,297
Amortization of intangible assets.....	204	204	154	159
Impairment and other restaurant closure costs.....	1,600	3,000	1,900	2,300
Loss on disposition of property and equipment.....	577	430	685	881
Operating earnings.....	42,563	34,441	24,732	29,048
Other income (expense):				
Investment income.....	745	(285)	885	1,423
Interest expense.....	(2,554)	(2,985)	(2,970)	(2,912)
Other income.....	136	101	301	(522)
Total other income (expense).....	(1,673)	(3,169)	(1,784)	(2,011)
Earnings before income taxes.....	40,890	31,272	22,948	27,037
Income taxes.....	13,739	10,868	8,107	8,527
Net earnings.....	\$ 27,151	\$ 20,404	\$ 14,841	\$ 18,510
Basic net earnings per common share.....	\$ 0.37	\$ 0.28	\$ 0.20	\$ 0.25
Diluted net earnings per common share.....	\$ 0.36	\$ 0.27	\$ 0.20	\$ 0.25
Basic weighted average shares outstanding.....	74,147	74,112	73,902	73,883
Diluted weighted average shares outstanding.....	75,281	75,083	74,673	74,859

</TABLE>

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<TABLE>
<CAPTION>

	2005			
	Fiscal Quarter Ended			
	March 27, 2005	June 26, 2005	September 25, 2005	December 25, 2005
<S>	<C>	<C>	<C>	<C>
Operating revenues:				
Company restaurant sales.....	\$270,458	\$272,703	\$272,673	\$ 266,807
Franchise royalties and fees.....	33,008	32,493	31,589	31,723
Other franchise income.....	1,065	1,424	1,064	1,643
Total operating revenues.....	304,531	306,620	305,326	300,173
Cost of company restaurant sales:				
Food and beverage.....	71,635	72,565	71,555	70,767
Labor.....	88,724	90,115	90,231	89,493
Direct and occupancy.....	66,367	71,038	74,706	75,545
Pre-opening expense.....	1,167	1,268	1,089	1,243
Total cost of company restaurant sales.....	227,893	234,986	237,581	237,048
Cost of other franchise income.....	819	1,229	790	2,054
General and administrative expenses.....	26,946	27,980	26,329	28,513
Amortization of intangible assets.....	228	226	204	220
Impairment and other restaurant closure costs.....	--	--	3,900	--
Loss on disposition of property and equipment.....	297	564	480	726
Operating earnings.....	48,348	41,635	36,042	31,612
Other income (expense):				
Investment income.....	(41)	449	568	719
Interest expense.....	(337)	(634)	(1,232)	(2,162)
Other income.....	435	584	593	150
Total other income (expense).....	57	399	(71)	(1,293)
Earnings before income taxes and cumulative effect of change in accounting principle.....	48,405	42,034	35,971	30,319
Income taxes.....	16,748	14,544	13,836	9,574 (1)
Earnings before cumulative effect of change in	31,657	27,490	22,135	20,745

accounting principle.....	--	--	--	(225)
Cumulative effect of change in accounting principle, net of tax.....	--	--	--	(225)
Net earnings.....	\$ 31,657	\$ 27,490	\$ 22,135	\$ 20,520
Basic net earnings per common share:				
Basic earnings before cumulative effect of change in accounting principle.....	\$ 0.39	\$ 0.34	\$ 0.28	\$ 0.27
Cumulative effect of change in accounting principle, net of tax.....	--	--	--	--
Basic net earnings per common share.....	\$ 0.39	\$ 0.34	\$ 0.28	\$ 0.27
Diluted net earnings per common share:				
Diluted earnings before cumulative effect of change in accounting principle.....	\$ 0.38	\$ 0.34	\$ 0.28	\$ 0.27
Cumulative effect of change in accounting principle, net of tax.....	--	--	--	--
Diluted net earnings per common share.....	\$ 0.38	\$ 0.34	\$ 0.28	\$ 0.27
Basic weighted average shares outstanding.....	80,705	79,897	78,485	75,525
Diluted weighted average shares outstanding.....	82,375	81,360	79,691	76,542

<FN>
(1) Fourth quarter 2005 net earnings reflect a decrease in income tax expense of \$1.1 million due to the resolution of a state income tax matter.
</FN>
</TABLE>

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APPLEBEE'S INTERNATIONAL, INC.
EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Certificate of Incorporation, as amended, of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
3.2	Amended and Restated Bylaws of Applebee's International, Inc. (incorporated by reference to the Registrant's Form 8-K filed on August 30, 2006).
4.1	Certificate of the Voting Powers, Designations, Preferences and Relative Participating, Optional and Other Special Rights and Qualifications of Series A Participating Cumulative Preferred Stock of Applebee's International, Inc. (incorporated by reference to Exhibit 4.2 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 25, 1994).
10.1	Form of Applebee's Development Agreement.
10.2	Form of Applebee's Franchise Agreement.
10.3	Schedule of Applebee's Development and Franchise Agreements as of December 31, 2006.
10.4	Revolving Credit Agreement dated as of December 18, 2006 (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed on December 20, 2006).
	Management Contracts and Compensatory Plans or Arrangements
10.5	Amended and Restated 1995 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 26, 2005).
10.6	Amendment to the Amended and Restated 1995 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2006).
10.7	Employee Stock Purchase Plan, as amended (incorporated by

reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 26, 2005).

- 10.8 1999 Management and Executive Incentive Plan (incorporated by reference to Exhibit 10.13 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 26, 1999).
- 10.9 1999 Employee Incentive Plan, as amended (incorporated by reference to Exhibit 10.14 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 26, 1999).

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Exhibit Number	Description of Exhibit
10.10	2001 Senior Executive Bonus Plan (incorporated by reference to Exhibit 10.12 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 30, 2001).
10.12	Current Form of Change in Control and Noncompete Agreement (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 26, 2004) and schedule of parties thereto.
10.13	Form of Officer Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed on December 15, 2004).
10.14	Form of Officer Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed on December 15, 2004).
10.15	Form of Officer Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.3 of the Registrant's Form 8-K filed on December 15, 2004).
10.16	Form of Officer Restricted Stock Award Agreement for shares subject to the Company's stock ownership guidelines (incorporated by reference to Exhibit 10.4 of the Registrant's Form 8-K filed on December 15, 2004).
10.17	Form of Nonqualified Stock Option Agreement for Nonemployee Directors (incorporated by reference to Exhibit 10.5 of the Registrant's Form 8-K filed on December 15, 2004).
10.18	Form of Restricted Stock Award for Nonemployee Directors (incorporated by reference to Exhibit 10.6 of the Registrant's Form 8-K filed on December 15, 2004).
10.19	Executive Nonqualified Stock Purchase Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2004).
10.20	Form of Indemnification Agreement with all Officers and Directors (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2004) and schedule of parties thereto.
10.21	Executive Retirement Plan, as amended (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2004 and Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 26, 2005).
10.22	Executive Health Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2004).

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Exhibit Number	Description of Exhibit
10.23	Director Compensation Policy.
10.24	FlexPerx Program (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed on January 7, 2005).

- 10.25 Form of Stock Appreciation Rights Agreement (incorporated by reference to Form 8-K filed on February 22, 2006).
- 10.26 CEO Use of the Company Airplane Policy (incorporated by reference to Exhibit 10.6 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 26, 2005).
- 10.27 Personal Use of Corporate Aircraft for Senior Team (incorporated by reference to Exhibit 10.7 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 26, 2005).
- 10.28 Asset Purchase Agreement with The Ozark Apples, Inc. dated April 8, 2005 (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 26, 2005).
- 10.29 Memorandum of Understanding, dated October 5, 2002 and Amendment 1 dated July 1, 2005, with Louis A. Kaucic (incorporated by reference to Exhibit 10.14 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 28, 2003 and Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 26, 2005).
- 10.30 Employment Agreement dated as of January 9, 2006 by and between the Company and David L. Goebel (incorporated by reference to the Registrant's Form 8-K filed on January 9, 2006).
- 10.31 Employment Agreement dated as of January 9, 2006 by and between the Company and Steven K. Lumpkin (incorporated by reference to the Registrant's Form 8-K filed on January 9, 2006).
- 10.32 2001 Senior Executive Bonus Plan, as amended (incorporated by reference to the Registrant's Form 8-K filed on May 16, 2006).
- 10.33 Separation Agreement, Release and Waiver dated May 17, 2006 by and between the Company and John C. Cywinski (incorporated by reference to the Registrant's Form 8-K filed on May 18, 2006).
- 10.34 Personal Use of Corporate Aircraft by Non-Executive Chairman (incorporated by reference to the Registrant's Form 8-K filed on August 30, 2006).
- 10.35 Severance Plan for Officers (incorporated by reference to the Registrant's Form 8-K filed on August 30, 2006).

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Exhibit Number	Description of Exhibit
10.36	Amended and Restated Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 24, 2006).
10.37	New Form of Officer Restricted Stock Award Agreement for shares subject to the Company's stock ownership guidelines (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 24, 2006).
10.38	New Form of Officer Restricted Stock Award Agreement for Participants in the Executive Retirement Plan (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 24, 2006).
10.39	Amended Executive Stock Ownership Guidelines (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 24, 2006).
21	Subsidiaries of Applebee's International, Inc.
23.1	Consent of Deloitte & Touche LLP.
24	Power of Attorney (see page 47 of the Form 10-K).
31.1	Certification of Principal Executive Officer Pursuant to SEC Rule 13a-14(a).
31.2	Certification of Chief Financial Officer Pursuant to SEC Rule

13a-14(a).

32 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act
of 2002.

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EXHIBIT E

STANDARD FORM

APPLEBEE'S NEIGHBORHOOD GRILL & BAR
DEVELOPMENT AGREEMENT

(Name of Developer)

(Date)

(General Description of Territory)

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APPLEBEE'S NEIGHBORHOOD GRILL & BAR
DEVELOPMENT AGREEMENT

This Agreement is made this _____ day of _____, 20____, by and between APPLEBEE'S INTERNATIONAL, INC., a Delaware corporation ("FRANCHISOR"), _____, a (_____ corporation, sole proprietorship, _____ partnership, _____ limited partnership [strike inappropriate language]) ("DEVELOPER") and _____ (collectively, the "PRINCIPAL SHAREHOLDERS" and, individually, a "PRINCIPAL SHAREHOLDER" of Developer if a corporation or general partner of Developer is a limited partnership having as its general partner a corporation) and _____ ("GENERAL PARTNER") of Developer if Developer is a limited partnership).*

* (If Developer is not a corporation or a sole proprietorship, or if Developer is a limited liability company, the parties hereto hereby agree that an Addendum shall be attached to this Agreement so as properly to reflect the responsibilities of the partners of any general partnership, the general partner of any limited partnership and the shareholders of any corporate general partner of any partnership, or the members of any limited liability company.)

WITNESSETH:

RECITALS

A. Franchisor owns the rights to develop and operate a unique system of restaurants which specialize in the sale of high quality, moderately priced food and alcoholic beverages in an attractive, casual setting, which include proprietary rights in certain valuable trade names, service marks and trademarks, including the service mark Applebee's Neighborhood Grill & Bar and variations of such mark, designs, decor and color schemes for restaurant premises, signs, equipment, procedures and formulae for preparing food and beverage products, specifications for certain food and beverage products, inventory methods, operating methods, financial control concepts, training facilities and teaching techniques (the "System").

B. Franchisor has established, through its own development and operation, and through the granting of franchises, a chain of Applebee's Neighborhood Grill & Bar restaurants which are distinctive; which are similar in appearance, design and decor; and which are uniform in operation and product consistency.

C. The value of Franchisor's trade names, service marks and trademarks is based upon: (1) the maintenance of uniform high quality standards in connection with the preparation and sale of Franchisor-approved food and beverage products, (2) the uniform high standards of appearance of the individual restaurant units in the System, (3) the use of distinctive trademarks, service marks, building designs and advertising signs representing a uniformly high quality of product and services, and (4) the assumption by Franchisor and its franchisees of the obligation to maintain and enhance the goodwill and public acceptance of the System (and of Franchisor's trade names, service marks and trademarks) by strict adherence to the high standards required by Franchisor.

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D. Developer desires to obtain the exclusive right to develop restaurant units franchised by Franchisor within the geographic area specified in Appendix A hereto ("Territory"), for the period specified in Subsection 1.1, pursuant to the terms, conditions and provisions which are set forth in this Agreement.

NOW, THEREFORE, in consideration of Franchisor granting to Developer the exclusive right to develop restaurant units franchised by Franchisor which employ the System ("Restaurants") in the Territory for such period, and in

consideration of the mutual obligations which are provided for herein, it is hereby agreed as follows:

1. GRANT OF DEVELOPMENT RIGHTS

1.1 Franchisor grants Developer the exclusive right to develop Restaurants only in the Territory for a period commencing on the date hereof and expiring on _____, 20__, unless sooner terminated as hereinafter provided. Developer has no rights under this Agreement to develop Restaurants outside of the Territory or to develop restaurants which do not employ the System, including the Applebee's Neighborhood Grill & Bar service mark.

1.2 During the term of this Agreement, Franchisor shall not operate a restaurant utilizing the System or license any other person to operate a restaurant utilizing the System in the Territory. However, nothing in this Agreement shall prohibit or infringe upon Franchisor's right to operate a restaurant or license any other person to operate a restaurant in the Territory which does not utilize the System or use the Applebee's Neighborhood Grill & Bar service mark. In addition, Franchisor specifically reserves the right to operate or license any other person to operate restaurants in any location within an airport (serviced by one or more public or charter carrier), train station, bus terminal, port authority, campus at any college, university or other post-secondary education institution, hospitals and other health care facilities, arena, stadium, state or national park, or military fort, post or base which may be within the boundaries of the Territory otherwise granted to Developer. Further, Developer acknowledges and agrees that Franchisor or any one (1) or more of its subsidiary or affiliated companies or divisions shall have the right to operate or license any other person to operate such other restaurants which may or will compete with the Restaurants, under a system and service mark other than Applebee's Neighborhood Grill & Bar.

1.3 After this Agreement expires or is terminated, Franchisor shall have the complete and unrestricted right to operate or license other persons to operate a restaurant utilizing the System in the Territory.

2. INITIAL DEVELOPMENT SCHEDULE

2.1 Developer shall develop a total of _____ (____) Restaurants franchised by Franchisor in the Territory during the period commencing on the date hereof and expiring on _____, 20____, in accordance with the following development schedule:

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(a)(1) During the first Initial Development Period under this Agreement, Developer shall develop at least _____ (____) Restaurants within the Territory, each of which shall be open for operation and doing business on _____, _____ (the end of the first Initial Development Period under this Agreement).

(b) During the second Initial Development Period under this Agreement, Developer shall develop the number of Restaurants within the Territory necessary to result in the existence of _____ (____) such Restaurants developed by Developer which are open for operation and doing business on _____, _____ (the end of the second Initial Development Period under this Agreement).

(c) During the third Initial Development Period under this Agreement, Developer shall develop the number of Restaurants within the Territory necessary to result in the existence of _____ (____) such Restaurants developed by Developer which are open for operation and doing business on _____, _____ (the end of the third Initial Development Period under this Agreement).

Each of the periods specified in Subparagraphs (a) through (____) hereof is sometimes referred to hereinafter as an "Initial Development Period."

2.2 During any Initial Development Period, subject to the provisions of this Agreement, Developer is free to develop more than the total minimum number of Restaurants which Developer is required to develop during that Initial Development Period. Any such Restaurants developed, open for operation and doing business during an Initial Development Period in excess of the minimum number required to be developed during that Initial Development Period shall be applied to satisfy Developer's development obligation during the next succeeding Initial Development Period or next succeeding Subsequent Development Period (as defined in Section 3 hereof), if any, as the case may be. Notwithstanding the above, Developer shall not develop more than the total number Restaurants approved by Franchisor for development under this Agreement.

2.3 Strict compliance with the development schedule specified in Subsection 2.1 hereof is of the essence of this Agreement. If Developer fails to fulfill its specified development obligation with respect to any of the Initial Development Periods specified in Subsection 2.1 hereof, this Agreement shall terminate sixty (60) days after the end of the Initial Development Period in question, unless by the end of such sixty (60) day period Developer has fulfilled the development obligation relating to such Initial Development Period.

3. SUBSEQUENT DEVELOPMENT SCHEDULE; DEVELOPMENT OBLIGATIONS GENERALLY

3.1 During the period commencing on _____, 20____, and expiring on _____, 20____, Developer shall develop and open for business in the Territory, in accordance with the parameters established under Subsection 3.2, that number of additional Restaurants as is required to achieve at the end of such period, a total number of Restaurants open for business within the Territory which, after including the Restaurants developed during the Initial Development Periods, will equal the Minimum Development Potential of the Territory (as defined herein below).

(1) The periods specified in Subsection 2.1(a)-(c) may be revised, deleted or

added to in order to reflect the number of Restaurants Developer is obligated to develop and the time in Which the Developer is obligated to open such restaurants.

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3.2 (a) Each consecutive period of two (2) or more years, commencing with the period beginning on _____, 20____, is hereafter referred to as a "Subsequent Development Period."

(b) On or before the commencement of each Subsequent Development Period, Franchisor shall provide to Developer in writing the number of Restaurants to be developed by Developer during such Subsequent Development Period ("Subsequent Development Schedule"), together with a detailed summary of the Minimum Development Potential calculations used to determine the Subsequent Development Schedule. The minimum development potential ("Minimum Development Potential") shall be determined as follows:

(i) Each Area of Dominant Influence ("A.D.I."), as determined by the 1988 Arbitron Ratings, comprising all or a portion of the Territory shall be placed into one of four market categories ("Market Categories"), identified as either a "Small Market", defined as those A.D.I.'s containing less than 135,000 households in metropolitan counties within the Territory with incomes greater than \$25,000 ("Income Qualified Metro Household"); a "Medium Market", defined as those A.D.I.'s containing 135,000 to 399,999 Income Qualified Metro Households; a "Large Market", defined as those A.D.I.'s containing 400,000 to 1,399,999 Income Qualified Metro Households; or a "Mega Market", defined as those A.D.I.'s containing 1,400,000 or more Income Qualified Metro Households (Small Market, Medium Market, Large Market or Mega Market may also be referred to herein individually as an "A.D.I. Market" or collectively as "A.D.I. Markets". The income level set forth above may, but need not, be adjusted upward or downward by Franchisor once every five (5) years in order to reflect changes in household income, such adjustments to be determined by reference to the United States Census Bureau's Median Household Income Index or if such index no longer exists at the time it is to be used, then the index employed shall be such other generally known index used by NPD Crest or other such similar company then used by Franchisor.

(ii) Each county within an A.D.I. Market shall be classified as a "Metropolitan County", those counties with a total population greater than 50,000; a "Small Town County", those counties with a total population of 20,000 to 50,000; or an "Other County", those counties with a total population less than 20,000 (Metropolitan County, Small Town County and Other County may be for description purposes also referred to herein as a "County Type").

(iii) Each A.D.I. Market shall at that time be assigned to one of

four development groups according to the level of development penetration which Developer has achieved in the A.D.I. Market as compared to the level of development penetration achieved by all domestic development in the System. The four development groups will be determined by ranking each A.D.I. in the System within each of the Market Categories from most developed to least developed. The A.D.I.'s in ranking order from most developed to least developed shall then be divided into four substantially equal development groups: "Opportunistic Group", "Second Group", "Third Group" and "Lower Limit Group". The average number of Restaurants per Income Qualified Metro Household developed by the top three territories in the System of the Second Group in each A.D.I. Market category shall be the development target for each such A.D.I. Market category ("Penetration Target").

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(iv) The total number of Restaurants to be developed by Developer in each Metropolitan County of an A.D.I. Market shall be equal to the number of Income Qualified Metro Households in such A.D.I. Market divided by the Penetration Target ("Metropolitan Development Potential"). The Metropolitan Development Potential minus the number of Restaurants in each Metropolitan County then open and operating in said A.D.I. Market shall be the number of Restaurants in each Metropolitan County then available for development in the A.D.I. Market ("Metropolitan Development Balance").

(v) The Minimum Development Potential shall be the maximum number of Restaurants Franchisor may include on the Subsequent Development Schedule and thus require Developer to develop in the A.D.I. Market during the next Subsequent Development Period; subject, however, to the minimum and maximum development criteria outlined in paragraph (c) and (d) of this Subsection 3.2. In the event, however, a particular A.D.I. Market is in the Opportunistic Group, Developer and Franchisor shall negotiate in good faith a mutually agreeable Subsequent Development Schedule; provided, however, said Subsequent Development Schedule shall not reflect a number of Restaurants less than the remaining undeveloped portion of the Metropolitan Development Potential, nor shall the Developer be required (without its consent) to develop more than the remaining undeveloped portion of the Metropolitan Development Potential.

(c) During each Subsequent Development Period that Developer has less than ten (10) Restaurants open and operating in the Territory, Developer shall be required to develop no more than one (1) Restaurant each calendar year that the number of Restaurants in Developer's Territory does not meet or exceed the Minimum Development Potential of the Territory. During each Subsequent Development Period that Developer has ten (10) or more Restaurants in the Territory, Developer shall be required to develop no more than two (2) Restaurants each calendar year that the number of

Restaurants in the Territory does not meet or exceed the Minimum Development Potential for the Territory.

(d) Notwithstanding the Minimum Development Potential for which Developer might otherwise be obligated in order to satisfy the Penetration Target for the Territory, Developer shall not be required to develop more than ten (10) Restaurants in any one calendar year in the Territory. In the event Developer holds other development agreements with the System or the Principal Shareholders of Developer are the identical Principal Shareholders of other entities who hold other development agreement(s) within the System (such other entities being defined hereunder as "Affiliates"), Developer, together with such Affiliates, may limit its combined development under all such development agreements to no more than ten (10) Restaurants in the aggregate in any calendar year. Provided, however, Developer and Principal Shareholder(s) hereby acknowledge that if Developer exercises its option under this provision to limit its combined development with its Affiliates and after so limited its development, Developer (together with its Affiliate) does not achieve such aggregate development, Developer shall be in default under that development agreement (or all such development agreements as the case may be) but only such development agreement(s) which did not meet the individual Subsequent Development Schedule calculated and agreed to for that individual development agreement.

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(e) If the Developer has timely developed and opened for operation the Restaurant called for by the Initial Development Schedule and thereafter during a Subsequent Development Period objects to the development of the last Restaurant required during that Subsequent Development Period under Article 3 hereof, then Franchisor hereby grants Developer the right to make a written demand for a study as to whether said last Restaurant may be located in the Territory or whether said Restaurant will at that time cannibalize the sales and traffic with respect to its other existing Restaurants in the Territory. In the event a written request for such a study is received by Franchisor prior to the end of the Subsequent Development Period in question and prior to any default under the Development Agreement, then in such an event, Franchisor and Developer shall in good faith attempt to resolve the issue regarding whether the last Restaurant should or should not be developed and opened. If an agreement cannot be reached (which process may include the Franchisor and Developer ordering a PIN study at Developer's cost), Franchisor and Developer shall submit the disagreement to the National Franchise Mediation Board ("NFMB"), as herein defined below, for handling and disposition. The submission of said disagreement will be in accordance with subsection 3.2 (f) (i) hereof.

(f) The following shall apply to the submission to the NFMB pursuant to the preceding paragraph:

(i) The disagreement shall be submitted by the Developer by way of a written demand for mediation tendered to Franchisor within thirty (30) days after Franchisor has indicated to Developer that an agreement cannot be reached. Developer will deposit \$35,000 with Franchisor at the time of the filing of its written demand for mediation. If the demand or the deposit or either or both of them are not so timely made, then in such an event, the Developer shall be deemed to have waived its right to request mediation and further, shall be deemed to have elected to accept the full number of Restaurants Franchisor had determined for the Subsequent Development Period then in question. The NFMB will determine in its sole discretion the procedure, time limits and additional filing and responses required with respect to the mediation. However, it is understood and agreed by all parties that the mediation is intended to provide a more expeditious resolution of the matter submitted to the NFMB. The mediation decision to be rendered by the NFMB will be binding upon all parties to the mediation. The party for whom a favorable decision is rendered shall receive from the other party reimbursement for all out-of-pocket costs and expenses, including attorneys' fees incurred and any PIN study conducted with respect to the mediation, which are determined to be reasonable by the NFMB.

(ii) At the conclusion of the mediation, the NFMB shall issue its decision either supporting Developer and indicating that the last Restaurant need not be developed as a part of the Subsequent Development Period in question, or conversely, supporting Franchisor and indicating that the last Restaurant should be a part of the development for that Subsequent Development Period. If the decision of the NFMB supports the Developer, then in such an event, the Developer shall maintain its exclusive rights to the Territory, and shall continue to maintain its right to develop therein in the future. Provided, however, Franchisor may request further development during future Subsequent Development Periods. In addition, Franchisor shall reimburse Developer the \$35,000 previously deposited at the commencement of the mediation process.

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(iii) If the decision of the NFMB supports the Franchisor, then in such an event, the Developer shall be required to construct and open the last Restaurant, pursuant to the development schedule originally listed as a part of the Subsequent Development Period so in question. In addition, the funds previously deposited by Developer with Franchisor shall be applied to the Franchise Fee due for such Restaurant. However, in the event Developer fails to develop the Restaurant, the \$35,000 shall be forfeited and shall become the exclusive property of Franchisor and further, the exclusive development rights granted by the Development Agreement shall terminate and be of no further force and effect.

(iv) If, after a new developer has been appointed to open the last Restaurant, and said Restaurant has opened for operation, and within the first twelve (12) months of operation of said Restaurant, Developer believes that said new developer's Restaurant has had a significant cannibalization effect upon one or more of Developer's Restaurants, then in such an event, the Developer may avail itself of the following post impact process ("Post Impact Process"). The Post Impact Process will consist of the submission of the positions of the Developer, new developer and Franchisor to the NFMB for study and mediation. The Post Impact Process is and shall be from time to time more fully outlined in the Manuals. The NFMB shall have the right to issue a non-binding determination as to whether or not the Developer's Restaurant or Restaurants (as the case may be) were, in fact, significantly cannibalized as contended by Developer and if so determined, a recommendation on whether any and what type of royalty relief or other relief, if any, shall be granted Developer. The parties agree to exhaust the foregoing remedies and seek the mediation provided by the NFMB prior to submitting the matter to any judicial tribunal.

3.3 Strict compliance with the development schedule established in accordance with Subsection 3.2 hereof is of the essence of this Agreement. If Developer shall fail to fulfill its specified development obligation with respect to any Subsequent Development Period, this Agreement shall automatically terminate sixty (60) days after the end of the Subsequent Development Period in question, unless by the end of such sixty (60) day period Developer has fulfilled the development obligation relating to such Subsequent Development Period.

3.4 If, during the term of this Agreement, (a) Developer transfers or disposes of any Restaurant developed hereunder in accordance with the provisions hereof, or for any other reason ceases to operate any Restaurant developed hereunder, and (b) after such transfer or other cessation of operation the premises no longer are utilized for the operation of a Restaurant, Developer's development obligation in the Initial or Subsequent Development Period in which such transfer or other cessation of operations occurred shall increase, subject to the general limitations on Developer's development obligations set forth in Section 2 and Section 3, by the number of Restaurants which Developer so transferred, disposed of or which otherwise ceased to operate.

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3.5 Franchisor represents that it is the sole owner of the service mark Applebee's Neighborhood Grill & Bar. If Franchisor determines that a third person has rights under the law of any state with respect to such mark which precludes Developer from fulfilling any portion of its development obligations pursuant to this Agreement, Franchisor and Developer shall negotiate in good faith for a revision of those development obligations, a redefinition of the

Territory, or such other modifications of this Agreement as may be reasonable in the circumstances.

3.6 Notwithstanding the foregoing Subsection 3.2 and in addition thereto, Franchisor shall further divide those counties identified as Small Town Counties and Other Counties ("STC") and provide for the development of such counties.

(a) Franchisor shall request Developer to commit to develop and open for operation pursuant to a pre-determined development schedule the number of Restaurants utilizing a Small Town Restaurant prototype ("STC Restaurant") and in the specified counties set forth on the written request tendered to Developer by Franchisor (the "STC Notice"). The STC Notice provided Developer will further reflect the proposed development schedule for all such STC Restaurants. Within 30 days of Developer's receipt of such STC Notice, Developer shall indicate in writing whether it desires to develop an STC Restaurant in all or a portion of the counties listed. Thereafter, the development schedule suggested in the STC Notice will be adjusted by the Franchisor, using the same pace of development as set forth in Subsection 3.2(c) and Subsection 3.2(d). With respect to this process, the Franchisor and Developer will review the development feasibility of each county listed in the STC Notice, giving appropriate consideration to such factors as liquor license availability, proximity to existing Restaurants, the presence or absence of competitive concepts and other such matters as Franchisor deems appropriate. Any counties removed from the purview of the STC Notice by such negotiations will be returned to the pool of unused counties for possible future development. At or before the conclusion of the 30-day notice period, unless otherwise extended in writing, Developer shall:

(i) Signify its agreement to develop in accordance with the STC Notice in all of the listed counties and in accordance with the proposed development schedule included with the revised STC Notice and as a result, Developer's exclusive right to develop Restaurants in the Territory as previously granted remains unaffected;

(ii) Signify its agreement to develop an STC Restaurant in a portion of the STC Notice listed counties, and in such an event, Developer shall no longer have the exclusive right to develop Restaurants in the counties in which it chose not to develop the STC Restaurant and will be subject to the terms set forth in subparagraph (c) below; or

(iii) Reject the development of an STC Restaurant in all of the STC Notice listed counties, and in such an event, Developer shall no longer have the exclusive right to develop Restaurants in the counties listed in the final STC Notice and will be subject to the terms of subparagraph (c) below; or

(iv) Seek mediation of the inclusion of one or more of the counties in the STC Notice with the National Franchise Mediation Board in accordance with Subsection 3.6(b); or

(v) Fail to respond in writing to the STC Notice, in which event the Developer will no longer have the exclusive right to develop Restaurants in the counties set forth in the STC Notice and will be subject to the terms of subparagraph (c) below.

(b) In the event the Developer contests the STC Notice as referenced in subsection 3.6 (a)(iv) above, such disagreement shall be submitted for mediation to the National Franchise Mediation Board, which shall be comprised of two (2) individuals appointed by Franchisor, two (2) individuals appointed by the Franchise Business Council and one (1) individual chosen by the foregoing four (4) individuals, in accordance with the following:

(i) Developer will deposit with Franchisor at the time of the filing of its written demand for mediation an amount equal to \$35,000 times the number of counties about which Developer is contesting development. Notwithstanding the foregoing, in no event shall less than \$35,000 be so deposited. If the deposit is not so timely made, then in such an event, the Developer shall be deemed to have waived its right to request mediation and further, deemed to have elected alternative (v) as set forth in subparagraph 3.6(a).

(ii) The NFMB will determine in its sole discretion the procedure, time limits and additional filing and responses required with respect to the mediation. However, it is understood and agreed by all parties that the mediation is intended to provide a more expeditious resolution of the matter submitted to the NFMB.

(iii) The mediation decision to be rendered by the NFMB will be binding upon all parties to the mediation.

(iv) The party for whom a favorable decision is rendered shall receive from the other party reimbursement for all out-of-pocket costs and expenses, including attorneys' fees, incurred with respect to the mediation which are determined to be reasonable by the NFMB.

(v) At the conclusion of the mediation, the NFMB shall issue its decision either supporting Developer and indicating that the county(ies) to which the Developer objected shall be removed from the STC Notice and returned to the pool of unused county(ies), or conversely, supporting Franchisor and indicating that the county(ies) about which an objection was raised should be so included in the STC Notice and therefore an STC Restaurant should be developed therein.

(vi) If the decision of the NFMB supports the Developer, then in such an event, the Developer shall maintain its exclusive right to the

county(ies) in question, and shall continue to maintain its right to develop therein in the future. In addition, the amount deposited by Developer shall be refunded to Developer.

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(vii) If the decision of the NFMB supports the Franchisor, then in such an event, the Developer shall be required to construct the STC Restaurant in the county(ies) in question, pursuant to the development schedule originally listed in the STC Notice. The funds previously deposited by Developer with Franchisor shall be applied to the Franchise Fee due for each of said units at the rate of \$35,000 per each unit. In the event Developer fails to develop some or all of the STC Restaurants in the county(ies) here in question, any unused deposit shall be forfeited and further, the Developer's exclusive rights to the county(ies) in which no development occurred shall be terminated and not subject to any first right of refusal rights, notwithstanding anything herein to the contrary.

(c) Except as otherwise provided in subparagraph 3.6(b) hereof, in the event that the Developer, after receiving its STC Notice, falls within the purview of subsections 3.6(a)(ii), (iii), or (v) above, the counties for which the Developer rejected the right to develop an STC Restaurant, Franchisor may in its discretion seek another franchisee to develop the rejected counties or develop STC Restaurants in those counties on its own. Upon the identification of a bona fide prospective franchisee for those counties or upon the determination by Franchisor that it will develop those counties, Franchisor shall provide Developer with a written first right of refusal notice ("FROR Notice"), which FROR Notice will set forth the counties in question and the schedule of development. Developer shall have 30 days within which to respond to such FROR Notice in writing. Such response shall be solely to accept or reject in whole its right of refusal. No partial acceptances will be honored by the Franchisor. In the event the Developer fails to respond or responds and indicates its desire not to develop the counties listed, then Developer's exclusive right to develop such counties shall no longer be valid and exclusivity rights previously granted in the Development Agreement as to those counties shall be of no further effect, and in such an event the Franchisor may grant a third party prospective franchisee the right to develop STC Restaurants in those counties or develop STC Restaurants itself, without regard to the Developer. Conversely, if the Developer responds to the FROR Notice in writing and indicates its desire to build the STC Restaurants listed in compliance with the schedule set forth, and at the same time tenders a non-refundable deposit in the amount of \$35,000 for each of the Restaurants to be developed in the counties listed in the FROR Notice, the Developer shall have the right to develop said STC Restaurants and shall further retain the exclusive right to develop Restaurants in the counties so listed.

(d) As to the other counties unallocated under the foregoing process set forth in subsection (c) above, Franchisor may issue future notices regarding development of the same STC Restaurants for use in some or all of the counties. Further, Franchisor may create other new small town prototypes using the System developed for the Restaurants, which extend the brand name but which would more likely be adaptable to the demographics shown for some or all of the other counties which have not been identified for development under the preceding sentence or under subparagraph (b) above. As each such release (which may be in one or more increments) is developed by the Franchisor, the same procedures set forth in subparagraphs (a) and (b) above shall apply.

(e) The development and opening of an STC Restaurant in a listed county will not apply to or substitute for the development required under Section 2.1 hereof. However, in the event Developer fails to develop and open the Restaurants called for under Section 3.6(a) hereof pursuant to the schedule established by Franchisor, such default in development shall only affect the Developer's right to open and operate in the counties so listed. If Developer fails to open one or more of the STC Restaurants in the total aggregate time period set forth in the schedule, then in such an event, Developer shall lose its rights to develop any STC Restaurants in the counties listed in the STC Notice or the FROR Notice (as the case may be) wherein no Restaurant is in operation and further, the exclusivity provided by this Development Agreement shall be of no further force or effect with respect to those counties listed in said Notice (but only as to said affected counties) and Franchisor may grant development rights to a third party or develop said counties itself. It is understood that the 60-day period provided for in Section 2.3 of the Development Agreement shall apply to all of the Restaurants to be developed under this paragraph.

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4. FRANCHISE FEE AND ROYALTY RATE

4.1 Developer shall pay Franchisor a franchise fee of \$_____ with respect to each Restaurant which is developed pursuant to this Agreement during the Initial Development Periods. Thereafter, Developer shall pay Franchisor a franchise fee in an amount which is equal to the amount of the franchise fee then in effect at the time of the issuance of the franchise agreement for each additional restaurant to be opened during any Subsequent Development Period. The amount of the franchise fee shall be set forth in the franchise offering circular received by the Developer from Franchisor immediately preceding the issuance of such franchise agreement. Simultaneously with the execution of this Agreement, Developer shall pay to Franchisor, by certified check, the amount of \$_____ ("Franchise Fee Deposit"). Said Franchise Fee Deposit shall be equal to the greater of (a) the franchise fee for one of the Restaurants to be developed during the Initial Development Periods, or (b) ten percent (10%) of the entire franchise fees covering the _____ (____) Restaurants to be developed during the first three(1) (3) Initial Development Periods pursuant to

this Agreement (as reduced by a credit of \$6,000 based on Developer's prior payment, if so paid, of a non-refundable \$6,000 application fee). The remaining balance of the franchise fees for each of the Restaurants to be developed during the three (3) Initial Development Periods shall be paid by certified check as follows: one-half (1/2) of the balance shall be paid upon signing a franchise agreement for that Restaurant and the remaining balance shall be paid fourteen (14) days prior to the scheduled opening of the Restaurant. The Franchise Fee Deposit shall be proportionately allocated to the franchise fee due with respect to each Restaurant to which it applies. The franchise fee with respect to each Restaurant to be developed during a Subsequent Development Period or with respect to any additional Restaurants developed during the Initial Development Periods shall be paid by certified check in the same manner.

4.2 Except as provided in this Subsection 4.2 and in Subsection 19.1 of the form of franchise agreement which is attached hereto as Appendix B, Developer shall have no right to recover from Franchisor, directly or indirectly, any of the franchise fees which are prepaid pursuant to Subsection 4.1 hereof. If Developer's failure to develop the total number of Restaurants specified in Subsection 2.1 of this Agreement is the result of the assertion of rights by a third party as described in Subsection 3.5 hereof, those prepaid franchise fees which relate to the Restaurants which cannot be so developed shall be refunded to Developer in cash.

(1) In the event there are more or less than three (3) Initial Development Periods, these fees are payable for each of the restaurants provided for in the applicable total number of Initial Development Periods.

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4.3 As partial consideration for the rights granted to Developer pursuant to the franchise agreements covering the Restaurants which Developer develops hereunder, Developer (as franchisee under each such franchise agreement) shall pay Franchisor a monthly royalty fee as determined by Franchisor. Until January 1, 2020, the monthly royalty fee shall not exceed four percent (4%) of each calendar month's gross sales (as that term is defined in the form of franchise agreement which is attached hereto as Appendix B). Thereafter, the monthly royalty fee shall be as determined by Franchisor.

4.4 Pursuant to its obligations hereunder and under the applicable franchise agreements, Franchisor will make various expenditures in connection with the development of prospective Restaurant sites by Developer, including expenditures for travel, lodging, meals, obtaining of information about prospective sites, demographic information, traffic counts, and inquiries into local laws and ordinances. Developer shall promptly notify Franchisor of a decision to cease development of a prospective Restaurant site. In the event that Developer fails to open a restaurant at any such site, in lieu of the payment of the franchise fee therefor, Franchisor in its sole discretion may require Developer to reimburse Franchisor for Franchisor's expenditures with respect to that site. In such event, Franchisor shall provide Developer with an

itemized list of Franchisor's expenditures with respect to that site after Franchisor receives notice that Developer no longer intends to develop a Restaurant at that site, and Developer shall reimburse Franchisor for such costs within thirty (30) days after receiving such list.

5. SITE APPROVALS: PLANS AND SPECIFICATIONS

5.1 Developer assumes all cost, liability, expense and responsibility for locating, obtaining, financing and developing sites for Restaurants, and for constructing and equipping Restaurants at such sites. To assist Developer in the site selection process, Franchisor will provide Developer with certain demographic information regarding the site for a fee, will conduct an on-site inspection (if deemed necessary by Franchisor), and, at no additional cost, will review any lease or contract under negotiation for the prospective site; provided, however, such review does not mean that Franchisor is required to have an attorney review such lease. The development of a Restaurant at any site must be approved by Franchisor in accordance with its then-existing site approval procedure. In connection with a request for approval of a proposed site for a Restaurant, Developer shall provide a related contract of sale or lease agreement and such other information and material as the Franchisor may reasonably require. Franchisor's approval of a prospective Restaurant site shall not be unreasonably withheld. Franchisor shall notify Developer whether it approves a proposed site and the related contract of sale or lease agreement within thirty (30) business days of the first date after Franchisor receives Developer's request for approval and all of Franchisor's prerequisites to consideration of a site for approval have been satisfied. Failure of Franchisor to so notify Developer within such thirty (30) business day period shall be deemed to be an approval of such site and the related contract of sale or lease agreement. Developer acknowledges that Franchisor's approval of a prospective site for a Restaurant does not constitute a representation, promise or guarantee by Franchisor that a Restaurant operated at that site will be profitable or otherwise successful. Developer shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for a Restaurant unless Franchisor has approved that site in accordance with Franchisor's then-existing site approval procedure. After Franchisor has approved a site for a Restaurant, Developer shall provide Franchisor with a copy of the executed contract of sale or lease, as applicable, relating to the site within a reasonable period of time.

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5.2 For each Restaurant which Developer develops pursuant to this Agreement, Franchisor will make available to Developer Franchisor's specifications for a typical Restaurant. Developer will obtain architectural and engineering services independently and at its own expense. Franchisor shall have the right to review all such architectural and/or engineering plans which Developer obtains and to prohibit the implementation of any plan, or part thereof, which Franchisor, in its sole and absolute discretion, believes is not consistent with the best interests of the System. In the event that Franchisor

desires to prohibit the implementation of any such plan, or part thereof, Franchisor shall so notify Developer within thirty (30) business days of receiving such architectural and/or engineering plans for review. Failure of Franchisor to so notify Developer within such thirty (30) business day period shall be deemed to be an approval of such plans. In the event Franchisor does object to any such plan, Franchisor shall provide Developer with a reasonable detailed list of changes necessary to make such plans acceptable to Franchisor. Franchisor shall, upon resubmission of such plans, with such changes as Developer has prepared, notify Developer within fifteen (15) business days of receiving such plans whether they are acceptable. Failure to so notify Developer within such fifteen (15) business day period shall be deemed to be an approval of such amended plans.

5.3 If Developer acquires a leasehold interest in a site, that leasehold interest shall be for a term which is at least as long as the term of the form of franchise agreement which is attached hereto as Appendix B, and the lease shall provide that if the applicable franchise agreement is terminated prior to the expiration of that term for whatever reason, Developer may assign the lease to Franchisor without the lessor having any right to impose conditions on such assignment or to obtain any payment in connection therewith. The lease must also contain such other provisions as may be required by Franchisor's then current lease approval policy or required by the terms and conditions of Franchisor's approval of such site.

6. FEES AND FRANCHISE AGREEMENTS

Not later than ninety (90) days prior to the scheduled opening of any Restaurant which has been developed pursuant to this Agreement, Developer shall deliver to Franchisor an executed franchise agreement substantially in the form which is attached hereto as Appendix B, provided, however, that the franchise agreement which Developer executes shall require the payment of a franchise fee in the amount described in Subsection 4.1, royalty fees as described in Subsection 4.3, and advertising payments at the rates then established by Franchisor with respect to new Restaurants, except that in no event shall such rates exceed five percent (5%) of a Restaurant's gross sales (as defined in Subsection 9.3 of the form of a franchise agreement which is attached hereto as Appendix B).

7. DEVELOPER ORGANIZATION, AUTHORITY, FINANCIAL CONDITION AND SHAREHOLDERS

7.1 Developer and each Principal Shareholder represent and warrant that: (a) Developer is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation; (b) Developer is duly qualified and is authorized to do business and is in good standing as a foreign

corporation in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; (c) the execution and

delivery of this Agreement and the transactions contemplated hereby are within Developer's corporate power; (d) the execution and delivery of this Agreement have been duly authorized by the Developer; (e) the articles of incorporation and by-laws of Developer delivered to Franchisor are true, complete and correct, and there have been no changes therein since the date thereof; (f) the certified copies of the minutes electing the officers of Developer and authorizing the execution and delivery of this Agreement are true, correct and complete, and there have been no changes therein since the date(s) thereof; (g) the specimen stock certificate delivered to Franchisor is a true specimen of Developer's stock certificate; (h) the financial statement of Developer and financial statements of its Principal Shareholders, heretofore delivered to Franchisor, are true, complete and correct, and fairly present the financial positions of Developer and each Principal Shareholder, respectively, as of the date thereof; (i) such financial statements have been prepared in accordance with generally accepted accounting principles; and (j) there have been no materially adverse changes in the condition, assets or liabilities of Developer or Principal Shareholders since the date or dates thereof.

7.2 Developer and each Principal Shareholder covenant that during the term of this Agreement: (a) Developer shall do or cause to be done all things necessary to preserve and keep in full force its corporate existence and shall be in good standing as a foreign corporation in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; (b) Developer shall have the corporate authority to carry out the terms of this Agreement; and (c) Developer shall print, in a conspicuous fashion on all certificates representing shares of its stock when issued, a legend referring to this Agreement and the restrictions on and obligations of Developer and Principal Shareholders hereunder, including the restrictions on transfer of Developer's shares.

7.3 Prior to development of the first Restaurant pursuant to this Agreement, Developer shall maintain an average monthly balance of five hundred thousand dollars (\$500,000) in liquid assets. For purposes of this Agreement, "liquid assets" shall consist of cash, cash available to Developer pursuant to an irrevocable line of credit issued by a commercial bank in favor of Developer, marketable securities, or any other similar asset which Franchisor's Chief Financial Officer designates in writing as a liquid asset. After development of the first Restaurant pursuant to this Agreement, and at any time thereafter in which Developer is operating one (1) Restaurant in the Territory, Developer shall maintain an average monthly balance of three hundred twenty-five thousand dollars (\$325,000) in liquid assets. After development of the second Restaurant pursuant to this Agreement, and thereafter, so long as Developer is operating at least two (2) Restaurants in the Territory, Developer shall maintain an average monthly balance of one hundred fifty thousand dollars (\$150,000) in liquid assets. At all times Developer shall maintain the necessary financial resources to satisfy its development obligations hereunder.

7.4 In addition to its obligations pursuant to Subsections 7.1 and 7.3 hereof, Developer and Principal Shareholders shall provide Franchisor with such financial information as Franchisor may reasonably request from time to time, including, on an annual basis, copies of the then-most current financial

statements of Developer and each Principal Shareholder, dated as of the end of the last preceding fiscal year of the Developer or Principal Shareholder, said statements to be delivered to Franchisor no later than April 15 of each year, which financial statements shall conform to the standards set forth in Subsection 7.1 hereof.

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7.5 Developer and each Principal Shareholder represent, warrant and covenant that all Interests (as defined in Subsection 8.4 hereto) in Developer are owned as set forth on Appendix C hereto, that no Interest has been pledged or hypothecated (except in accordance with Section 8 of this Agreement), and that no change will be made in the ownership of any such Interest other than as permitted by this Agreement, or otherwise consented to in writing by Franchisor. Developer and Principal Shareholders agree to furnish Franchisor with such evidence as Franchisor may request, from time to time, for the purpose of assuring Franchisor that the Interests of Developer and Principal Shareholders remain as represented herein.

7.6 Each Principal Shareholder, jointly and severally, hereby personally and unconditionally guarantees each of Developer's financial obligations to Franchisor (including, but not limited to, all obligations relating to the payment of fees by Developer to Franchisor). Each Principal Shareholder agrees that Franchisor may resort to such Principal Shareholder (or any of them) for payment of any such financial obligation, whether or not Franchisor shall have proceeded against Developer, any other Principal Shareholder or any other obligor primarily or secondarily obligated to Franchisor with respect to such financial obligation. Each Principal Shareholder hereby expressly waives presentment, demand, notice of dishonor, protest, and all other notices whatsoever with respect to Franchisor's enforcement of this guaranty. In addition, each Principal Shareholder agrees that if the performance or observance by Developer of any term or provision hereof is waived or the time of performance thereof extended by Franchisor, or payment of any such financial obligation is accelerated in accordance with any agreement between Franchisor and any party liable in respect thereto or extended or renewed, in whole or in part, all as Franchisor may determine, whether or not notice to or consent by any Principal Shareholder or any other party liable in respect to such financial obligations is given or obtained, such actions shall not affect or alter the guaranty of each Principal Shareholder described in this Subsection.

7.7 Developer and each Principal Shareholder represent and warrant to Franchisor that:

(a) Neither Developer nor any Principal Shareholder or any other person with a direct or indirect ownership interest in Developer is identified, either by name or an alias, pseudonym or nickname, on the list of "Specially Designated Nationals and Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts available at www.treas.gov/offices/enforcement/ofac/). Further, Developer

and its Principal Shareholders represent and warrant that neither has violated and agree that neither will violate any law (in effect now or which may become effective in the future) prohibiting corrupt business practices, money laundering or the aid or support of persons or entities who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13244 (text available at <http://treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>), or similar law;

(b) Developer has not made, nor has any Principal Shareholder made, any expenditures other than for lawful purposes or directly or indirectly offered, gave, promised to give or authorized the payment or the gift of any money, or anything of value, to any person or entity, while knowing or having reason to know that all or a portion of such money or thing of value would be given or promised, directly or indirectly, to any government

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official, official of an international organization, officer or employee of a foreign government or anyone acting in an official capacity for a foreign government, for the purpose of (1) influencing any action, inaction or decision of such official in a manner contrary to his or her position or creating an improper advantage; or (2) inducing such official to influence any government or instrumentality thereof to effect or influence any act or decision of such government or instrumentality.

(c) Developer nor any Principal Shareholder or any other person or entity who has any direct or indirect ownership interest is or will become directly or indirectly owned or controlled by governmental authorities of any country that is subject to a United States embargo; and

Developer understands and its Principal Shareholders understand and have been advised by legal counsel on the requirements of the United States Foreign Corrupt Practices Act (currently located at www.usdoj.gov/criminal/fraud/fcpa.html), any local foreign corrupt practices laws and the Patriot Act (currently located at www.epic.org/privacy/terrorism/hr3162.html), acknowledge the importance to Franchisor and the Restaurants and the parties' relationship of their respective compliance with the requirements of these laws, including any applicable auditing requirements and any requirement to report or provide access to information to Franchisor or any government, that is made part of any applicable law, and agree to take all steps required by their consultants, agents and employees to comply with such laws prior to engaging or employing any such individuals or entities.

8. TRANSFER

8.1 There shall be no Transfer of any Interest of Developer, or of a Principal Shareholder in Developer, in whole or in part (whether voluntarily or by operation of law), directly, indirectly or contingently, except in accordance with the provisions of this Section 8. "Transfer" and "Interest" are defined in Subsections 8.2, 8.3 and 8.4.

8.2 Except as provided in Subsection 8.3, "Transfer" shall mean any assignment, sale, pledge, hypothecation, gift or any other such event which would change ownership of or create a new Interest, including, but not limited to:

(a) any change in the ownership of or rights in or to any shares of stock or other equity interest in Developer which would result from the act of any shareholder of Developer ("Shareholder"), such as a sale, exchange, pledge or hypothecation of shares, or any interest in or rights to any of Developer's profits, revenues or assets, or any such change which would result by operation of law; and

(b) any change in the percentage interest owned by any Shareholder in the shares of stock of Developer, or interests in its profits, revenues or assets which would result from any act of Developer such as a sale, pledge or hypothecation of any Restaurant assets (other than a pledge of assets to secure bona fide loans made or credit extended in connection with acquisition of the assets pledged, provided that immediately before and after such transaction Developer satisfies the applicable liquid asset requirement described in Subsection 7.3 of this Agreement); any sale or issuance of any shares of Developer's stock; the retirement or redemption of any shares of Developer's stock; or any sale or grant to any person of any right to participate in or otherwise to share or become entitled to any part of Developer's profits, revenues, assets or equity.

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8.3 "Transfer" shall not include (a) a change in the ownership of or rights to any shares or other equity interest in Developer pursuant to a public offering of Developer's securities registered under the Securities Act of 1933, or (b) a change in the ownership of or rights to any securities or other equity interest in Developer pursuant to a private offering of Developer's securities exempted from registration under such Act, provided that Developer provides Franchisor with a copy of its prospectus and/or offering memorandum ten (10) days prior to its filing with the Securities and Exchange Commission or circulation to third parties so that Franchisor may comment and, if necessary, correct any information concerning Franchisor and/or the System, and further provided that after giving effect to any such public or private offering, the Principal Shareholders, or any of them, "control" Developer. For purposes of this Section 8, "control" means either (1) owning legal and equitable title to fifty-one percent (51%) or more of the outstanding voting securities of Developer, which are not subject to a proxy granted to or contract with any other person or party granting that party the right to vote part or all of such

securities, or (2) having and continually exercising the contractual power presently to designate a majority of the directors of Developer.

8.4 "Interest" shall mean: when referring to interests or rights in Developer, any shares of Developer's stock, and any other equitable or legal right in or to any of Developer's stock, revenues, profits or assets; when referring to rights or assets of Developer, Developer's rights under and interest in this Agreement, any Restaurant and its revenues, profits and assets.

8.5 (a) The Interest of a Principal Shareholder may be transferred to such Principal Shareholder's spouse or children or to a person designated in such Principal Shareholder's will or trust (individually and collectively referred to as "Successor"), upon such Principal Shareholder's death or permanent incapacity, without Franchisor's approval, provided that such Successor shall agree to be bound by the restrictions contained in this Section 8, and the other agreements and covenants of the Principal Shareholders contained in this Agreement.

(b) The Interest of a Principal Shareholder may not be transferred to another Principal Shareholder without Franchisor's approval, which approval will not be unreasonably withheld.

(c) The Interest of a Successor may only be transferred in accordance with Subsection 8.5(b) or 8.8, regardless of whether such Transfer is for consideration or by gift or will or other device.

8.6 Until such date as Developer has developed and opened for operation forty percent (40%) of the number of Restaurants required by Subsection 2.1 hereof and the number of Restaurants required by Subsection 3.1 hereof as said total aggregate number is set forth on Appendix A, Developer shall have no right to Transfer this Agreement or any rights or obligations under this Agreement, and any franchise agreements to be issued pursuant hereto shall be issued solely to the Developer, which as of the date of issuance of each such franchise agreement shall be owned by the Principal Shareholders to the extent hereinbefore provided. Any transfer or attempted transfer in contravention of this provision shall be void and of no effect. If, after the date Developer has

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developed and opened for continuous operation the number of Restaurants required by this Subsection 8.6, any of the Principal Shareholders desires to dispose of all or substantially all of the Interests of the Principal Shareholder(s) in Developer, or any of the Principal Shareholders (or Developer) desires to dispose of all or substantially all of Developer's Interest in this Agreement or in the assets which Developer has acquired pursuant to this Agreement, the Principal Shareholder(s) or Developer, as the case may be, shall notify Franchisor of that desire, in writing, thirty (30) days before announcing that fact publicly or engaging the services of a broker or sales agent.

8.7 (a) If at any time any of the Principal Shareholders or Developer, as the case may be, obtains from a third party or third parties a bona fide offer (the "Offer") in writing for the purchase of all or substantially all of the Interests of the Principal Shareholders in Developer or in the Restaurant assets which Developer has acquired as a result of this Agreement, the Principal Shareholders or Developer shall give notice (the "Selling Notice") to Franchisor stating that the Principal Shareholders or Developer, as the case may be, have received the Offer, identifying the prospective purchaser by name and address, specifying the proposed purchase price and attaching a true and complete copy of the Offer, including all relevant materials required for approval by Franchisor. Notwithstanding the foregoing, however, Developer and Principal Shareholders understand and agree that, as provided in Subsection 8.6 hereof, until such time as Developer has developed and opened for operation the number of Restaurants required by said Subsection 8.6. hereof, any portion of any Offer regarding the right to develop Restaurants or Developer's Interest in this Agreement shall be invalid and of no force or effect, it being expressly understood and agreed that such rights may not be transferred, and any franchise agreements to be granted hereunder shall be issued solely to Developer, which shall be owned by the Principal Shareholders as hereinbefore set forth. At such time as Developer has developed and opened for operation the number of Restaurants required by Subsection 8.6, any portion of such an Offer regarding Developer's Interest in this Agreement shall be effective in accordance with its terms.

(b) Franchisor shall have an option to purchase (the "Option"), exercisable within a period of forty-five (45) days after receipt of the Selling Notice (the "Option Period"), such Interests at the price and on the conditions set forth in the Offer, except that Franchisor shall not be obligated to pay any finder's or broker's fee, and if the Offer provides for payment of consideration other than cash, or if the Offer involves certain intangible benefits, Franchisor may elect to purchase such Interests by offering a reasonable dollar value substitute including, at Franchisor's option, cash or the common stock or other securities of the Franchisor or any combination thereof for the non-cash/intangible benefits part of the Offer. Notwithstanding the foregoing, if Franchisor exercises the Option, Franchisor (a) will be entitled to receive representations and warranties from Developer and the Principal Shareholders, jointly and severally, that are customarily received by purchasers in similar transactions and (b) will be permitted to not close if it is not satisfied with the results of its business, legal and financial due diligence.

(c) The Option shall be exercisable by Franchisor delivering to the Principal Shareholders or Developer, as the case may be, within the Option Period, a notice (i) stating that the Option is being exercised, and (ii) specifying the time, date and place at which such purchase and sale will take place, which date shall be within forty-five (45) days after Franchisor delivers such notice. Developer shall provide Franchisor access to and copies of such information and documentation Franchisor shall request regarding the purchase

prior to the start of the Option Period. The forty-five (45) day limitation for purposes of determining the sale date shall not apply if at the end of said forty-five (45) day period the only issue which prevents completion of the purchase and sale is the need to effect transfers of the applicable liquor licenses. In the event of such a delay, the purchase and sale shall take place within seven (7) business days after those liquor licenses have been transferred.

(d) If the Option is not exercised, the Principal Shareholders or Developer, as the case may be, may sell the Interests in or of Developer to the third party which made the Offer, on conditions no more favorable to the third-party offerer than those set forth in the Offer, provided that Franchisor approves the proposed transferee in accordance with the criteria set forth in Appendix D and provided further that such sale takes place within ninety (90) days after the expiration of the Option Period. The ninety (90) day limitation described in the preceding sentence shall not apply if at the end of said ninety (90) day period the issue which prevents completion of the purchase and sale is either the need to effect transfers of the applicable liquor licenses or consent or approval of the transaction by a state or federal regulatory agency. In the event of such a delay, the purchase and sale shall take place within seven (7) business days after those issues have been resolved or waived by Franchisor. In the event of such a transfer, Franchisor may, in its discretion, require an amendment to Subsection 2.1 of this Agreement in order to increase or decrease the number of restaurants required thereby and the dates of the Initial Development Periods referred to therein.

(e) If the Option is not exercised, the Principal Shareholders or Developer, as the case may be, shall immediately notify Franchisor in writing of any change in the terms of an Offer. Any change in the terms of an Offer shall cause it to be deemed a new Offer, conferring upon Franchisor a new Option pursuant to this Subsection 8.7; the Option Period with respect to the new Option shall be deemed to commence on the day on which Franchisor receives written notice of a change in the terms of the original Offer. Provided however, in such an instance, Franchisor shall provide Franchisee its response within fifteen (15) days after Franchisor's receipt of all of the modified terms, unless such changes are deemed material by Franchisor and in such an event, Franchisor shall have a forty-five (45) day period within which to review said changes.

8.8 (a) Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer and that Franchisor has entered into this Agreement in reliance on the business skill and financial capacity of Developer, and the business skill, financial capability and personal character of each Principal Shareholder. Any transfer of Principal Shareholders' Interest in Developer or in Developer's Interest in this Agreement in contravention of this Section 8 shall cause the immediate termination of all development rights granted herein with respect to Restaurants not otherwise open for operation. Except as otherwise set forth in this Section 8, the Principal Shareholders shall at all times retain control of Developer. Except as otherwise provided in this Section 8, no Transfer of any part of Developer's Interest in

this Agreement, and no Transfer of any Interest of any Principal Shareholder shall be completed except in accordance with this Subsection 8.8. In the event of such a proposed Transfer of any part of Developer's Interest in this Agreement, or of any Interest of any Principal Shareholder, the party or parties desiring to effect such Transfer shall give Franchisor notice in writing of the proposed Transfer, which notice shall set forth the name and address of the proposed transferee, its financial condition, including a copy of its financial statement dated not more than ninety (90) days prior to the date of said notice, and all the terms and conditions of the proposed Transfer. Upon receiving such notice, Franchisor may (i) approve the Transfer, or (ii) withhold its consent to

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the Transfer. Franchisor shall, within forty-five (45) days of receiving such notice and all the information requested by Franchisor regarding the proposed Transfer and the parties thereto, advise the party or parties desiring to effect the Transfer whether it (1) approves the Transfer, or (2) withholds its consent to the Transfer, giving the reasons for such disapproval. Failure of Franchisor to so advise said party or parties within that forty-five (45) day period shall be deemed to be approval of the proposed Transfer. Appendix D sets forth the criteria for obtaining Franchisor's consent to a proposed Transfer.

(b) In the event that Franchisor approves the Transfer, and the Transfer is not completed within ninety (90) days of the later of (i) expiration of the forty-five (45) day notice period, or (ii) delivery of notice of Franchisor's approval of the proposed Transfer, Franchisor's approval of the proposed Transfer shall automatically be revoked. The ninety (90) day limitation described in the preceding sentence shall not apply if at the end of said ninety (90) day period the only issue which prevents completion of the Transfer is the need to effect transfers of the applicable liquor licenses. In the event of such a delay, the Transfer shall take place within seven (7) business days after those liquor licenses have been transferred. Any subsequent proposal to complete the proposed Transfer shall be subject to Franchisor's right of approval as provided herein. The party which desires to effect the proposed Transfer shall immediately notify Franchisor in writing of any change in the terms of a Transfer. Any change in terms of a Transfer prior to closing shall cause it to be deemed a new Transfer, revoking any approval previously given by Franchisor and conferring upon Franchisor a new right to approve such Transfer, which shall be deemed to commence on the day on which Franchisor receives written notice of such change in terms.

8.9 In connection with any request for Franchisor's approval of a proposed Transfer to this Section 8, the parties to the proposed Transfer shall pay Franchisor a nonaccountable fee to defray the actual cost of review and the administrative and professional expenses related to the proposed Transfer and the preparation and execution of documents and agreements, up to a maximum of two thousand five hundred dollars (\$2,500). For purposes of clarification, the transfer fee reflected in the preceding sentence relates to this Agreement only and does not limit the ability of Franchisor to charge fees in connection with

other franchise agreements involved in the Transfer.

9. TERMINATION

9.1 This Agreement shall expire on _____, 20____, unless sooner terminated pursuant to the terms hereof.

9.2 Franchisor shall have the right to terminate this Agreement immediately upon written notice to Developer stating the reason for such termination, and Developer shall no longer have any of the rights created by this Agreement, in the event of:

(a) development by Developer of a Restaurant without first obtaining approval from Franchisor of the Restaurant site or of Developer's architectural and/or engineering plans in accordance with Section 5 hereof;

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(b) any breach or default of any of the provisions of Sections 8 and 11 of this Agreement and Subsection 14.1 of any franchise agreement entered into pursuant to this Agreement;

(c) the filing by Developer of a petition in bankruptcy, an arrangement for the benefit of creditors, or a petition for reorganization; the filing against Developer of a petition in bankruptcy, an arrangement for the benefit of creditors, or petition for reorganization, not dismissed within ninety (90) days of the filing thereof; the making of an assignment by Developer for the benefit of creditors; or the appointment of a receiver or trustee for Developer, which receiver or trustee shall not have been dismissed within ninety (90) days of such appointment;

(d) the discovery by Franchisor that Developer made any material misrepresentation or omitted any material fact in the information which was furnished to Franchisor in connection with this Agreement;

(e) failure by Developer to locate and employ a Director of Operations who is approved by Franchisor in accordance with Subsection 12.2 within ninety (90) days of the date of this Agreement or, with respect to a replacement Director of Operations, failure by Developer to locate such a replacement who is approved by Franchisor in accordance with Subsection 12.2 within one hundred eighty (180) days of the date on which the last Director of Operations who was approved by Franchisor ceased to be employed by Developer in that capacity;

(f) any part of this Agreement relating to the payment of fees to Franchisor, or the preservation of any of Franchisor's trade names, service marks, trademarks, trade secrets or secret formulae licensed or disclosed hereunder or under any franchise agreement between Franchisor and Developer, for any reason being declared invalid or unenforceable;

(g) Developer or any Principal Shareholder being convicted of or pleading nolo contendere to a felony or any crime involving moral turpitude; or

(h) the franchisee under any franchise agreement executed pursuant to this Agreement committing a default subject to immediate termination under the franchise agreement.

9.3 Except as provided above in Subsection 9.2, if Developer defaults in the performance or observance of any of its other obligations hereunder or under any franchise agreement between Developer and Franchisor, and any such default continues for a period of thirty (30) days after written notice to Developer specifying such default, Franchisor shall have the right to terminate this Agreement upon written notice to Developer. If Developer defaults in the performance or observance of the same obligation two (2) or more times within a twelve (12) month period, Franchisor shall have the right to terminate this Agreement immediately upon commission of the second act of default, upon written notice to Developer stating the reason for such termination, without allowance for any curative period.

9.4 This Agreement shall automatically terminate under the conditions and at the times specified in Subsection 2.3 and 3.3.

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10. PREREQUISITES TO OBTAINING FRANCHISES FOR INDIVIDUAL RESTAURANT UNITS

10.1 Developer understands and agrees that this Agreement does not confer upon Developer a right to obtain a franchise for any Restaurant, but is intended by the parties to set forth the terms and conditions which, if fully satisfied, shall entitle Developer to obtain such a franchise, located within the Territory. Developer further understands that until the date Developer opens for operation all those Restaurants required under Subsection 8.6 of this Agreement, such aforesaid terms and conditions may only be satisfied by Developer (and not an assignee or transferee thereof), who shall remain at all times owned and controlled by the Principal Shareholders as herein set forth.

10.2 In the event that Developer shall have obtained Franchisor's approval of a particular proposed site for a Restaurant, and if Franchisor, in the exercise of its sole discretion, has granted Developer operational, financial and legal approval, then Franchisor will grant Developer a franchise for a Restaurant at the site in question. As used herein, Franchisor will give Developer "operational", "financial" and "legal" approval under the following circumstances:

"Operational" approval will be granted if Franchisor has determined, in the exercise of its sole discretion, that Developer is conducting the operation of each of its Restaurants, and is capable of conducting the operation of

the proposed Restaurant, including physical aspects thereof, (a) in accordance with the terms and conditions of this Agreement, (b) in accordance with the provisions of the respective franchise agreements, and (c) in accordance with the standards, specifications and procedures set forth and described in the Franchise Operations Manual and in any other materials or manuals provided or made available to Developer by Franchisor (collectively, the "Manuals"), as such may be amended from time to time. Developer understands that changes in said standards, specifications and procedures may become necessary from time to time. Developer agrees to accept said changes, and Developer further agrees that it is within the sole discretion of Franchisor to make said changes.

"Financial" approval will be granted if (a) Developer is not in breach of its obligations under Subsection 7.3 hereof and has been and is faithfully performing all terms and conditions under each of its existing franchise agreements with Franchisor, (b) Developer or its affiliates is not in default of any money obligations owed to Franchisor, and (c) Developer is not in default of any financial obligation to any of its suppliers, unless any such obligation is being disputed in good faith by the Developer. Developer acknowledges and agrees that it is vital to Franchisor's interest that each of its franchisees be financially sound to avoid failure of a franchised business (which would adversely affect the reputation and good name of Franchisor and the System). Developer acknowledges and agrees that it is vital to Franchisor's interest and to the interests of the System that Developer (in its capacity as franchisee) remain current in satisfying its financial obligations to its suppliers.

"Legal" approval will be granted if Franchisor has determined, in the exercise of its sole discretion, that Developer has submitted to Franchisor, in a timely manner as requested, all information and documents requested by Franchisor prior to and as a basis for the issuance of individual franchises or pursuant to any right granted to Franchisor by this Agreement or by any franchise agreement between Developer and Franchisor, and has taken such additional actions in connection therewith as may be requested from time to time.

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10.3 It is understood and agreed that the foregoing criteria apply to the operational, financial and legal aspects of any Restaurant franchised by Franchisor in which Developer or any Principal Shareholder has any legal or equitable interest, including, without limitation, indirect ownership interests. It is further understood and agreed that Developer and Principal Shareholders have an ongoing responsibility to operate each Restaurant in which Developer or any Principal Shareholder has any legal or equitable interest in a manner which satisfies the foregoing requirements for operational, financial and legal approval.

11. RESTRICTIONS

11.1 Developer and its Principal Shareholders acknowledge that over the term of this Agreement they are to receive proprietary information which Franchisor has developed over time at great expense, including, but not limited to, methods of site selection, marketing methods, product analysis and selection, and service methods and skills relating to the development and operation of Restaurants. They further acknowledge that this information, which includes, but is not necessarily limited to, that contained in the Manuals, is not generally known in the industry and is beyond their own present skills and experience, and that to develop it themselves would be expensive, time-consuming and difficult. Developer and Principal Shareholders further acknowledge that the Franchisor's information provides a competitive advantage and will be valuable to them in the development of their business, and that gaining access to it is therefore a primary reason why they are entering into this Agreement. Accordingly, Developer and its Principal Shareholders agree that Franchisor's information, as described above, which may or may not be "trade secrets" under prevailing judicial interpretations or statutes, is private and valuable, and constitutes trade secrets belonging to Franchisor; and in consideration of Franchisor's confidential disclosure to them of these trade secrets, Developer and Principal Shareholders agree as follows:

(a) During the term of this Agreement, neither Developer nor any Principal Shareholder, for so long as such Principal Shareholder owns an Interest in Developer, may, without the prior written consent of Franchisor, directly or indirectly engage in, or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System which is either (i) located in the Territory, (ii) located in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any Restaurant developed pursuant to this Agreement, (iii) located within a five (5) mile radius of any restaurant unit within the System, or (iv) determined by Franchisor, exercising reasonable good faith judgment, to be a direct competitor of the System.

(b) Neither Developer, for two (2) years following the termination of this Agreement, nor any Principal Shareholder, for two (2) years following the termination of all of his or her Interest in Developer or the termination of this Agreement, whichever occurs first, may directly or indirectly engage in, or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System which is located either (i) in the Territory, (ii) in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any Restaurant developed pursuant to this Agreement, (iii) within a five (5) mile radius of any restaurant unit within the System, or (iv) within any area for which an active, currently binding development

agreement has been granted by Franchisor to another franchisee as of the date of termination.

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11.2 Neither Developer nor any Shareholder shall at any time (a) appropriate or use the trade secrets incorporated in the System, or any portion thereof, in any other restaurant business which is not within the System, (b) disclose or reveal any portion of the System to any person other than to Developer's employees as an incident of their training, (c) acquire any right to use any name, mark or other intellectual property right which may be granted pursuant to any agreement between Franchisor and Developer, except in connection with the operation of a Restaurant, or (d) communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how of Franchisor concerning the methods of development or operation of a restaurant utilizing the System.

11.3 Developer and Principal Shareholders agree that the provisions of this Section 11 are and have been a primary inducement to Franchisor to enter into this Agreement, and that in the event of breach thereof Franchisor would be irreparably injured and would be without an adequate remedy at law. Therefore, in the event of a breach, or a threatened or attempted breach, of any of such provisions Franchisor shall be entitled, in addition to any other remedies which it may have hereunder or in law or in equity (including the right to terminate this Agreement), to a preliminary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

11.4 The restrictions contained in Subsection 11.1 above shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are listed and traded on a national securities exchange if such shares are owned for investment only, and are not owned by an officer, director, employee or consultant of such publicly traded company.

11.5 If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Section 11 determines that it would be invalid or unenforceable as written, then the provisions hereof shall be deemed to be modified or limited to such extent or in such manner as necessary for such provisions to be valid and enforceable to the greatest extent possible.

12. DEVELOPMENT PROCEDURES

12.1 Franchisor will use its reasonable efforts to furnish Developer with advice in developing Restaurants and in selecting sites therefor.

12.2 Developer shall designate an individual employee who shall be personally responsible for Developer's activities during the term of this Agreement, and who shall devote his or her full-time, best efforts and constant

Territory (the "Director of Operations"). Developer shall require that the Director of Operations maintain his or her principal personal residence in the Territory. Franchisor reserves the right to require that, as a condition of his or her employment with Developer, the Director of Operations, as well as each supervisory employee referred to in Subsection 12.3, must successfully complete Franchisor's interview process and a psychological profile test in a manner which satisfies a uniform standard established by Franchisor. The test shall be administered by Franchisor, or by a testing agency designated by Franchisor, at Developer's expense. Developer's designation of the first Director of Operations, and any subsequent Director of Operations, shall be subject to the written approval of Franchisor, which approval shall not be arbitrarily withheld, and shall also be subject to the time limitations described in Subsection 9.2(e) hereof. Franchisor shall notify Developer in writing within fourteen (14) business days of receipt of Developer's request whether Franchisor disapproves such person. Failure by Franchisor to so notify Developer within that period shall be deemed to constitute Franchisor's approval of such person.

12.3 In the event that Developer desires to designate an employee (in addition to the Director of Operations) who will have supervisory authority over the development or operation of more than one (1) Restaurant within the Territory, Developer's designation of such a supervisory employee shall be subject to the written approval of Franchisor, which approval shall not be arbitrarily withheld. Franchisor shall notify Developer in writing within fourteen (14) business days of receipt of Developer's request whether Franchisor disapproves such person. Failure by Franchisor to so notify Developer within that period shall be deemed to constitute Franchisor's approval of such person. Developer shall require that any such supervisory employee maintain his or her principal personal residence in the Territory.

12.4 Developer shall require the Director of Operations to execute a confidentiality agreement and covenant not to compete in the form attached hereto as Appendix E. In addition, at Franchisor's request, Developer shall obtain from the Director of Operations an agreement verifying his or her employment status. Developer shall require that each other employee of Developer who will have supervisory authority over the development or operation of more than one (1) Restaurant execute a confidentiality agreement in the form attached hereto as Appendix F. Developer shall be responsible for compliance of its employees with the agreements identified in this Subsection, including the payment of any costs needed to enforce the obligations.

12.5 (a) Developer shall require its Director of Operations and any other supervisory employee designated pursuant to Subsection 12.3 to attend and to successfully complete to Franchisor's reasonable satisfaction an operations training course provided by Franchisor. If the Director of Operations or any such supervisory employee fails to successfully complete Franchisor's operations

training course, Franchisor may require designation of a new Director of Operations or replacement supervisory employee, as the case may be, and Developer shall designate a new Director of Operations or replacement supervisory employee who shall be required to successfully complete such training course.

(b) The Director of Operations and supervisory employees designated pursuant to Subsection 12.3 shall, from time to time as reasonably requested by Franchisor, attend and successfully complete to Franchisor's reasonable satisfaction a Franchisor-provided refresher course in restaurant operations.

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12.6 With respect to each Restaurant within the Territory developed by Developer, Developer's employees must satisfy the training requirements described in Section 6 of Appendix B hereto. After Developer opens its first Restaurant pursuant to this Agreement, Franchisor may at its option, and subject to such conditions as Franchisor deems necessary, permit Developer (at Developer's own expense) to conduct a portion of the required training at one of Developer's existing Restaurants. In that event, Developer will be required to provide qualified personnel to administer training tests and to maintain records relating to the training and performance of employees.

13. NO WAIVER OF DEFAULT

13.1 The waiver by any party to this Agreement of any breach or default, or series of breaches or defaults, of any term, covenant or condition herein, or of any same or similar term, covenant or condition contained in any other agreement between Franchisor and any other person, shall not be deemed a waiver of any subsequent or continuing breach or default of the same or any other term, covenant or condition in this Agreement, or in any other agreement between Franchisor and any other person.

13.2 All rights and remedies of Franchisor shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement. Franchisor's rights and remedies shall be continuing and shall not be exhausted by any one (1) or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or earlier termination of this Agreement shall not discharge or release Developer or any Principal Shareholder from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or earlier termination of this Agreement.

14. FORCE MAJEURE

14.1 As used in this Agreement, the term "Force Majeure" shall mean any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government and any other similar cause not within the control of the party affected thereby.

14.2 If the performance of any obligation by any party under this Agreement is prevented or delayed by reason of Force Majeure, which cannot be overcome by use of normal commercial measures, the parties shall be relieved of their respective obligations to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such Force Majeure event to the other party by facsimile, telephone or telegram (in each case to be confirmed in writing), setting forth the nature thereof and an estimate as to its duration, and shall be liable for failure to give such timely notice only to the extent of damage actually caused.

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15. CONSTRUCTION, SEVERABILITY, GOVERNING LAW AND JURISDICTION

15.1 If any part of this Agreement shall for any reason be declared invalid, unenforceable or impaired in any way, the validity of the remaining portions shall remain in full force and effect as if this Agreement had been executed with such invalid portion eliminated, and it is hereby declared the intention of the parties that they would have executed the remaining portion of this Agreement without including therein any such portions which might be declared invalid; provided however, that in the event any part hereof relating to the payment of fees to Franchisor, or the preservation of any of Franchisor's trade names, service marks, trademarks, trade secrets or secret formulae licensed or disclosed hereunder or pursuant to any franchise agreement between Franchisor and Developer is for any reason declared invalid or unenforceable, then Franchisor shall have the option of terminating this Agreement upon written notice to Developer. If any clause or provision herein would be deemed invalid or unenforceable as written, it shall be deemed to be modified or limited to such extent or in such manner as may be necessary to render the clause or provision valid and enforceable to the greatest extent possible in light of the interest of the parties expressed in that clause or provision, subject to the provisions of the preceding sentence.

15.2 DEVELOPER AND PRINCIPAL SHAREHOLDERS ACKNOWLEDGE THAT FRANCHISOR MAY ENTER INTO OTHER DEVELOPMENT AGREEMENTS THROUGHOUT THE UNITED STATES ON TERMS AND CONDITIONS SIMILAR TO THOSE SET FORTH IN THIS AGREEMENT, AND THAT IT IS OF MUTUAL BENEFIT TO DEVELOPER AND PRINCIPAL SHAREHOLDERS AND TO FRANCHISOR THAT THESE TERMS AND CONDITIONS BE UNIFORMLY INTERPRETED. THEREFORE, THE PARTIES AGREE THAT TO THE EXTENT THAT THE LAW OF THE STATE OF KANSAS DOES NOT CONFLICT WITH LOCAL FRANCHISE STATUTES, RULES AND REGULATIONS, KANSAS LAW SHALL APPLY TO

THE CONSTRUCTION OF THIS AGREEMENT AND SHALL GOVERN ALL QUESTIONS WHICH ARISE WITH REFERENCE HERETO; PROVIDED HOWEVER, THAT PROVISIONS OF KANSAS LAW REGARDING CONFLICTS OF LAW SHALL NOT APPLY HERETO.

15.3 THE PARTIES AGREE THAT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE PERFORMANCE THEREOF WHICH CANNOT BE AMICABLY SETTLED, EXCEPT AS OTHERWISE PROVIDED HEREIN WILL BE RESOLVED BY A PROCEEDING IN A COURT IN JOHNSON COUNTY, KANSAS, AND DEVELOPER AND THE PRINCIPAL SHAREHOLDERS EACH IRREVOCABLY ACCEPT THE JURISDICTION OF THE COURTS OF THE STATE OF KANSAS AND THE FEDERAL COURTS SERVING JOHNSON COUNTY, KANSAS FOR SUCH CLAIMS, CONTROVERSIES OR DISPUTES. EACH PARTY WAIVES ITS RIGHT TO A JURY TRIAL IN ANY COURT ACTION ARISING AMONG THE PARTIES UNDER THIS AGREEMENT OR OTHERWISE RELATED TO THIS AGREEMENT, WHETHER MADE BY CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR OTHERWISE.

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The parties agree that service of process in any proceeding arising out of or relating to this Agreement or the performance thereof may be made as to Developer and any Principal Shareholder by serving a person of suitable age and discretion (such as the person in charge of the office) at the address of Developer specified in this Agreement and as to Franchisor by serving the president or a vice-president of Franchisor at the address of Franchisor or by serving Franchisor's registered agent.

16. MISCELLANEOUS

16.1 All notices and other communications required or permitted to be given hereunder shall be deemed given when delivered in person, by overnight courier service, facsimile transmission or mailed by registered or certified mail addressed to the recipient at the address set forth below, unless that party shall have given written notice of change of address to the sending party, in which event the new address so specified shall be used.

FRANCHISOR: Applebee's International, Inc.
4551 W. 107th Street, Suite 100
Overland Park, Kansas 66207
Attention: President

DEVELOPER: _____

PRINCIPAL SHAREHOLDERS: _____

16.2 All terms used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement may require, the same as if such words

had been written in this Agreement themselves. The words "includes", "including" and "inclusive" and the phrases "in particular", "such as", "i.e." and "for example" when used in this Agreement shall be interpreted and construed so as not to limit the generality of the words of general application or nature which precede these words and phrases. The headings inserted in this Agreement are for reference purposes only and shall not affect the construction of this Agreement or limit the generality of any of its provisions. The term "business day" means any day other than Saturday, Sunday, or the following national holidays: New Year's Day, Martin Luther King Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving and Christmas.

16.4 This Agreement, the Uniform Franchise Offering Circular currently in effect and the documents referred to herein constitute the entire agreement between parties with respect to the subject matter hereof, superseding and canceling any and all prior and contemporaneous agreements, understandings, representations, inducements and statements, oral or written, of the parties in connection with the subject matter hereof.

16.5 Except as expressly authorized herein, no amendment or modification of this Agreement shall be binding unless executed in writing both by Franchisor and by Developer.

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16.6 In the event that any party to this Agreement initiates any legal proceeding to construe or enforce any of the terms, conditions and/or provisions of this Agreement, including, but not limited to, its termination provisions, or to obtain damages or other relief to which any party may be entitled by virtue of this Agreement, the prevailing party or parties shall be paid its reasonable attorneys' fees and expenses by other party or parties.

16.7 Developer and the Principal Shareholders acknowledge and agree that (i) this Agreement (and the relationship of the parties contemplated by this Agreement) grants Franchisor the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with Developer's explicit rights and obligations hereunder that may affect favorably or adversely Developer's interests; (ii) Franchisor will use its business judgment in exercising such discretion based on Franchisor's assessment of its interests and the System, balancing those interests with or against the interests of the operators of Restaurants generally (including Franchisor, its affiliates and other franchisees) and specifically without considering the individual interests of any particular franchisee; (iii) Franchisor will have no liability to Developer for the exercise of its discretion in this manner and (iv) even if Franchisor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification for such action or decision, no trier of fact in any legal action shall substitute its judgment for Franchisor's judgment so exercised, and such action or decision will not be subject to challenge for abuse of discretion. If Franchisor takes any action or

chooses not to take any action in Franchisor's discretion with regard to any matter related to this Agreement and Franchisor's action or inaction is challenged for any reason, the parties expressly direct the trier of fact that Franchisor's reliance on a business reason in the exercise of its discretion is to be viewed as a reasonable and proper exercise of Franchisor's discretion, without regard to whether other reasons for its decision may exist and without regard to whether the trier of fact would independently accord the same weight to the business reason.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

FRANCHISOR:

ATTEST:

APPLEBEE'S INTERNATIONAL, INC.

Name: _____
Title: _____

By: _____
Name: _____
Title: _____

DEVELOPER:

ATTEST:

Name: _____
Title: _____

By: _____
Name: _____
Title: _____

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PRINCIPAL SHAREHOLDER(S):

Witness

Name: _____

Witness

Name: _____

Witness

Name: _____

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APPENDIX A TO DEVELOPMENT AGREEMENT

TERRITORY

Franchisor specifically excludes from the Territory, and reserves the right to operate or license any other person to operate restaurants in, any location within an airport (serviced by one or more public or charter carrier), train station, bus terminal, port authority, campus at any college, university or other post-secondary education institution, hospitals and other health care facilities, arena, stadium, state or national park, or military fort, post or base which may be within the boundaries of the Territory otherwise granted to Developer.

For purposes of Section 8.6 only, one hundred percent (100%) of the number of Restaurants required by Subsections 2.1 and 3.1 is _____ (_____).

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APPENDIX B TO DEVELOPMENT AGREEMENT

FORM FRANCHISE AGREEMENT

(See Exhibit F to this Offering Circular)

APPENDIX C TO DEVELOPMENT AGREEMENT

STATEMENT OF OWNERSHIP INTERESTS

Shareholder

Percent of Issued and
Outstanding Shares of Developer

APPENDIX D TO DEVELOPMENT AGREEMENT

REVIEW AND CONSENT WITH RESPECT TO TRANSFERS

In determining whether to grant or to withhold consent to a proposed Transfer, Franchisor shall consider all of the facts and circumstances which it views as relevant in the particular instance, including, but not limited to, any of the following: (i) work experience and aptitude of Proposed New Owner and/or proposed new management (a proposed transferee of a Principal Shareholder's Interest and/or a proposed transferee of this Agreement is referred to as "Proposed New Owner"); (ii) financial background and condition of Proposed New Owner, and actual and pro forma financial condition of Developer; (iii) character and reputation of Proposed New Owner; (iv) conflicting interests of Proposed New Owner; (v) the terms and conditions of Proposed New Owner's rights, if the proposed Transfer is a pledge or hypothecation; (vi) the adequacy of Developer's operation (as Franchisee) of any Restaurant and compliance with the System and this Agreement; and (vii) such other criteria and conditions as Franchisor shall then consider relevant in the case of an application for a new franchise to operate a restaurant unit within the System by an applicant that is not then currently doing so. Franchisor's consent also may be conditioned upon execution by Proposed New Owner of an agreement whereby Proposed New Owner assumes full, unconditional, joint and several liability for, and agrees to perform from the date of such Transfer, all obligations, covenants and agreements contained herein to the same extent as if it had been an original party to this Agreement and may also require Developer and Principal Shareholders, including the proposed Transferor(s), to execute a general release which releases Franchisor from any claims they may have had or then have against

Franchisor. In the event Proposed New Owner is a partnership (including, but not limited to, a limited partnership), Proposed New Owner will also be required to execute an addendum to the Agreement which amends the references to Developer and its Principal Shareholders to include the partnership approved by Franchisor and Proposed New Owner's general partner(s) and the principal shareholders of the general partner(s), if the general partner(s) is a corporation. This addendum will contain a provision including in the definition of "Transfer" the withdrawal, removal or voluntary/involuntary dissolution (if applicable) of the general partner(s) or the substitution or addition of a new general partner. Developer or Principal Shareholders, as the case may be, shall provide Franchisor with such information as it may require in connection with a request for approval of a proposed Transfer. For purposes of clarification, nothing in this Appendix D shall limit Franchisor's discretion in granting or withholding consent to a Transfer or to require the applicable parties to agree to certain terms as a condition to obtaining consent to a Transfer.

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APPENDIX E TO DEVELOPMENT AGREEMENT

CONFIDENTIALITY AGREEMENT AND
COVENANT NOT TO COMPETE

THIS AGREEMENT is made this _____ day of _____, 20____, by and between _____, a _____ corporation ("Developer"), and _____, an individual employed by Developer ("Employee").

WITNESSETH:

WHEREAS, APPLEBEE'S INTERNATIONAL, INC. ("Applebee's") is the owner of all rights in and to a unique system for the development and operation of restaurants (the "System"), which includes proprietary rights in valuable trade names, service marks and trademarks, including the service mark Applebee's Neighborhood Grill & Bar and variations of such mark, designs and color schemes for restaurant premises, signs, equipment, procedures and formulae for preparing food and beverage products, specifications for certain food and beverage products, inventory methods, operating methods, financial control concepts, a training facility and teaching techniques;

WHEREAS, Developer is the owner of the exclusive right to develop restaurants franchised by Applebee's which utilize the System ("Restaurants") for the period and in the territory described in the Development Agreement between Applebee's and Developer (the "Development Agreement");

WHEREAS, Developer and Employee acknowledge that Applebee's information as

described above was developed over time at great expense, is not generally known in the industry and is beyond Developer's own present skills and experience, and that to develop it itself would be expensive, time-consuming and difficult, that it provides a competitive advantage and will be valuable to Developer in the development of its business, and that gaining access to it was therefore a primary reason why Developer entered into the Development Agreement; and

WHEREAS, in consideration of Applebee's confidential disclosure to Developer of these trade secrets, Developer has agreed to be obligated by the terms of Development Agreement to execute, with its Director of Operations, a written agreement protecting Applebee's trade secrets and confidential information entrusted to Employee, and protecting against unfair competition;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

(1) The parties acknowledge and agree that Employee is or will be employed in a supervisory or managerial capacity and in such capacity will have access to information and materials which constitute trade secrets and confidential and proprietary information. The parties further acknowledge and agree that any actual or potential direct or indirect competitor of Applebee's or of any of its franchisees shall not have access to such trade secrets and confidential information.

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(2) The parties acknowledge and agree that the System includes trade secrets and confidential information which Applebee's has revealed or will reveal to Developer in confidence, and that protection of said trade secrets and confidential information and protection of Applebee's against unfair competition from others who enjoy or who have had access to said trade secrets and confidential information are essential for the maintenance of goodwill and special value of the System.

(3) Employee agrees that he or she shall not at any time (i) appropriate or use the trade secrets incorporated in the System, or any portion thereof, for use in any business which is not within the System; (ii) disclose or reveal any portion of the System to any person other than to Developer's employees as an incident of their training; (iii) acquire any right to use, or to license or franchise the use of any name, mark or other intellectual property right which is or may be granted by any franchise agreement between Applebee's and Developer; or (iv) communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how concerning the methods of development or operation of a Restaurant which may be communicated to Employee or of which Employee may be apprised by virtue of Employee's employment by Developer. Employee shall divulge such confidential information only to such of Developer's other employees as must have access to that information in order to operate a Restaurant or to develop a prospective site for a Restaurant. Any and all information, knowledge and know-how,

including, without limitation, drawings, materials, equipment, specifications, techniques and other data, which Applebee's designates as confidential, shall be deemed confidential for purposes of this Agreement.

(4) Employee agrees that for the duration of his or her employment by Developer, and for two (2) years following termination thereof, Employee may not, without the prior written consent of Applebee's, directly or indirectly, for himself or through, on behalf of or in conjunction with any person, partnership or corporation, engage in or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business whose menu or method of operation is the same as or similar to that employed by restaurant units within the System which is located either (a) in the Territory, as defined in the Development Agreement, or (b) in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any Restaurant developed pursuant to the Development Agreement.

(5) Employee further acknowledges and agrees that any materials and manuals provided or made available to Developer by Applebee's (collectively, the "Manuals"), described in Section 5 of the form of franchise agreement which is attached as Appendix B to the Development Agreement are loaned by Applebee's to Developer for limited purposes only, remain the property of Applebee's, and may not be reproduced, in whole or in part, without the written consent of Applebee's.

(6) Employee agrees to surrender to Developer or to Applebee's each and every copy of the Manuals and any other information or material in his or her possession or control upon request, upon termination of employment, or upon completion of the use for which said Manuals or other information or material may have been furnished to Employee.

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(7) The parties agree that in the event of a breach of this Agreement, Applebee's would be irreparably injured and would be without an adequate remedy at law. Therefore, in the event of a breach or a threatened or attempted breach of any of the provisions hereof, Applebee's shall be entitled to enforce the provisions of this agreement as a third-party beneficiary hereof and shall be entitled, in addition to any other remedies which it may have hereunder at law or in equity (including the right to terminate the Development Agreement), to a temporary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

(8) The restrictions in Subsection (4) hereof shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are traded on a national securities exchange if such shares are owned for investment only, and are not owned by an officer, director, employee or consultant of such

publicly traded company.

(9) If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Agreement determines that it would be invalid or unenforceable as written, the provisions hereof shall be deemed to be modified or limited to such extent or in such manner necessary for such provisions to be valid and enforceable to the greatest extent possible.

(10) In the event that any party to this Agreement or Applebee's initiates any legal proceeding to construe or enforce any of the terms, conditions and/or provisions of this Agreement, or to obtain damages or other relief to which any party may be entitled by virtue of this Agreement, the prevailing party or parties shall be paid its/their reasonable attorneys' fees and expenses by other party or parties.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

DEVELOPER:

EMPLOYEE:

By: _____
Name: _____
Title: _____

By: _____
Name: _____

APPENDIX F TO DEVELOPMENT AGREEMENT

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made this _____ day of _____, 20____, by and between _____, a corporation ("Developer"), and _____, an individual employed by Developer ("Employee").

WITNESSETH:

WHEREAS, APPLEBEE'S INTERNATIONAL, INC. ("Applebee's") is the owner of all rights in and to a unique system for the development and operation of restaurants (the "System"), which includes proprietary rights in valuable trade names, service marks and trademarks, including the service mark Applebee's Neighborhood Grill & Bar and variations of such mark, designs and color schemes for restaurant premises, signs, equipment, procedures and formulae for preparing food and beverage products, specifications for certain food and beverage products, inventory methods, operating methods, financial control concepts, a

training facility and teaching techniques;

WHEREAS, Developer is the owner of the exclusive right to develop restaurants franchised by Applebee's which utilize the System ("Restaurants") for the period and in the territory described in the Development Agreement between Applebee's and Developer (the "Development Agreement"); and

WHEREAS, Developer acknowledges that Applebee's information as described above was developed over time at great expense, is not generally known in the industry and is beyond Developer's own present skills and experience, and that to develop it itself would be expensive, time-consuming and difficult, that it provides a competitive advantage and will be valuable to Developer in the development of its business, and that gaining access to it was therefore a primary reason why Developer entered into the Development Agreement; and

WHEREAS, in consideration of Applebee's confidential disclosure to Developer of these trade secrets, Developer has agreed to be obligated by the terms of Development Agreement to execute, with each employee of Developer who will have supervisory authority over the development or operation of more than one Restaurant in the Territory described in the Development Agreement, a written agreement protecting Applebee's trade secrets and confidential information entrusted to Employee;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

(1) The parties acknowledge and agree that Employee is or will be employed in a supervisory or managerial capacity and in such capacity will have access to information and materials which constitute trade secrets and confidential and proprietary information. The parties further acknowledge and agree that any actual or potential direct or indirect competitor of Applebee's, or of any of its franchisees, shall not have access to such trade secrets and confidential information.

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(2) The parties acknowledge and agree that the System includes trade secrets and confidential information which Applebee's has revealed to Developer in confidence, and that protection of said trade secrets and confidential information and protection of Applebee's against unfair competition from others who enjoy or who have had access to said trade secrets and confidential information are essential for the maintenance of goodwill and special value of the System.

(3) Employee agrees that he or she shall not at any time (i) appropriate or use the trade secrets incorporated in the System, or any portion thereof, for use in any business which is not within the System; (ii) disclose or reveal any portion of the System to any person other than to Developer's employees as an incident of their training; (iii) acquire any right to use, or to license or

franchise the use of any name, mark or other intellectual property right which is or may be granted by any franchise agreement between Applebee's and Developer; or (iv) communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how concerning the methods of development or operation of a Restaurant which may be communicated to Employee or of which Employee may be apprised by virtue of Employee's employment by Developer. Employee shall divulge such confidential information only to such of Developer's other employees as must have access to that information in order to operate a Restaurant or to develop a prospective site for a Restaurant. Any and information, knowledge and know-how, including, without limitation, drawings, materials, equipment, specifications, techniques and other data, which Applebee's designates as confidential, shall be deemed confidential for purposes of this Agreement.

(4) Employee further acknowledges and agrees that any materials or manuals provided or made available to Developer by Applebee's (collectively, the "Manuals"), described in Section 5 of the applicable franchise agreement between Applebee's and Developer, are loaned by Applebee's to Developer for limited purposes only, remain the property of Applebee's, and may not be reproduced, in whole or in part, without the written consent of Applebee's.

(5) Employee agrees to surrender to Developer or to Applebee's each and every copy of the Manuals and any other information or material in his or her possession or control upon request, upon termination of employment or upon completion of the use for which said Manuals or other information or material may have been furnished to Employee.

(6) The parties agree that in the event of a breach of this Agreement, Applebee's would be irreparably injured and would be without an adequate remedy at law. Therefore, in the event of a breach or a threatened or attempted breach of any of the provisions hereof, Applebee's shall be entitled to enforce the provisions of this Agreement as a third-party beneficiary hereof and shall be entitled, in addition to any other remedies which it may have hereunder at law or in equity (including the right to terminate the Development Agreement), to a temporary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

(7) If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Agreement determines that it would be invalid or unenforceable as written, the provisions hereof shall be deemed to be modified or limited to such extent or in such manner necessary for such provisions to be valid and enforceable to the greatest extent possible.

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IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

DEVELOPER:

By: _____
Name: _____
Title: _____

EMPLOYEE:

By: _____
Name: _____

EXHIBIT F

STANDARD FORM

APPLEBEE'S NEIGHBORHOOD GRILL & BAR

FRANCHISE AGREEMENT

(Location Address)

(Franchisee Name)

(Date)

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APPLEBEE'S NEIGHBORHOOD GRILL & BAR
FRANCHISE AGREEMENT

This Agreement is made this _____ day of _____, 20____, by
and between APPLEBEE'S INTERNATIONAL, INC., a Delaware corporation

("FRANCHISOR"), _____, a
(_____ corporation, sole proprietorship, _____ partnership,
_____ limited partnership [strike inappropriate language])
("FRANCHISEE") and _____ (collectively, the "PRINCIPAL
SHAREHOLDERS" and, individually, a "PRINCIPAL SHAREHOLDER" of Franchisee if a
corporation or general partner if Franchisee is a limited partnership having as
its general partner a corporation) and

("GENERAL PARTNER" of Franchisee if Franchisee is a limited partnership).*

* (If Franchisee is not a corporation or a sole proprietorship, or if Franchisee is a limited liability company, the parties hereto hereby agree that an Addendum shall be attached to this Agreement so as properly to reflect the responsibilities of the partners of any general partnership, the general partner of any limited partnership and the shareholders of any corporate general partner of any partnership, or the members of any limited liability company.)

WITNESSETH:

RECITALS

A. Franchisor owns the rights to develop and operate a unique system of restaurants which specialize in the sale of high quality, moderately priced food and alcoholic beverages in an attractive, casual setting, which includes proprietary rights in certain valuable trade names, service marks and trademarks, including the service mark Applebee's Neighborhood Grill & Bar and variations of such mark, designs, decor and color schemes for restaurant premises, signs, equipment, procedures and formulae for preparing food and beverage products, specifications for certain food and beverage products, inventory methods, operating methods, financial control concepts, training facilities and teaching techniques ("the System").

B. Franchisor established, through its own development and operation, and through the granting of franchises, a chain of Applebee's Neighborhood Grill & Bar restaurants which are distinctive; which are similar in appearance, design and decor; and which are uniform in operation and product consistency.

C. The value of Franchisor's trade names, service marks and trademarks is based upon: (1) the maintenance of uniform high quality standards in connection with the preparation and sale of Franchisor-approved food and beverage products, (2) the uniform high standards of appearance of the individual restaurant units in the System, (3) the use of distinctive trademarks, service marks, building designs and advertising signs representing a uniformly high quality of product and services, and (4) the assumption by Franchisor and its franchisees of the obligation to maintain and enhance the goodwill and public acceptance of the System (and of Franchisor's trade names, service marks and trademarks) by strict adherence to the high standards required by Franchisor.

D. Franchisor, Franchisee and the Principal Shareholders have entered into a Development Agreement dated _____, 20____ ("Development Agreement"), relating to the development by Franchisee of Applebee's Neighborhood Grill & Bar restaurants.

E. Franchisee desires to use the System in connection with the operation of an Applebee's Neighborhood Grill & Bar restaurant at the location which is specified in Subsection 1.1 of this Agreement, pursuant to the terms, conditions and provisions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual obligations contained herein, it is hereby agreed as follows:

1. FRANCHISE GRANT AND TERM

1.1 Franchisor grants Franchisee, for the term stated below, the right, license and privilege:

(a) to use the System incident to the operation of an Applebee's Neighborhood Grill & Bar restaurant at _____ (the "Restaurant");

(b) to use the trade names, service marks and trademarks which Franchisor shall from time to time designate as part of the System, but only in connection with the sale at the Restaurant of those products which Franchisor has designated and approved; and

(c) to hold itself out to the public as a Franchisee of Franchisor.

1.2 The term of the franchise shall commence as of the Commencement Date, as hereinafter defined, and shall end twenty (20) years thereafter, unless this Agreement is terminated prior to that date in accordance with its provisions. "Commencement Date," as used herein, shall mean the date upon which the Restaurant opens for business. The parties agree that Franchisor, without obtaining the signature of Franchisee, may affix to this Agreement an addendum expressly setting forth the Commencement Date, which, when so affixed, shall become a part of this Agreement.

1.3 At the expiration of the term hereof, Franchisee shall have an option to operate the Restaurant for four (4) successive terms of five (5) years (unless the franchise agreement with respect to that additional term is sooner terminated in accordance with its provisions), provided that immediately prior to each such five (5) year term (a) Franchisee satisfies the requirements which Franchisor then-imposes on its new franchisees, (b) all other restaurant units within the System which Franchisee then-operates substantially comply, in the opinion of Franchisor, with Franchisor's then-current standards, specifications, requirements and instructions, and (c) Franchisee executes the form of franchise agreement which Franchisor is then using with respect to new restaurants within the System, with the amount of royalty and advertising fees payable at the rates

for new restaurants within the System, and Franchisee pays to Franchisor for each of said five (5) year periods a franchise fee equal to ten percent (10%) of the prevailing franchise fee paid by new franchisees at that time. Any franchise agreement which Franchisee executes for such additional term will also contain options to obtain an assignment of Franchisee's lease with a third party and/or to purchase certain property or to purchase or lease the Restaurant premises exercisable by Franchisor upon termination thereof and an option to purchase or lease the Restaurant premises exercisable by Franchisor upon expiration of the renewal term (subject to any then-existing renewal rights of Franchisee). Such options will contain provisions substantially similar to the provisions of Franchisor's options described in Subsection 19.4 hereof. Franchisee shall give Franchisor written notice of its desire to exercise its option to operate the Restaurant for an additional term no earlier than twelve (12) months, and no later than seven (7) months, prior to expiration of the initial term. If Franchisee gives that notice, Franchisor, in its sole discretion, reasonably exercised, shall determine whether Franchisee has satisfied the foregoing requirements. Within forty-five (45) days of receiving the notice described above, Franchisor shall notify Franchisee in writing whether or not Franchisee is eligible to exercise the option described in this Subsection.

1.4 During the period from the date of this Agreement to the expiration or earlier termination of this Agreement, Franchisor shall not establish a restaurant unit utilizing the System, or license another franchisee to establish a restaurant unit utilizing the System, at any location within the lesser of a three (3) mile radius of the Restaurant or a radius from the Restaurant which includes either a daytime or residential population of forty thousand (40,000) or more people; provided, however, the three (3) mile radius will be reduced to the extent it would extend over an international border. Notwithstanding the foregoing, Franchisor may establish a restaurant unit or may license a restaurant unit to a third party within the geographic area set forth in the preceding sentence, provided that (i) such restaurant is located within an airport (serviced by one or more public or charter carrier), train station, bus terminal, port authority, campus at any college, university or other post-secondary education institution, hospitals and other health care facilities, arena, stadium, state or national park, or military fort, post or base, (ii) is located across an international border, or (iii) does not utilize the System or utilize the Applebee's Neighborhood Grill & Bar service mark.

1.5 Franchisee, in consideration of the benefits and privileges provided to it by this Agreement, agrees to operate the Restaurant and perform as required hereunder for the full term of this Agreement.

1.6 This Agreement is entered into pursuant to and subject to the terms and conditions which are set forth in the Development Agreement.

2. UNIFORM STANDARDS

2.1 The System is a comprehensive restaurant system for the retailing of certain uniform and quality food and beverage products (including alcoholic beverages), emphasizing a varied menu of high quality, moderately priced food products (including appetizers, creative sandwiches, dinner entrees and desserts), a selection of alcoholic and other beverages, and prompt and courteous service in a clean, wholesome, casual atmosphere. The foundation of the System is the establishment and maintenance of a reputation among the public for the operation of high quality restaurant units. A fundamental requirement of

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the System, this Franchise Agreement and franchises which Franchisor will grant to others is adherence by all franchisees to Franchisor's standards and policies providing for the uniform operation of all restaurant units within the System, including, but not limited to, (a) selling only those products which Franchisor has designated and approved, (b) using only Franchisor's prescribed building layout and designs, equipment, signs, interior and exterior decor items, fixtures and furnishings, (c) adhering strictly to Franchisor's standards and specifications relating to the selection, purchase, storage, preparation, packaging, service and sale of all food and beverage products being sold at the Restaurant, and (d) satisfying all of Franchisor's prescribed standards of quality, service and cleanliness. Compliance by all franchisees with the foregoing standards and policies in conjunction with the use of Franchisor's trade names, service marks and trademarks provides the basis for the wide public acceptance of the System and its valuable goodwill. Accordingly, strict adherence by all franchisees to all aspects of the System is required at all times.

2.2 The provisions of the Agreement shall be interpreted to give effect to the intent of the parties stated in this Section 2 to assure that Franchisee shall operate the Restaurant in conformity with the System, through strict adherence to Franchisor's standards and policies as they now exist and as they may be modified from time to time.

3. COMPLIANCE WITH THE SYSTEM

Franchisee acknowledges that every component of the System is important to Franchisor, to all franchisees and to the operation of the Restaurant, including the requirements (a) that only those products designated and approved by the Franchisor are sold at the Restaurant, and (b) that there is uniformity of food and beverage specifications, preparation methods, quality, appearance, building and interior design, color and decor, landscaping, facilities and service among all restaurant units in the System. Accordingly, Franchisee agrees to and shall comply with all aspects of the System (as it now exists and as it may be modified from time to time). Franchisee recognizes and agrees that Franchisor may prohibit the use of the System and its trade names, notwithstanding the granting of this Agreement, if Franchisee fails to design, construct, equip,

furnish or operate its Restaurant in compliance with the specifications designated by Franchisor, unless prior written approval has been received from Franchisor.

4. GENERAL SERVICES OF FRANCHISOR

4.1 Franchisor shall advise and consult with Franchisee periodically in connection with the operation of the Restaurant, and at other reasonable times upon Franchisee's request. Franchisor will provide to Franchisee such of its know-how, new developments, techniques and improvements in areas of restaurant design, management, food and beverage preparation, sales promotion and service concepts as may be pertinent to the construction and operation of the Restaurant under the System. Franchisor may provide the foregoing information (a) by sending representatives to visit the Restaurant, (b) by providing written or other material, (c) at meetings or seminars, and (d) at training sessions at Franchisor's training facility and/or such other locations as may be selected by Franchisor from time to time. Franchisor also shall make available to Franchisee all additional services, facilities, rights and privileges which Franchisor makes available from time to time to its franchisees of the System generally.

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4.2 For approximately eight (8) days prior to the opening of the Restaurant and the first six (6) days that the Restaurant is open for business, Franchisor shall provide Franchisee, at Franchisor's expense, with the services of up to a maximum of six (6) of Franchisor's training personnel to facilitate proper operation of the kitchen, bar and dining room areas during that period and to assist in correcting any operational problems which may arise. Franchisee shall reimburse Franchisor for any additional training support required or requested.

4.3 From time to time during the term of this Agreement, Franchisor will develop and test new menu items. The menu consists of approved national food and beverage selections. Franchisee shall comply with all menu changes which generally occur every six (6) months. The menu may be modified to reflect food and beverage items peculiar to Franchisee's local area, subject to Franchisor's testing and approval.

5. RESTAURANT SYSTEM AND PROCEDURES

5.1 Franchisor shall furnish Franchisee with advice and assistance in managing and operating the Restaurant, and Franchisor's representatives will visit the Restaurant periodically. Franchisor will assist Franchisee in coordinating the Restaurant's pre-opening activities, and as noted more particularly in Subsection 4.2 hereof, shall provide Franchisee with the services of certain of Franchisor's personnel to facilitate proper operation of the Restaurant when it opens for business.

5.2 Franchisee shall designate an employee who will supervise the

Restaurant, and devote his or her full time, best efforts and constant personal attention to the day-to-day operation of the Restaurant (the "General Manager"). Franchisee also shall designate an employee who will supervise the Restaurant kitchen, and devote his or her full time, best efforts and constant personal attention to the day-to-day operation of the Restaurant kitchen (the "Kitchen Manager").

5.3 Franchisee shall require that the General Manager, the Kitchen Manager and each of Franchisee's employees who serve as Restaurant managers to maintain his or her principal personal residence within a usual driving time of not more than approximately one (1) hour from the Restaurant. Franchisor reserves the right to require that, as a condition of his or her employment, the General Manager must successfully complete Franchisor's interview process and a psychological profile test in a manner which satisfies a uniform standard established by Franchisor. The test shall be administered by Franchisor, or by a testing agency designated by Franchisor, at Franchisee's expense.

5.4 Unless Franchisor shall have given its prior written approval, Franchisee shall keep the Restaurant open for business only during the hours which are specified by Franchisor in the Franchise Operations Manual or in such other materials or manuals provided or made available by Franchisor to Franchisee (collectively the "Manuals"), provided that such hours do not conflict with state laws or local ordinances relating to the sale of alcoholic beverages or governing the hours during which restaurant establishments may be open for business. In addition, Franchisee expressly agrees to:

(a) operate the Restaurant in a clean, safe and orderly manner, providing courteous, first-class service to the public;

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(b) diligently promote and make every reasonable effort to increase the business of the Restaurant;

(c) advertise the business of the Restaurant by the use of the Franchisor's trade names, service marks and trademarks and such other insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or established from time to time by Franchisor and included in the Manuals, subject to the limitations of Subsections 8.4 and 8.5 hereof;

(d) prohibit and, to the best of Franchisee's ability, prevent the use of the Restaurant for any immoral or illegal purpose, or for any other purpose, business activity, use or function which is not expressly authorized hereunder or in the Manuals; and

(e) comply fully with all applicable laws and regulations, including, but not limited to, those relating to building construction, maintenance and safety, environmental, fire prevention, food safety, public access and the sale of alcoholic beverages.

5.5 Franchisee hereby acknowledges receipt and loan of a copy of the Manuals heretofore or hereinafter furnished to Franchisee, and agrees to faithfully, completely and continuously perform, fulfill, observe and follow all instructions, requirements, standards, specifications, systems and procedures contained therein, including (a) those relating to the construction, design, decor, building and equipping of the Restaurant, (b) those relating to the selection, purchase, storage, preparation, packaging, service and sale of all products being sold at the Restaurant, (c) those relating to the maintenance and repair of Restaurant building, grounds, equipment, signs, interior and exterior decor items, fixtures and furnishings, and (d) those relating to employee uniforms and dress, accounting, bookkeeping, record retention, and other business systems, procedures and operations. The Manuals are incorporated herein by reference and hereby made part of this Agreement. Franchisee acknowledges and agrees that the materials contained in the Manuals are integral, necessary and material elements of the System.

5.6 Franchisee understands, acknowledges and agrees that strict conformity with the System, including the standards, specifications, systems, procedures, requirements and instructions contained in this Agreement and in the Manuals, is vitally important, not only to the success of Franchisor, but to the collective success of all of Franchisor's other franchisees, by reason of the benefits which Franchisor and all of its franchisees will derive from uniformity in products sold, identity, quality, appearance, facilities and service among all restaurant units which are part of the System. Without limiting the generality of the foregoing provisions, Franchisee agrees to adhere strictly to the requirements in the Manuals relating (a) to the construction, design, decor, building and equipping of the Restaurant, (b) to the maximum permissible ratio of sales of alcoholic beverages to sales of food at the Restaurant, and (c) to the limitations on the number of video games or similar devices which may be placed on the Restaurant premises. Any failure to adhere to the standards, specifications, systems, requirements or instructions contained in this Agreement or in the Manuals shall constitute a material breach of this Agreement.

5.7 Franchisor shall have the right, at any time and from time to time, in the good faith exercise of its reasonable business judgment, consistent with the overall best interests of the System generally, having due regard for the

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financial burden which may be placed upon its franchisees, to revise, amend, delete from and add to the System and the material contained in the Manuals. Franchisee expressly agrees to comply with all such revisions, amendments, deletions and additions.

5.8 Franchisee shall offer for sale from the Restaurant, at all times when the Restaurant is open for business, only the products which are expressly designated in the Manuals, except, as noted more particularly in Subsection 4.3, to the extent that Franchisee has obtained Franchisor's prior written consent to

a modification of that requirement. No product shall be offered or sold at or from the Restaurant under, or in connection with, any trademark or service mark other than Franchisor's designated trademarks and service marks without Franchisor's prior written consent.

5.9 Franchisee shall obtain all food and beverage products, equipments, signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials required for the operation of or sold at the Restaurant solely from suppliers (including manufacturers, distributors and other sources) who demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and who have been approved in writing by Franchisor and not thereafter disapproved. The Manuals contain a list of approved suppliers. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval, which approval shall not be unreasonably withheld, or shall request the supplier itself to do so. Franchisor shall have the right to inspect the supplier's facilities, and to require that samples from the supplier be delivered, at Franchisor's option, either to Franchisor or to an independent, certified laboratory designated by Franchisor for testing. Franchisee or the supplier shall pay the costs of any such test. Franchisor shall notify Franchisee in writing within sixty (60) days of receiving any such request whether it disapproves the supplier. Failure by Franchisor to so notify Franchisee within that period shall be deemed to constitute Franchisor's approval of such supplier. Franchisor reserves the right, at its option, to reinspect the facilities and retest products of any such approved supplier at any time and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's criteria. Notwithstanding the foregoing, any supplier of goods having any trademark, trade name, service mark, logo or symbol owned by Franchisor shall not be approved to supply Franchisee such goods until such supplier has entered a written agreement with Franchisor regarding the production, use and sale of such goods.

5.10 No food or beverage product, interior or exterior decor item, sign, item of equipment, fixtures, furnishings or supplies, or other product or material required for the operation of the Restaurant, which bears any of Franchisor's trade names, service marks or trademarks, shall be used or sold in or upon the Restaurant premises unless the same shall have been first submitted to and approved in writing by Franchisor.

5.11 The Manuals and all related material furnished to Franchisee hereunder are and shall remain the property of Franchisor, and must be returned to Franchisor, along with any copies made thereof, immediately upon request or upon the expiration or earlier termination of this Agreement.

6. TRAINING

6.1 Franchisor shall make its operations training course available to the General Manager, the Kitchen Manager, and Franchisee's Assistant Managers and other Restaurant managers.

6.2 Before the Restaurant opens for business, and thereafter as replacement personnel are employed by Franchisee, the General Manager, the Kitchen Manager and each Assistant Manager shall attend Franchisor's operations training facility for such period of time as Franchisor shall deem reasonably necessary, and shall successfully complete that course to Franchisor's reasonable satisfaction. If the General Manager, Kitchen Manager or an Assistant Manager fails to successfully complete Franchisor's operations training course, Franchisor may require designation of a new General Manager, Kitchen Manager or Assistant Manager, as the case may be, and Franchisee shall designate a new General Manager, Kitchen Manager or Assistant Manager, who shall be required to successfully complete such training course.

6.3 The General Manager, the Kitchen Manager and each Assistant Manager shall, from time to time as reasonably required by Franchisor, attend and successfully complete to Franchisor's reasonable satisfaction a Franchisor-provided refresher course in restaurant operations.

6.4 Franchisee shall be responsible for the Restaurant's compliance with the operating standards, methods, techniques and material taught at Franchisor's operations training course, and shall cause the employees of the Restaurant to be trained in such standards, methods and techniques as are relevant to the performance of their respective duties.

6.5 Attendance of the General Manager, the Kitchen Manager and each Assistant Manager at any of Franchisor's training courses shall be tuition-free. Franchisee shall pay all other costs and expenses relating to the attendance of Franchisee's personnel at any of Franchisor's training courses, including, without limitation, the cost of travel, lodging, meals, and other related and incidental expenses.

7. RESTAURANT MAINTENANCE

7.1 Franchisee shall, at Franchisee's sole cost and expense, maintain the Restaurant in conformity with the standards, specifications and requirements of the System, as the same may be designated by Franchisor from time to time. Franchisee specifically agrees to repair or replace, at Franchisee's cost and expense, equipment, signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials required for the operation of the Restaurant as necessary or desirable, and to obtain, at Franchisee's cost and expense, any new or additional equipment, signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials which may be reasonably required by Franchisor for new products or procedures. Except as may be expressly provided in the Manuals, no alterations or improvements, or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures or furnishings shall be made in or about the Restaurant or Restaurant premises without the prior written approval of

7.2 In order to assure the continued success of the Restaurant, Franchisee shall, at any time from time to time after _____, _____, (i.e., six [6] years after the date of this Agreement) as reasonably required by Franchisor (taking into consideration the cost and then-remaining term of this Agreement), modernize the Restaurant premises, equipment, signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials required for the operation of the Restaurant, to Franchisor's then-current standards and specifications, provided that at the time Franchisor requires Franchisee to so modernize the Restaurant premises at least twenty-five percent (25%) of Franchisor-owned and operated Restaurants meet such standards and specifications. Franchisee's obligations under this Subsection are in addition to, and shall not relieve Franchisee from, any of its other obligations under this Agreement, including those contained in the Manuals.

7.3 If Franchisee is or becomes a lessee of the Restaurant premises, Franchisee shall have included in the lease provisions expressly permitting both Franchisee and Franchisor to take all actions and make all alterations referred to under Subsections 7.1 and 7.2 hereof, requiring the lessor thereunder to give Franchisor reasonable notice of any contemplated termination, and providing that Franchisee has the unrestricted right to assign the lease to Franchisor, Franchisor's affiliates or approved franchisees of Franchisor without the lessor having any right to impose conditions on such assignment or to obtain any payment in connection therewith. Franchisee shall not, without the prior written consent of Franchisor, execute any lease or other agreement which imposes, or purports to impose, any limitations on the ability of Franchisee and/or of Franchisor to operate additional restaurants at any particular location beyond the geographic limitation set forth in Section 1.4 hereof, or any lease the term of which is shorter than the term of this Agreement. For purposes of clarification, Franchisor may require the lease to contain such other provisions as may be specified in Franchisor's then current lease approval policy or the terms and conditions of Franchisor's approval of the site for the Restaurant.

8. ADVERTISING

8.1 Franchisor shall develop and administer advertising, public relations and sales promotion programs designed to promote and enhance the collective success of all restaurant units in the System. It is expressly understood, acknowledged and agreed that in all phases of such advertising and promotion, including, without limitation, type, quantity, timing, placement and choice of media and medium, market areas, advertising agencies and public relations firms, Franchisor's decisions shall be final and binding. Franchisee shall have the right to participate actively in all such advertising, public relations and sales promotion programs, but only in full and complete accordance with such terms and conditions as may be established by Franchisor for each such program.

8.2 Franchisee shall pay Franchisor, in the manner described in Section 9 hereof, a minimum dollar amount equal to two and seventy five hundredths percent (2.75%) of Franchisee's gross sales, as defined in Subsection 9.3 hereof. Such funds shall become the sole and absolute property of Franchisor, to be allocated to a separate "advertising account" established by Franchisor. Franchisor shall use such funds for market studies, advertising and marketing studies or services, production of commercials, advertising copy and layouts, traffic costs, agency fees, marketing personnel, or any other costs associated with the development, marketing and testing of advertising, and for the purchase of advertising time, space or materials in national, regional or other advertising

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media, in a manner determined by Franchisor in its sole discretion. Within six (6) months following the end of Franchisor's fiscal year, Franchisor shall provide all franchisees with an accounting of all amounts received from them and expended by Franchisor for the matters set forth above. In addition, Franchisee shall expend a minimum dollar amount equal to one percent (1%) of Franchisee's gross sales, for local promotional activities, subject to the provisions of Subsections 8.4 and 8.5 hereof. Franchisor shall have the right at all times to review Franchisee's books and records, and to require Franchisee to produce evidence of its gross sales and local promotional activities, to ensure Franchisee's compliance with this Section. Any amount determined by said audit to be due Franchisor as part of the advertising fee will be paid to Franchisor by Franchisee within ten (10) days thereafter. At any time after execution of this Agreement, Franchisor may in its sole discretion increase, to a maximum of four percent (4%) of gross sales, the percentage of gross sales which Franchisee shall be required to pay to Franchisor for allocation to a separate advertising account pursuant to this Subsection 8.2. Franchisor shall use the funds paid pursuant to that increased percentage requirement solely for the purchase of advertising time, space or materials in national, regional or other advertising media, in a manner determined by Franchisor in its sole discretion, provided that in each calendar year (or other twelve [12] month period established by Franchisor) in which Franchisor makes expenditures for advertising from such an advertising account, so long as Franchisee is in compliance with its obligations hereunder, Franchisor's expenditures for advertising in the Territory encompassed by the Development Agreement (including expenditures for national or regional advertising in media which reach that Territory) shall be on a basis which is roughly proportional to Franchisee's contribution to that advertising account during that calendar year or other twelve (12) month period. Franchisor also may increase the percentage of gross sales which Franchisee shall be required to spend for local promotional activities, provided however, that in no event shall Franchisee be required to make payments pursuant to this Subsection 8.2 in a dollar amount in excess of five percent (5%) of gross sales. For purposes of clarification, Franchisor may also decrease the amounts required to be paid or expended by Franchisor pursuant to this Subsection 8.2.

8.3 Franchisee shall submit to Franchisor, for Franchisor's approval, an advertising campaign plan relating to the promotion of the opening of the Restaurant which is sufficient to meet the needs of the market. The Manuals

contain a Press Release kit to assist Franchisee in this regard. Franchisee shall conduct the approved advertising campaign and make all expenditures for advertising to promote the opening of the Restaurant no later than sixty (60) days after the Restaurant opens for business. Franchisor will reimburse fifty percent (50%) of Franchisee's out-of-pocket opening advertising expenditures up to a maximum of two thousand five hundred dollars (\$2,500), if Franchisee meets the following criteria:

(a) Franchisee's opening advertising expenditures are made, and the approved advertising campaign has been conducted, within sixty (60) days after the opening of the Restaurant;

(b) Franchisee submits to Franchisor within one hundred twenty (120) days after the opening of the Restaurant documentation for the opening advertising expenditures, such as paid invoices from suppliers of goods or services evidencing expenditure on the opening advertising promotion; and

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(c) Franchisee's opening advertising expenditures are made pursuant to the approved advertising campaign plan and in accordance with the Grand Opening Reimbursement Program Policy Guidelines set forth in the Manuals.

8.4 Nothing in the foregoing Subsections shall be deemed to prohibit Franchisee from making additional expenditures for local promotional activities. All of the Franchisee's local promotional activities shall utilize approved advertising media. "Approved advertising media" are limited to the following:

(a) Newspapers, magazines and other such periodicals;

(b) Radio and television;

(c) Outdoor advertising by signs displayed on billboards or buildings; and

(d) Handbills, flyers, door-hangers and direct mail.

In the event Franchisee wants to use a form of advertising medium not set forth above, Franchisee shall submit a description of such medium and advertising to Franchisor. Franchisor shall notify Franchisee whether it approves the use of such medium within thirty (30) days of Franchisee's request. Failure by Franchisor to so notify Franchisee within that period shall be deemed to constitute Franchisor's approval of such request. Guidelines for local promotional activities are contained in the Manuals, including Franchisee's required participation in any co-operative marketing program.

8.5 All advertising copy and other materials employed by Franchisee in local promotional activities shall be in strict accordance and conformity with the standards, formats and specimens contained in the Manuals and shall receive the prior approval of Franchisor. In the event Franchisee wishes to deviate from

the materials contained in the Manuals, Franchisee shall submit, in each instance, the proposed advertising copy and materials to Franchisor for approval in advance of publication. Franchisor shall notify Franchisee in writing, within fifteen (15) days of such submission, whether Franchisor disapproves such advertising copy and materials. Failure by Franchisor to so notify Franchisee within that period shall be deemed to constitute Franchisor's approval of such advertising copy and materials. In no event shall Franchisee's advertising contain any statement or material which may be considered (a) in bad taste or offensive to the public or to any group of persons, (b) defamatory of any person or an attack on any competitor, (c) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification, or (d) inconsistent with the public image of Franchisor or of the System.

9. FEES

9.1 As partial consideration for the rights granted hereunder, Franchisee shall pay Franchisor:

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(a) an initial franchise fee of _____ dollars (\$_____), to be paid in the manner prescribed in Subsection 4.1 of the Development Agreement as payment for the grant of the franchise;

(b) a monthly royalty fee as determined by Franchisor, not to exceed five percent (5%) of each calendar month's gross sales, as provided in Subsection 4.3 of the Development Agreement, as payment for Franchisee's continuing right to operate the Restaurant as part of the System (see Exhibit 1); and

(c) a monthly advertising fee equal to such percentage of each calendar month's gross sales as Franchisor may require pursuant to Subsection 8.2 hereof.

9.2 The fees referred to in Subsections 9.1(b) and (c) (the "Fees") shall be paid by check on or before the twelfth day of the next full month immediately following the month to which the Fees relate. Any Fees, including the initial franchise fee, which are not paid when due shall bear interest from and after the due dates thereof at the rate of eighteen percent (18%) per annum or the highest rate permitted by applicable law, whichever is less.

9.3 (a) Except for the sale of a gift card (on which royalty shall be due and payable upon redemption of the gift card and as provided in Subsection 9.3(b) hereof, the term "gross sales," as used in this Agreement, shall mean all receipts (cash, cash equivalents or credit) or revenues from sales from all business conducted upon or from the Restaurant premises, whether evidenced by check, cash, credit, debit card, charge account, exchange or otherwise, including, but not limited to, amounts received from the sale of goods, wares

and merchandise (including sales of food beverages and tangible property of every kind and nature, promotional or otherwise), from all services performed from or at the Restaurant premises, and from all orders taken or received at the Restaurant premises, regardless of where such orders are filled (including any payments received from the sale of meals to employees). Gross sales shall not be reduced by any deductions for cash shortages incurred in connection with the transaction of business with customers, credit card company charges or theft which is reimbursed by insurance or is not reported to the appropriate police authorities. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the month during which such charge or sale shall be first made, irrespective of the time when Franchisee shall receive payment (whether full or partial) therefor.

(b) Gross sales shall not include: (i) the sale of merchandise for which cash has been refunded or, except as provided in the second sentence of Subsection 9.3(a), not received, or allowances made for merchandise, if the sales of any such returned or exchanged merchandise shall have been previously included in gross sales, (ii) the amount of any sales tax imposed by any federal, state, municipal or other governmental authority directly on sales and intended to be collected from customers, provided that the amount thereof is added to the selling price and actually paid by the Franchisee to such governmental authority, (iii) the sale of merchandise for which a gift card is redeemed, if the initial sale of the gift card shall have been previously included in gross sales, (iv) the sale of waste products of the Restaurant, (v) telephone, game and vending machine revenues, (vi) the sale of non-food items or beverages at a discount in connection with a promotional campaign, (vii) one-time sale of furniture, fixtures or equipment, and (viii) theft which is not covered by insurance and is reported to the appropriate police authorities. In addition, Franchisor may, from time to time, in writing, permit or allow certain

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other items to be excluded from gross sales. Any such permission or allowance may be revoked or withdrawn at Franchisor's discretion.

9.4 Franchisee agrees that, subject to the provisions of this Section 9.4, Franchisor may withdraw funds from Franchisee's designated bank account by electronic funds transfer ("EFT") in the amount of any royalties or other fees payable to Franchisor under this Agreement. Franchisor will make each EFT withdrawal of the royalty fees described in Section 9.1(b) and advertising fees described in Section 9.1(c) on the dates such payments are due. Franchisor may withdraw any other payments owed to Franchisor pursuant to, or in connection with, this Agreement if such payments become more than 10 days past due. Franchisee's designated bank account for EFT withdrawals shall at all times be maintained in the United States and such account shall permit EFT withdrawals by Franchisor without approval of, or involvement by, a government agency or authority. If Franchisee has not submitted a monthly Restaurant report as required by Section 10.2(a) hereof, Franchisor may make an EFT withdrawal for overdue royalty fees based on a good faith estimate of the Gross Sales for the applicable month. After the applicable monthly Restaurant report is submitted,

Franchisor will make an appropriate credit to Franchisee for any overpayment or will invoice Franchisee for any underpayment, as applicable.

9.5 Franchisee will, upon execution of this Agreement, execute a document in the form of Appendix D, granting to Franchisor the authority to process EFTs from Franchisee's designated bank account. From time-to-time at Franchisor's request, Franchisee will execute any additional documents necessary to confirm or update this authority. Franchisee will be responsible for any EFT transfer fee or similar charge imposed by Franchisee's bank, and for any service charges incurred by Franchisor and/or imposed by Franchisee's bank should any EFT not be honored by Franchisee's bank for any reason. Throughout the term of this Agreement, Franchisee will maintain a minimum balance of \$_____ ("Minimum Balance") in the bank account against which EFTs are to be drawn under this Agreement. It will be a material event of default if Franchisee allows the amount on deposit in the account to fall below two-thirds of the Minimum Balance, closes the account without Franchisor's consent, or closes the account with Franchisor's consent, but fails to promptly establish another account and execute all documents necessary for Franchisor to process all payments by EFT from the new account. Franchisee acknowledges that the Minimum Balance is the minimum amount required for the Restaurant and that such amount is in addition to the Minimum Balance specified for any other Restaurant operated by Franchisee. Franchisor may increase the Minimum Balance from time to time (but not more frequently than once per year) to an amount up to 150% of the average monthly royalty and advertising fees for the Restaurant for the immediately preceding 12-month period.

10. RECORD KEEPING; ACCESS TO INFORMATION

10.1 Franchisee shall employ a point of sale system approved by Franchisor, without modification, in connection with the business of the Restaurant. Franchisee shall use such bookkeeping and record keeping forms as shall be prescribed in the Manuals.

10.2 Franchisee shall complete and submit to Franchisor, on a regular, continuous basis, each of the following reports, in the form specified in the Manuals:

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(a) monthly Restaurant reports, on or before the twelfth day of each calendar month following the month to which the report relates;

(b) annual Restaurant reports, on or before the fifteenth day of April of each year;

(c) weekly gross sales reports, on or before the Tuesday following the calendar week to which the report relates; and

(d) such additional reports as the Franchisor shall request.

10.3 The annual Restaurant reports referred to above shall include a balance sheet dated as of the end of Franchisee's fiscal year or calendar year and a profit and loss statement for such year, together with such additional financial information as Franchisor may reasonably request. Such balance sheet and profit and loss statement shall be prepared in accordance with generally accepted accounting principles, certified as correct and complete by Franchisee's chief executive officer, president, chief financial officer or controller and reported on and reviewed by an independent state-licensed certified public accountant. If Franchisee fails to provide Franchisor with such balance sheet and profit and loss statement, Franchisor shall have the right to have an independent audit made of Franchisee's books and records, and Franchisee shall promptly reimburse Franchisor for the cost thereof.

10.4 Each of the reports referred to in this Section 10 shall be completed by Franchisee or its accountant in the respective specimen forms, and in accordance with the instructions, contained in the Manuals. Subsection 10.3 notwithstanding, time is of the essence with respect to the completion and submission of each such report.

10.5 Franchisee shall install and maintain such equipment, make such arrangements and follow such procedures as Franchisor may require in the Manuals or otherwise in writing (including the establishment and maintenance of Internet, intranet or extranet access or such other means of electronic communication, as specified by Franchisor from time to time) to permit Franchisor to access, download, and retrieve electronically, by telecommunication or other designated method, any information stored in Franchisee's electronic cash registers or on Franchisee's computer systems, including information concerning the gross sales of the Restaurant, and to permit Franchisor to upload and for Franchisee to receive and download information from Franchisor with or without Franchisee's prior consent. Franchisee further agrees that Franchisor will have and be afforded access to such information at the times and in the manner that Franchisor may specify from time to time, including extracting information by electronic, digital or other means.

11. FRANCHISEE ORGANIZATION, AUTHORITY, FINANCIAL CONDITION AND SHAREHOLDERS

11.1 Franchisee and each Principal Shareholder represent and warrant that: (a) Franchisee is a corporation duly incorporated, validly existing and in good standing under the laws of the State of its incorporation; (b) Franchisee is duly qualified and is authorized to do business and is in good standing as a foreign corporation in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; (c) the

execution and delivery of this Agreement and the transaction contemplated hereby are within Franchisee's corporate power; (d) the execution and delivery of this

Agreement has been duly authorized by the Franchisee; (e) the articles of incorporation and by-laws of Franchisee delivered to Franchisor are true, complete and correct, and there have been no changes therein since the date thereof; (f) the certified copies of the minutes electing the officers of Franchisee and authorizing the execution and delivery of this Agreement are true, correct and complete, and there have been no changes therein since the date(s) thereof; (g) the specimen stock certificate delivered to Franchisor is a true specimen of Franchisee's stock certificate; (h) the balance sheet of Franchisee as of _____, _____ ("Balance Sheet") and the balance sheets of its Principal Shareholders as of _____, _____, heretofore delivered to Franchisor, are true, complete and correct, and fairly present the financial positions of Franchisee and each Principal Shareholder, respectively, as of the dates thereof; (i) the Balance Sheet and each such balance sheet have been prepared in accordance with generally accepted accounting principles; and (j) there have been no materially adverse changes in the condition, assets or liabilities of Franchisee or Principal Shareholders since the date or dates thereof.

11.2 Franchisee and each Principal Shareholder covenant that during the term of this Agreement: (a) Franchisee shall do or cause to be done all things necessary to preserve and keep in full force its corporate existence and shall be in good standing as a foreign corporation in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; (b) Franchisee shall have the corporate authority to carry out the terms of this Agreement; and (c) Franchisee shall print, in a conspicuous fashion on all certificates representing shares of its stock when issued, a legend referring to this Agreement and the restrictions on and obligations of Franchisee and Principal Shareholders hereunder, including the restrictions on transfer of Franchisee's shares.

11.3 In addition to the financial information which Franchisee is required to provide to Franchisor under Subsections 10.2 and 11.1 hereof, Franchisee and Principal Shareholders shall provide Franchisor with such other financial information as Franchisor may reasonably request from time to time, including, on an annual basis, copies of the then-most current financial statements of Franchisee and each Principal Shareholder, dated as of the end of the last preceding fiscal year of the Franchisee or Principal Shareholder, said statements to be delivered to Franchisor no later than April 15 of each year, which financial statements shall conform to the standards set forth in Subsection 11.1 hereof.

11.4 Franchisee and each Principal Shareholder represent, warrant and covenant that all Interests (as defined in Subsection 12.4 hereto) in Franchisee are owned as set forth on Appendix A hereto, that no Interest has been pledged or hypothecated (except in accordance with Section 12 of this Agreement), and that no change will be made in the ownership of any such Interest other than as permitted by this Agreement, or otherwise consented to in writing by Franchisor. Franchisee and Principal Shareholders agree to furnish Franchisor with such evidence as Franchisor may request, from time to time, for the purpose of assuring Franchisor that the Interests of Franchisee and Principal Shareholders remain as represented herein.

11.5 Each Principal Shareholder, jointly and severally, hereby personally and unconditionally guarantees each of Franchisee's financial obligations to Franchisor (including, but not limited to, all obligations relating to the payment of fees by Franchisee to Franchisor). Each Principal Shareholder agrees that Franchisor may resort to such Principal Shareholder (or any of them) for

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payment of any such financial obligation, whether or not Franchisor shall have proceeded against Franchisee, any other Principal Shareholder or any other obligor primarily or secondarily obligated to Franchisor with respect to such financial obligation. Each Principal Shareholder hereby expressly waives presentment, demand, notice of dishonor, protest, and all other notices whatsoever with respect to Franchisor's enforcement of this guaranty. In addition, each Principal Shareholder agrees that if the performance or observance by Franchisee of any term or provision hereof is waived or the time of performance thereof extended by Franchisor, or payment of any such financial obligation is accelerated in accordance with any agreement between Franchisor and any party liable in respect thereto or extended or renewed, in whole or in part, all as Franchisor may determine, whether or not notice to or consent by any Principal Shareholder or any other party liable in respect to such financial obligations is given or obtained, such actions shall not affect or alter the guaranty of each Principal Shareholder described in this Subsection.

11.6 Franchisee and each Principal Shareholder represent and warrant to Franchisor that:

(a) Neither Franchisee nor any Principal Shareholder or any other person with a direct or indirect ownership interest in Franchisee is identified, either by name or an alias, pseudonym or nickname, on the list of "Specially Designated Nationals and Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts available at www.treas.gov/offices/enforcement/ofac/). Further, Franchisee and its Principal Shareholders represent and warrant that neither has violated and agree that neither will violate any law (in effect now or which may become effective in the future) prohibiting corrupt business practices, money laundering or the aid or support of persons or entities who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13244 (text available at <http://treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>), or similar law;

(b) Franchisee has not made, nor has any Principal Shareholder made, any expenditures other than for lawful purposes or directly or indirectly offered, gave, promised to give or authorized the payment or the gift of any money, or anything of value, to any person or

entity, while knowing or having reason to know that all or a portion of such money or thing of value would be given or promised, directly or indirectly, to any government official, official of an international organization, officer or employee of a foreign government or anyone acting in an official capacity for a foreign government, for the purpose of (1) influencing any action, inaction or decision of such official in a manner contrary to his or her position or creating an improper advantage; or (2) inducing such official to influence any government or instrumentality thereof to effect or influence any act or decision of such government or instrumentality.

(c) Franchisee nor any Principal Shareholder or any other person or entity who has any direct or indirect ownership interest is or will become directly or indirectly owned or controlled by governmental authorities of any country that is subject to a United States embargo; and

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Franchisee understands and its Principal Shareholders understand and have been advised by legal counsel on the requirements of the United States Foreign Corrupt Practices Act (currently located at www.usdoj.gov/criminal/fraud/fcpa.html, any local foreign corrupt practices laws and the Patriot Act (currently located at www.epic.org/privacy/terrorism/hr3162.html, acknowledge the importance to Franchisor and the Restaurants and the parties' relationship of their respective compliance with the requirements of these laws, including any applicable auditing requirements and any requirement to report or provide access to information to Franchisor or any government, that is made part of any applicable law, and agree to take all steps required by their consultants, agents and employees to comply with such laws prior to engaging or employing any such individuals or entities.

12. TRANSFER

12.1 There shall be no Transfer of any Interest of Franchisee, or of a Principal Shareholder in Franchisee, in whole or in part (whether voluntarily or by operation of law), directly, indirectly or contingently, except in accordance with the provisions of this Section 12. "Transfer" and "Interest" are defined in Subsections 12.2, 12.3 and 12.4. Any proposed Transfer also shall be subject to the provisions of the Development Agreement, which are incorporated herein by reference.

12.2 Except as provided in Subsection 12.3, "Transfer" shall mean any assignment, sale, pledge, hypothecation, gift or any other event which would change ownership of or change or create a new Interest, including, but not limited to:

(a) any change in the ownership of or rights in or to any shares of stock or other equity interest in Franchisee which would result from the act of any shareholder of Franchisee ("Shareholder"), such as a sale, exchange, pledge or hypothecation of shares, or any interest in or rights to any of Franchisee's profits, revenues or assets, or any such change which would result by operation of law; and

(b) any change in the percentage interest owned by any Shareholder in the shares of stock of Franchisee, or interests in its profits, revenues or assets which would result from any act of Franchisee such as a sale, pledge or hypothecation of any Restaurant assets (other than a pledge of assets to secure bona fide loans made or credit extended in connection with acquisition of the assets pledged, provided that immediately before and after such transaction the net worth of Franchisee shall not be less than the amount which is reflected on the Balance Sheet referred to in Subsection 11.1 of this Agreement); any sale or issuance of any shares of Franchisee's stock; the retirement or redemption of any shares of Franchisee's stock; or any sale or grant to any person of any right to participate in or otherwise to share or become entitled to any part of Franchisee's profits, revenues, assets or equity.

12.3 "Transfer" shall not include (a) a change in the ownership of or rights to any shares or other equity interest in Franchisee pursuant to a public offering of Franchisee's securities registered under the Securities Act of 1933, or (b) a change in the ownership of or rights to any securities or other equity interest in Franchisee pursuant to a private offering of Franchisee's securities exempted from registration under such Act, provided that Franchisee provides

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Franchisor with a copy of its prospectus and/or offering memorandum ten (10) days prior to its filing with the Securities and Exchange Commission or circulation to third parties so that Franchisor may comment and, if necessary, correct any information concerning Franchisor and/or the System, and further provided that after giving effect to such public or private offering, the Principal Shareholders, or any of them, "control" Franchisee. For purposes of this Section 12, "control" means either (1) owning legal and equitable title to fifty-one percent (51%) or more of the outstanding voting securities of Franchisee, which are not subject to a proxy granted to or contract with any other person or party granting that party the right to vote part or all of such securities, or (2) having and continually exercising the contractual power presently to designate a majority of the directors of Franchisee.

12.4 "Interest" shall mean: when referring to interests or rights in Franchisee, any shares of Franchisee's stock and any other equitable or legal right in or to any of Franchisee's stock, revenues, profits or assets; when referring to rights or assets of Franchisee, Franchisee's rights under and interest in this Agreement, the Restaurant and its revenues, profits and assets.

12.5 (a) The Interest of a Principal Shareholder may be transferred to

such Principal Shareholder's spouse or children or to a person designated in such Principal Shareholder's will or trust (individually and collectively referred to as a "Successor"), upon such Principal Shareholder's death or permanent incapacity, without Franchisor's approval, provided that such Successor shall agree to be bound by the restrictions contained in this Section 12, and the other agreements and covenants of the Principal Shareholders contained in this Agreement.

(b) The Interest of a Principal Shareholder may not be transferred to another Principal Shareholder without Franchisor's approval, which approval shall not be unreasonably withheld.

(c) The Interest of a Successor may only be transferred in accordance with Subsection 12.5(b), 12.6, 12.7 or 12.8, regardless of whether such Transfer is for consideration or by gift or will or other device.

12.6 If at any time any of the Principal Shareholders desires to dispose of all or substantially all of the Interests of the Principal Shareholder(s) in Franchisee, or any of the Principal Shareholders (or Franchisee) desires to dispose of all or substantially all of Franchisee's Interest in this Agreement or in the assets which Franchisee has acquired as a result of this Agreement, the Principal Shareholder(s) or Franchisee, as the case may be, shall notify Franchisor of that desire, in writing, thirty (30) days before announcing that fact publicly or engaging the services of a broker or sales agent.

12.7 (a) If at any time any of the Principal Shareholders or Franchisee, as the case may be, obtains from a third party or third parties a bona fide offer (the "Offer") in writing for the purchase of all or substantially all of the Interests of the Principal Shareholders in Franchisee, or of Franchisee's Interest in this Agreement or in the assets which Franchisee has acquired as a result of this Agreement, the Principal Shareholders or Franchisee shall give notice (the "Selling Notice") to Franchisor stating that the Principal Shareholders or Franchisee, as the case may be, have received the Offer, identifying the prospective purchaser by name and address, specifying the proposed purchase price and attaching a true and complete copy of the Offer, including all relevant materials required for approval by Franchisor.

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(b) Franchisor shall have an option to purchase (the "Option"), exercisable within a period of forty-five (45) days after receipt of the Selling Notice (the "Option Period"), such Interests at the price and on the conditions set forth in the Offer, except that Franchisor shall not be obligated to pay any finder's or broker's fee, and if the Offer provides for payment of consideration other than cash, or if the Offer involves certain intangible benefits, Franchisor may elect to purchase such Interests by offering a reasonable dollar value substitute including, at Franchisor's option, cash or the common stock or other securities of the Franchisor or any combination thereof for the non-cash/intangible benefits part of the Offer. Notwithstanding the foregoing, if Franchisor exercises the Option, Franchisor (a) will be entitled to receive

representations and warranties from Franchisee and the Principal Shareholders, jointly and severally, that are customarily received by purchasers in similar transactions and (b) will be permitted to not close if it is not satisfied with the results of its business, legal and financial due diligence.

(c) The Option shall be exercisable by Franchisor delivering to the Principal Shareholders or Franchisee, as the case may be, within the Option Period, a notice (i) stating that the Option is being exercised, and (ii) specifying the time, date and place at which such purchase and sale will take place, which date shall be within forty-five (45) days after Franchisor delivers such notice. Franchisee shall provide Franchisor access to and copies of such information and documentation Franchisor shall request regarding the purchase prior to the start of the Option Period. The forty-five (45) day limitation for purposes of determining the sale date shall not apply if at the end of said forty-five (45) day period the only issue which prevents completion of the purchase and sale is the need to effect transfers of the applicable liquor licenses. In the event of such a delay, the purchase and sale shall take place within seven (7) business days after those liquor licenses have been transferred.

(d) If the Option is not exercised, the Principal Shareholders or Franchisee, as the case may be, may sell the Interests in or of Franchisee to the third party which made the Offer, on conditions no more favorable to the third-party offerer than those set forth in the Offer, provided that Franchisor approves the proposed transferee in accordance with the criteria set forth in Appendix B and provided further that such sale takes place within ninety (90) days after the expiration of the Option Period. The ninety (90) day limitation described in the preceding sentence shall not apply if at the end of said ninety (90) day period the issue which prevents completion of the purchase and sale is either the need to effect transfers of the applicable liquor licenses or consent or approval of the transaction by a state or federal regulatory agency. In the event of such a delay, the purchase and sale shall take place within seven (7) business days after those issues have been resolved or waived by Franchisor.

(e) If the Option is not exercised, the Principal Shareholders or Franchisee, as the case may be, shall immediately notify Franchisor in writing of any change in the terms of an Offer. Any change in the terms of an Offer shall cause it to be deemed a new Offer, conferring upon Franchisor a new Option pursuant to this Subsection 12.7; the Option Period with respect to the new Option shall be deemed to commence on the day on which Franchisor receives written notice of a change in the terms of the original Offer. Provided however, in such an instance, Franchisor shall provide Franchisee its response within fifteen (15) days after Franchisor's receipt of all of the modified terms, unless such changes are deemed material by Franchisor and in such an event, Franchisor shall have a forty-five (45) day period within which to review said changes.

12.8 (a) Franchisee understands and acknowledges that the rights and

duties set forth in this Agreement are personal to Franchisee and that Franchisor has entered into this Agreement in reliance on the business skill and financial capability of Franchisee, and the business skill, financial capability and personal character of each Principal Shareholder. Except as otherwise provided in this Section 12, the Principal Shareholders shall at all times retain control of Franchisee. Except as otherwise provided in this Section 12, no Transfer of any part of Franchisee's Interest in this Agreement or in the Restaurant, and no Transfer of any Interest of any Principal Shareholder, shall be completed except in accordance with this Subsection 12.8. In the event of such a proposed Transfer of any part of Franchisee's Interest in this Agreement or in the Restaurant, or of any Interest of any Principal Shareholder, the party or parties desiring to effect such Transfer shall give Franchisor notice in writing of the proposed Transfer, which notice shall set forth the name and address of the proposed transferee, its financial condition, including a copy of its financial statement dated not more than ninety (90) days prior to the date of said notice, and all the terms and conditions of the proposed Transfer. Upon receiving such notice, Franchisor may (i) approve the Transfer, or (ii) withhold its consent to the Transfer. Franchisor shall, within forty-five (45) days of receiving such notice and all of the information requested by Franchisor regarding the proposed Transfer and the parties thereto, advise the party or parties desiring to effect the Transfer whether it (1) approves the Transfer, or (2) withholds its consent to the Transfer, giving the reasons for such disapproval. Failure of Franchisor to so advise said party or parties within that forty-five (45) day period shall be deemed to be an approval of the proposed Transfer. Appendix B sets forth the criteria for obtaining Franchisor's consent to a proposed Transfer.

(b) In the event that Franchisor approves the Transfer, and the Transfer is not completed within ninety (90) days of the later of (i) expiration of the forty-five (45) day notice period, or (ii) delivery of notice of Franchisor's approval of the proposed Transfer, Franchisor's approval of the proposed Transfer shall automatically be revoked. The ninety (90) day limitation described in the preceding sentence shall not apply if at the end of said ninety (90) day period the only issue which prevents completion of the Transfer is the need to effect transfers of the applicable liquor licenses. In the event of such a delay, the Transfer shall take place within seven (7) business days after those liquor licenses have been transferred. Any subsequent proposal to complete the proposed Transfer shall be subject to Franchisor's right of approval as provided herein. The party which desires to effect the proposed Transfer shall immediately notify Franchisor in writing of any change in the terms of a Transfer. Any change in the terms of a Transfer prior to closing shall cause it to be deemed a new Transfer, revoking any approval previously given by Franchisor and conferring upon Franchisor a new right to approve such Transfer, which shall be deemed to commence on the day on which Franchisor receives written notice of such changes in terms.

12.9 In connection with any request for Franchisor's approval of a proposed Transfer pursuant to this Section 12, the parties to the proposed Transfer shall pay Franchisor a nonaccountable fee to defray the actual cost of review and the administrative and professional expenses related to the proposed Transfer and the preparation and execution of documents and agreements, up to a maximum of

two thousand five hundred dollars (\$2,500). For purposes of clarification, the transfer fee reflected in the preceding sentence relates to this Agreement only and does not limit the ability of Franchisor to charge fees in connection with other franchise agreements involved in the Transfer.

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13. CONFIDENTIALITY; RESTRICTIONS

13.1 Franchisee and its Principal Shareholders acknowledge that over the term of this Agreement they are to receive proprietary information which Franchisor has developed over time at great expense, including, but not limited to, information regarding the System, methods of site selection, marketing and public relations methods, product analysis and selection, and service methods and skills relating to the development and operation of restaurants. They further acknowledge that this information, which includes, but is not necessarily limited to, that contained in the Manuals, is not generally known in the industry and is beyond their own present skills and experience, and that to develop it themselves would be expensive, time consuming and difficult. Franchisee and its Principal Shareholders further acknowledge that the Franchisor's information provides a competitive advantage and will be valuable to them in the development of their business, and that gaining access to it is therefore a primary reason why they are entering into this Agreement. Accordingly, Franchisee and its Principal Shareholders agree that Franchisor's information, as described above, which may or may not be "trade secrets" under prevailing judicial interpretations or statutes, is private and valuable, and constitutes trade secrets belonging to Franchisor. Accordingly, in consideration of Franchisor's confidential disclosure to them of these trade secrets, Franchisee and Principal Shareholders agree as follows (subject to the provisions of the Development Agreement and any other franchise agreement between Franchisor and Franchisee):

(a) During the term of this Agreement, neither Franchisee nor any Principal Shareholder, for so long as such Principal Shareholder owns an Interest in Franchisee, may, without the prior written consent of Franchisor, directly or indirectly engage in, or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System which is either (i) located in the Territory, as defined in the Development Agreement, (ii) located in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any restaurant developed pursuant to the Development Agreement, (iii) located within a five (5) mile radius of any restaurant unit within the System, or (iv) determined by Franchisor, exercising reasonable good faith judgment, to be a direct competitor of the System.

(b) Neither Franchisee, for two (2) years following the termination of this Agreement, nor any Principal Shareholder, for two (2) years

following the termination of all of his or her Interest in Franchisee or the termination of this Agreement, whichever occurs first, may directly or indirectly engage in, or acquire any financial or beneficial interest (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans or make loans to, any restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System which is located either (i) in the Territory, as defined in the Development Agreement, (ii) in the Area of Dominant Influence (as defined and established from time to time by Arbitron Ratings Company) of any restaurant developed pursuant to the Development Agreement, (iii) within a five (5) mile radius of any restaurant unit within the System, or (iv) within any area for which an active, currently binding development

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agreement has been granted by Franchisor to another franchisee as of the date of the termination.

(c) Neither Franchisee nor any Shareholder shall at any time (i) appropriate or use the trade secrets incorporated in the System, or any portion thereof, in any restaurant business which is not within the System, (ii) disclose or reveal any portion of the System to any person, other than to Franchisee's Restaurant employees as an incident of their training, (iii) acquire any right to use any name, mark or other intellectual property right which is or may be granted by this Agreement, except in connection with the operation of the Restaurant, or (iv) communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how of Franchisor concerning the methods of development or operation of a restaurant utilizing the System.

13.2 Franchisee and Principal Shareholders agree that the provisions of this Section 13 are and have been a primary inducement to Franchisor to enter into this Agreement, and that in the event of breach thereof Franchisor would be irreparably injured and would be without adequate remedy at law. Therefore, in the event of a breach, or a threatened or attempted breach, of any of such provisions Franchisor shall be entitled, in addition to any other remedies which it may have hereunder or at law or in equity (including the right to terminate this Agreement), to a preliminary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

13.3 The restrictions contained in Subsection 13.1(a) and (b) above shall not apply to ownership of less than two percent (2%) of the shares of a company whose shares are listed and traded on a national securities exchange if such shares are owned for investment only, and are not owned by an officer, director, employee, or consultant of such publicly traded company.

13.4 If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Section 13 determines that it would be invalid or unenforceable as written, then the provisions hereof shall be deemed to be modified or limited to such extent or in such manner as necessary for such provisions to be valid and enforceable to the greatest extent possible.

13.5 Franchisee shall require the General Manager, the Kitchen Manager and each of its Restaurant managers to execute a confidentiality agreement in the form attached hereto as Appendix C. Franchisee shall be responsible for compliance of its employees with the agreements identified in this Subsection.

14. INSPECTIONS

14.1 Franchisor shall have the right at any time, and from time to time, to have its representatives enter the Restaurant premises without notice for the purpose of inspecting the condition thereof and the operation of the Restaurant in order to determine whether Franchisee is in compliance with the standards, specifications, requirements and instructions contained in this Agreement and in the Manuals, and for any other reasonable purpose connected with the operation of the Restaurant.

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14.2 Without limiting the generality of Subsection 14.1, a representative of Franchisor shall be present in the Restaurant to consult with Franchisee or its General Manager from time to time and, at least semi-annually, a representative shall conduct an inspection/consultation at the Restaurant (which may be conducted with or without notice). During such inspection, Franchisor's representative will inspect the condition of the Restaurant and observe procedures and operations at the Restaurant. Also during the inspection/consultation, Franchisor's representative will meet with the General Manager and such other Restaurant employees as Franchisor's representative may designate, for the purpose of evaluating the condition and operation of the Restaurant and seeking to maintain or achieve compliance with the standards, specifications, requirements and instructions contained in this Agreement and in the Manuals.

14.3 Without limiting the generality of Subsection 14.1, Franchisor's representatives shall have the right at all times during normal business hours to confer with Restaurant employees and customers, and to inspect Franchisee's books, records and tax returns, or such portions thereof as pertain to the operation of the Restaurant. All such books, records and tax returns shall be kept and maintained at the principal executive offices of Franchisee or such other place as may be agreed upon by the parties in writing. If any inspection reveals that the gross sales reported in any report or statement are less than the actual gross sales ascertained by such inspection, then the Franchisee shall immediately pay Franchisor the additional amount of fees owing by reason of the understatement of gross sales previously reported, together with interest as provided in Subsection 9.2. In the event that any report or statement

understates gross sales by more than three percent (3%) of the actual gross sales ascertained by Franchisor's inspection, Franchisee shall, in addition to making the payment provided for in the immediately preceding sentence, pay and reimburse Franchisor for any and all expenses incurred in connection with its inspection, including, but not limited to, reasonable accounting and legal fees. Such payments shall be without prejudice to any other rights or remedies which Franchisor may have under this Agreement or otherwise. If any inspection reveals that the gross sales reported in any report or statement are greater than the actual gross sales ascertained by such inspection, and that Franchisee thereby has made an overpayment of fees, the amount of the overpayment (without interest) shall be offset against future fees owing by Franchisee to Franchisor.

14.4 Franchisee shall maintain an accurate stock register. In the event that the beneficial ownership of Franchisee's stock differs in any respect from record ownership, Franchisee also shall maintain a list of the names, addresses and interests of all beneficial owners of its stock. Franchisee shall produce its stock register, and any list of beneficial owners certified by the corporation's secretary to be correct, at its principal executive offices upon ten (10) days prior written request by Franchisor. Franchisor's representatives shall have the right to examine the stock register and any list of beneficial owners, and to reproduce all or any part thereof. Further, upon ten (10) days written notice, Franchisor may request a copy of the list of stockholders and owners of beneficial interests to be forwarded to it at Franchisor's principal office.

15. RELATIONSHIP OF PARTIES AND INDEMNIFICATION

15.1 Franchisee is not, and shall not represent or hold itself out as, an agent, legal representative, joint venturer, partner, employee or servant of Franchisor for any purpose whatsoever and, where permitted by law to do so, shall file a business certificate to such effect with the proper recording authorities. Franchisee is an independent contractor and is not authorized to

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make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on behalf of Franchisor. Franchisee agrees that Franchisor does not have any fiduciary obligation to Franchisee. Franchisee shall not use the name Applebee's Neighborhood Grill & Bar (other than in connection with the operation of the Restaurant), or Applebee's International, Inc., or any similar words as part of or in association with any trade name of any business entity which is, directly or indirectly, associated with Franchisee.

15.2 Franchisee shall indemnify and hold harmless Franchisor and its officers, directors, employees, agents, affiliates, successors and assigns from and against (a) any and all claims based upon, arising out of, or in any way related to the operation or condition of any part of the Restaurant or Restaurant premises, the conduct of business thereat, the ownership or

possession of real or personal property, and any negligent act, misfeasance or nonfeasance by Franchisee or any of its agents, contractors, servants, employees or licensees (including, without limitation, the performance by Franchisee of any act required by, or performed pursuant to, any provision of this Agreement), and (b) any and all fees (including reasonable attorneys' fees), costs and other expenses incurred by or on behalf of Franchisor in the investigation of or defense against any and all such claims. Without limiting the generality of the foregoing, Franchisee will satisfy the obligations set forth in this paragraph without regard to any acts or omissions, real or alleged, of Franchisor or its officers, directors, employees, agents, affiliates, successors and assigns.

15.3 In addition to, and not in limitation of, any subsection hereof, Franchisee specifically covenants, represents and warrants that Franchisee is in compliance in all material respects with all federal, state, municipal and local laws governing the generation, use or disposal of hazardous waste or hazardous materials, and any and all other laws designed to protect the environment and that:

(a) There have been no past, and there are no current or anticipated, releases or substantial threats of a release of a hazardous substance, pollutant or contaminant from or onto the Restaurant or real property upon which the Restaurant is located and referred to in this Agreement ("Premises") which is or may be subject to regulation under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. 9601, et seq.) or other laws designed to protect the environment;

(b) The Premises have not previously been used, are not now being used and are not contemplated to be used for the treatment, collection, storage or disposal of any refuse or objectionable waste so as to require a permit or approval from the Environmental Protection Agency pursuant to the Hazardous and Solid Waste Amendments of 1984 (96 Stat. 3221) or any other federal, state, county or municipal agency charged with the responsibility of protecting the environment;

(c) The Premises have not previously been used, are not now being used, and are not contemplated to be used, for the generation, transportation, treatment, storage or disposal of any hazardous waste;

(d) No portion of the Premises are located on or over a "sanitary landfill" or an "open dump" within the meaning of the Resource Conservation and Recovery Act (42 U.S.C. 6941 et seq.), as amended by the Hazardous and Solid Waste Amendments of 1984 (96 Stat. 3221);

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(e) No asbestos fibers or materials or polychlorinated biphenyls (PCB's) are on or in the Premises;

(f) There have not been, nor are there presently pending, any federal or state enforcement actions against the Premises, nor is the Franchisee or

its Landlord, if any, subject to any outstanding administrative orders which require ongoing compliance efforts in connection with compliance with laws designed to protect the environment;

(g) The Franchisee has not entered into any consent decrees or administrative consent orders with any agency charged with the responsibility of protecting the environment;

(h) There have not been any notices of violation sent to the Franchisee under the Citizens Suit Provisions of any statute;

(i) The Franchisee has not received any request for information, notice or demand letters for administrative inquiries from any governmental entity with regard to its environmental practices;

(j) The Franchisee has maintained all required records under each and every applicable environmental statute and is in full compliance with all environmental permits issued to it by any governmental or regulatory agency;

(k) The Franchisee maintains all insurance policies as may be required by any applicable law governing the environment;

(l) The Franchisee has no reason to believe that any operation of equipment on or at the Premises may be the cause of a future spill or release of a pollutant;

(m) The Franchisee has not in the past, nor is it presently, generating, transporting or disposing of a hazardous substance as defined by Section 9601(12) of CERCLA; and

(n) The Franchisor shall have the right, at Franchisee's expense, to require an environmental audit of the Premises from a company or companies satisfactory to Franchisor.

16. INSURANCE

16.1 Franchisee shall procure before the commencement of Restaurant operations, and shall maintain in full force and effect during the entire term of this Agreement, at its sole cost and expense, an insurance policy or policies protecting Franchisee and Franchisor and their respective officers, directors and employees against any and all claims, loss, liability or expense whatsoever, arising out of or in connection with the condition, operation, use or occupancy of the Restaurant or Restaurant Premises. Franchisee shall procure workers'

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compensation coverage for each of its employees no later than the first date of such employee's employment. Franchisee shall also insure the Restaurant building

and other improvements, equipment, signs, interior and exterior decor items, furnishings and fixtures, and any additions thereto, in accordance with standard fire and extended coverage insurance policies then in effect for similar businesses. Franchisor shall be named as an additional insured in all such policies, workers' compensation excepted, and the certificate or certificates of insurance shall state that the policy or policies shall not be subject to cancellation or alteration without at least thirty (30) days prior written notice to Franchisor. Such policy or policies shall be written by a responsible insurance company or companies satisfactory to Franchisor, and shall be in such form and contain such limits of liability and other required insurance as shall be satisfactory to Franchisor from time to time. In any event, such policy or policies shall include at least the following for the year 2006:

KIND OF INSURANCE	MINIMUM LIMITS OF LIABILITY
Workers' Compensation	Statutory
Employer's Liability	\$500,000 bodily injury by accident \$500,000 bodily injury by disease
General Public Liability, including Product Liability, Injury and Liquor Liability	\$1,000,000 each person, \$1,000,000 each incident \$2,000,000 aggregate
Fire and Extended Coverage including (a) Business Interruption and (b) Service Interruption	Full replacement value Policy limits per occurrence, except service interruption; 24 hour waiting period; \$250,000 limit
Umbrella Liability Insurance	\$30,000,000

Franchisee shall provide certificates of such insurance to Franchisor prior to the opening of the Restaurant and at the time of each policy renewal. Upon request, Franchisee shall provide copies of each insurance policy to Franchisor. The insurance afforded by the policy or policies respecting public liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor.

16.2 Within sixty (60) days after the execution of this Agreement, but in no event later than the day before the Restaurant opens for business, Franchisee shall submit to Franchisor for approval certificates of insurance showing compliance with the requirements of Subsection 16.1. Notwithstanding the foregoing, Franchisee shall submit to Franchisor for approval certificates of insurance showing compliance with the worker's compensation requirements set forth in Subsection 16.1 prior to the training of any Franchisee employee at a Restaurant operated by Franchisor. Maintenance of such insurance and the performance by Franchisee of its obligations under this Section 16 shall not relieve Franchisee of liability under the indemnity provisions of this Agreement, and shall not limit such liability.

16.3 Should Franchisee, for any reason, fail to procure or maintain the

insurance coverage required by this Section, then Franchisor shall have the

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right and authority to immediately procure such insurance coverage and to charge the cost thereof to Franchisee, which amounts shall be paid immediately upon notice and shall be subject to charges for late payments in the manner set forth in Subsection 9.2.

16.4 No later than thirty (30) days following Franchisee's receipt of same, Franchisee shall submit to Franchisor a copy of any written report relating to the condition of the Restaurant premises, or any aspect thereof, prepared by an insurer or prospective insurer or by a representative of a federal, state or local government agency, provided that if any such report contains comments or information which could materially and detrimentally affect the Restaurant, such report shall be submitted to Franchisor within three (3) days following Franchisee's receipt thereof.

17. DEBTS AND TAXES

Franchisee shall pay or cause to be paid promptly when due all obligations incurred, directly or indirectly, in connection with the Restaurant and its operation, including, without limitation, (a) all taxes and assessments that may be assessed against the Restaurant land, building and other improvements, equipment, fixtures, signs, furnishings, and other property; (b) all debts or other sums secured by liens and encumbrances of every kind and character created or placed upon or against any of said property, and; (c) all accounts and other indebtedness of every kind and character incurred by or on behalf of Franchisee in the conduct of the Restaurant business. Notwithstanding the foregoing, Franchisee will not be in default of this Agreement as a result of a non-payment or non-performance of the foregoing so long as it disputes said debt or lien and is, in the sole opinion of Franchisor, validly and in good faith pursuing a resolution of said claim or lien and has reserved sufficient sums to pay the debt/claim as is agreed to by Franchisor.

18. TRADE NAMES, SERVICE MARKS AND TRADEMARKS

18.1 Franchisee acknowledges the sole and exclusive right of Franchisor (except for rights granted under existing and future franchise agreements) to use Franchisor's trade names, service marks and trademarks in connection with the products and services to which they are or may be applied by Franchisor, and represents, warrants and agrees that Franchisee shall not, either during the term of this Agreement, or after the expiration or other termination hereof, directly or indirectly, contest or aid in contesting the validity, ownership or use thereof by Franchisor, or take any action whatsoever in derogation of the rights claimed herein by Franchisor.

18.2 The right granted to Franchisee under this Agreement to use

Franchisor's trade names, service marks and trademarks is nonexclusive, and Franchisor, in its sole discretion, subject only to the limitations contained in Subsection 1.4 of this Agreement, has the right to grant other rights in, to and under those names and marks in addition to those rights already granted, and to develop and grant rights in other names and marks on any such terms and conditions as Franchisor deems appropriate. The rights granted under this Agreement do not include any right or authority of any kind whatsoever to pre-package or sell pre-packaged food products, under any of Franchisor's names or marks, or any menu items approved for sale at the Restaurant, whether at the Restaurant, on the Internet, or at any other location, including grocery stores.

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18.3 Franchisee understands and acknowledges and agrees that Franchisor has the unrestricted right, subject only to the limitations contained in Subsection 1.4 of this Agreement, to engage, directly and indirectly, through its employees, representatives, licenses, assigns, agents, affiliates, subsidiaries and others, at wholesale, retail, and otherwise, in (a) the production, distribution and sale of products under the names and marks licensed hereunder or other names or marks, (b) the use, in connection with such production, distribution and sale, of any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used, from time to time, by Franchisor with respect to the System or otherwise, and (c) the production, distribution and sale of products through another restaurant or restaurants which do not utilize the System or the Applebee's Neighborhood Grill & Bar service mark and which otherwise compete or might compete with the Restaurant. Further, Franchisee agrees that ownership of any service marks or other insignia, symbols, designs or slogans used in development and promotion of any products or menu items, including any general promotion or concept not tied to a specific product, and all recipes and copyrighted material, whether such development was instituted at the request or suggestion of Franchisee or Franchisor, and whether such development was done in collaboration with Franchisor or done independently by Franchisee, shall be the sole and exclusive property of Franchisor. Any goodwill engendered by the marks, insignia, symbols, designs or slogans used shall inure to the benefit of Franchisor whose ownership shall be sole and exclusive.

18.4 Nothing contained in this Agreement shall be construed to vest in Franchisee any right, title or interest in or to any of Franchisor's names or marks, the goodwill now or hereafter associated therewith, or any right in the design of any restaurant building or premises, or the decor or trade-dress of the Restaurant, other than the rights and license expressly granted herein for the term hereof. Any and all goodwill associated with or identified by any of Franchisor's names or marks shall inure directly and exclusively to the benefit of Franchisor, including, without limitation, any goodwill resulting from operation and promotion of the Restaurant, provided that this Subsection shall not be construed to entitle Franchisor to receive any portion of the consideration paid to Franchisee and/or any Principal Shareholder as a result of a Transfer of an Interest pursuant to Section 12 hereof.

18.5 Franchisee shall adopt and use Franchisor's names and marks only in a manner expressly approved by Franchisor, and shall not use any of Franchisor's names or marks in connection with any statement or material which may, in the judgment of Franchisor, be in bad taste or inconsistent with Franchisor's public image, or tend to bring disparagement, ridicule or scorn upon Franchisor, any of Franchisor's names or marks, or the goodwill associated therewith. Franchisee shall not adopt, use or register as its corporate name (by filing a certificate or articles of incorporation or otherwise) any trade or business name, style or design which includes, or is similar to, any of Franchisor's trademarks, service marks, trade names, logos, insignia, slogans, emblems, symbols, designs or other identifying characteristics.

18.6 Franchisor shall have the right, at any time and from time to time, upon notice to Franchisee, to make additions to, deletions from and changes in any of Franchisor's names or marks, or all of them, all of which additions, deletions and changes shall be made in good faith, on a reasonable basis and with a view toward the overall best interests of the System. Franchisor will use its best efforts to protect and preserve the integrity and validity of

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Franchisor's names and marks, including the taking of actions deemed by Franchisor to be appropriate in the event of any apparent infringement of any of Franchisor's names or marks.

18.7 (a) Franchisor shall hold Franchisee harmless from any liability or expense (but excluding consequential damages) resulting from infringement of a third party's service mark, trade name or trademark by Franchisor's service mark, Applebee's Neighborhood Grill & Bar, or by any other service mark, trademark or trade name of Franchisor which Franchisor shall designate as part of the System. This hold-harmless indemnity shall not apply to any unauthorized use by Franchisee of any such service mark, trade name or trademark.

(b) Franchisee agrees to notify Franchisor promptly in writing of any suit or claim for infringement which is within the scope of the hold-harmless indemnity set forth in this Subsection 18.7. Subject to the terms and conditions of this Subsection 18.7, Franchisor shall have the sole right to defend or settle any such suit or claim of infringement at Franchisor's expense. Franchisee, at Franchisee's expense, shall have the right to be represented by counsel. Franchisor shall, however, retain control of any negotiations with respect to such claim or of any litigation involving such suit. Franchisee agrees to cooperate with Franchisor and to assist Franchisor whenever reasonably requested by Franchisor, at Franchisor's expense, in the defense of any such infringement suit or claim. Franchisee shall not enter into any settlement of any such claim or suit or conduct any settlement negotiations relative thereto without the prior approval of Franchisor in writing and, if Franchisee does so, the hold-harmless indemnity set forth in this Subsection 18.7 shall be deemed to have been waived and released in all respects.

18.8 Franchisor represents that it is the sole owner of the service mark Applebee's Neighborhood Grill & Bar. In the event that Franchisee is precluded from operating the Restaurant because Franchisor determines that a third person has acquired rights under the law of any state in such mark, which so precludes Franchisee, Franchisor agrees (a) to repay to Franchisee the initial franchise fee paid by Franchisee with respect to the Restaurant, and (b) to assist Franchisee, at Franchisee's request, in locating an alternative site for the Restaurant.

19. EXPIRATION AND TERMINATION; OPTION TO PURCHASE RESTAURANT; ATTORNEYS' FEES

19.1 Franchisor shall have the right to terminate this Agreement immediately upon written notice to Franchisee stating the reason for such termination:

(a) in the event of any breach or default of any of the provisions of Subsection 9.1, Sections 12 or 13, Subsection 14.1 or Section 23;

(b) if a petition in bankruptcy, an arrangement for the benefit of creditors, or a petition for reorganization is filed by Franchisee, or is filed against Franchisee and not dismissed within ninety (90) days from the filing thereof, or if Franchisee shall make any assignment for the benefit of creditors, or if a receiver or trustee is appointed for Franchisee and is not dismissed within ninety (90) days of such appointment;

(c) if Franchisee ceases to operate the Restaurant without the prior written consent of Franchisor or loses its right to possession of the Restaurant premises; provided however, this provision will not apply if

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Franchisee ceases to operate the Restaurant or loses its right to possession of the Restaurant premises by reason of Force Majeure and Franchisee complies with the requirements of Section 24 of this Agreement;

(d) if Franchisor discovers that Franchisee has made any material misrepresentation or omitted any material fact in the information which was furnished to Franchisor in connection with this Agreement;

(e) if any part of this Agreement relating to the payment of fees to Franchisor, or the preservation of any of Franchisor's trade names, service marks, trademarks, trade secrets or secret formulae licensed or disclosed hereunder is, for any reason, declared invalid or unenforceable; or

(f) if Franchisee or any Principal Shareholder is convicted of or pleads nolo contendere to a felony or any crime involving moral turpitude.

If Franchisee defaults in the performance or observance of any of its other obligations hereunder, and such default continues for a period of sixty (60)

days after written notice to Franchisee specifying such default, Franchisor shall have the right to terminate this Agreement upon thirty (30) days written notice to Franchisee. If Franchisee defaults in the performance or observance of the same obligation two (2) or more times within a twelve (12) month period, Franchisor shall have the right to terminate this Agreement immediately upon commission of the second act of default, upon thirty (30) days written notice to Franchisee stating the reason for such termination, without allowance for any curative period.

The foregoing provisions of this Subsection 19.1 are subject to the provisions of any local statutes or regulations which limit the grounds upon which Franchisor may terminate this Agreement, or which require that Franchisor give Franchisee additional prior written notice of termination and opportunity to cure any default.

In the event of termination by reason of Franchisee's failure after a good faith effort to obtain the necessary state or local liquor licenses (as required in Section 23), Franchisor shall refund to Franchisee, without interest, the franchise fee payment referred to in Subsection 9.1(a), less any expenses incurred and damages sustained by Franchisor in connection with its performance hereunder prior to the date of such termination. Franchisor shall also repay the initial franchise fee in the circumstances described in Subsection 18.8 hereof. In the event of termination for any other reason, Franchisor shall have no obligation to refund any amount previously paid by Franchisee, and Franchisee shall be obligated to promptly pay all sums which are then due Franchisor.

19.2 Upon the termination of this Agreement by Franchisor, Franchisee may not remove any property from the Restaurant premises for thirty (30) days after the termination. Upon the expiration or earlier termination of this Agreement for any reason:

(a) Franchisee shall immediately discontinue its use of the System and its use of Franchisor's trade names, service marks, trademarks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics;

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(b) if the Restaurant premises are owned by Franchisee or leased from a third party, Franchisee shall, upon demand by Franchisor, remove (at Franchisee's expense) Franchisor's trade names, service marks, trademarks, logos, insignia, slogans, sign facia, emblems, symbols, designs and other identifying characteristics from all premises, and paint all premises and other improvements maintained pursuant to this Agreement a design and color which is basically different from Franchisor's authorized design and color. If Franchisee shall fail to make or cause to be made any such removal or repainting within thirty (30) days after written notice, then Franchisor shall have the right to enter upon the Restaurant premises, without being deemed guilty of trespass or any tort (or Franchisee shall cause Franchisor to be permitted on the premises as necessary), and make or cause to be made

such removal, alterations and repainting at the reasonable expense of Franchisee, which expense Franchisee shall pay to Franchisor immediately upon demand; and

(c) Franchisee shall not thereafter use any trademark, trade name, service mark, logo, insignia, slogan, emblem, symbol, design or other identifying characteristic that is in any way associated with Franchisor or similar to those associated with Franchisor, or use any food or proprietary menu item, recipe or method of food preparation or operate or do business under any name or in any manner that might tend to give the public the impression that Franchisee is or was a licensee or franchisee of, or otherwise associated with, Franchisor.

19.3 In the event that any party to this Agreement initiates any legal proceeding to construe or enforce any of the terms, conditions and/or provisions of this Agreement, including, but not limited to, its termination provisions and its provisions requiring Franchisee to make certain payments to Franchisor incident to the operation of the Restaurant, or to obtain damages or other relief to which any such party may be entitled by virtue of this Agreement, the prevailing party or parties shall be paid its reasonable attorneys' fees and expenses by the other party or parties. If Franchisee fails to comply with a written notice of termination sent by Franchisor and a court later upholds such termination of this Agreement, Franchisee's operation of the Restaurant, from and after the date of termination stated in such notice, shall constitute willful trademark infringement and unfair competition by Franchisee, and Franchisee shall be liable to Franchisor for damages resulting from such infringement in addition to any fees paid or payable hereunder, including, without limitation, any profits which Franchisee derived from such post-termination operation of the Restaurant.

19.4 (a) With respect to Restaurant premises owned by Franchisee, in the event of termination of this Agreement, Franchisor shall have, for thirty (30) days after the termination is effective, an option, exercisable upon written notice to Franchisee within such thirty (30) day period, to elect to purchase the Restaurant premises from Franchisee for the fair market value of the land and buildings, furnishings and equipment located therein.

(b) In addition to the option described above, Franchisor shall have an option, exercisable upon written notice to Franchisee, to elect to purchase the Restaurant premises from Franchisee upon expiration of this Agreement for the fair market value of the land and buildings, furnishings, and equipment located therein subject to Franchisee's option to operate the Restaurant for an additional term under Subsection 1.3 hereof. If Franchisee does not notify Franchisor, pursuant to Subsection 1.3 hereof, of a desire to operate the Restaurant for an additional term, then Franchisor shall provide the written notice described in the preceding sentence within thirty (30) days after the

Franchisor of such a desire; if Franchisee does notify Franchisor of a desire to operate the Restaurant for an additional term and Franchisor determines that Franchisee is not eligible to do so, Franchisor shall provide the written notice described in the preceding sentence within thirty (30) days of its written notice to Franchisee that Franchisee is not eligible to operate the Restaurant for such additional term. With respect to the option to purchase upon expiration of this Agreement, this option shall not apply if prior to thirty (30) days before said expiration, Franchisee enters into an agreement to sell such Restaurant premises to a third party upon the expiration of the Franchise Agreement, provided that Franchisee's agreement with the purchaser includes a covenant by the purchaser, which is expressly enforceable by Franchisor as a third-party beneficiary thereof, pursuant to which the purchaser agrees that, for a period of twelve (12) months after the expiration of this Agreement, the purchaser shall not use such premises for the operation of a restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System.

(c) If Franchisee receives approval to operate the Restaurant premises for an additional term in accordance with Subsection 1.3 hereof, Franchisee will be required to execute the then-existing form of franchise agreement, which shall contain an option to obtain assignment of Franchisee's lease with a third party and/or to purchase certain property, exercisable by Franchisor upon termination thereof, and an option to purchase the Restaurant premises, exercisable by Franchisor upon expiration of the additional term (subject to any then-existing rights to renew of Franchisee). Such options shall be substantially similar to the provisions described in this Subsection 19.4.

(d) If the parties cannot agree on the purchase price or other terms of purchase within thirty (30) days following Franchisor's exercise of its option pursuant to Subsection 19.4(a) and (b), the price or disputed terms of purchase shall be determined by three (3) appraisers, with each party selecting one (1) appraiser and the two (2) appraisers, so chosen, selecting the third appraiser. In the event of such an appraisal, each party shall bear its own legal and other costs and shall split equally the appraisal fees. The appraisers' determination of the price and other disputed terms of purchase shall be final and binding.

(e) If Franchisor elects to exercise its option to purchase upon termination of this Agreement, the purchase price shall be paid within thirty (30) days of the determination of the purchase price and other terms of purchase. If Franchisor elects to exercise its option to purchase upon expiration of this Agreement, the purchase price shall be paid within thirty (30) days of the later of (a) the determination of the purchase price and other terms of purchase, or (b) expiration of this Agreement. If the Franchisor does not elect to exercise its option to purchase the Restaurant premises, the Franchisee may sell such premises to a third party, provided that Franchisee's agreement with the purchaser includes a covenant by the purchaser, which is expressly enforceable by Franchisor as a third-party beneficiary thereof, pursuant to which the purchaser agrees that it shall not use such premises for the operation of a restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System for a period of

twelve (12) months after the termination or expiration of this Agreement.

(f) If the Restaurant premises are leased by Franchisee from a third party, such lease must allow Franchisee to assign the lease to Franchisor. Upon termination of this Agreement for any reason, Franchisor has the right,

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exercisable upon written notice to Franchisee within thirty (30) days after termination is effective, to require Franchisee to assign all Franchisee's rights and obligations under the lease to Franchisor and to immediately surrender possession of the premises, including all fixtures and leasehold improvements, to Franchisor. The lessor may not impose any assignment fee or other similar charge on Franchisor in connection with such assignment. If Franchisor exercises that right, it has an additional right, to be exercised within thirty (30) days after taking possession of the premises, to purchase all of Franchisee's equipment, signs, decor items, furnishings, supplies and other products and materials at their then-fair market value. If the parties cannot agree on the price, the price will be determined in the manner set forth in connection with Franchisee-owned Restaurant premises. If Franchisor elects not to purchase the items mentioned above, Franchisee shall, at Franchisee's own expense and under Franchisor's supervision remove those items from the premises within ten (10) days after such final election, or ten (10) days after expiration of the option period, whichever is earlier. If Franchisee fails to remove all such property from the premises within such period, Franchisor shall be entitled to do so, or to authorize a third party to do so, all at Franchisee's expense.

19.5 In addition to the provisions contained in Subsection 19.4 hereof:

(a) With respect to Restaurant premises owned by Franchisee, in the event of termination of this Agreement and Franchisor's exercise of its option to purchase the Restaurant premises pursuant to Subsection 19.4(a) hereof, Franchisee shall have, for ten (10) days after its receipt of written notice of Franchisor's election to purchase, an option, exercisable upon written notice to Franchisor, to lease said premises to Franchisor, pursuant to a lease which provides for rental at a rate not in excess of six percent (6%) of gross sales and triple net terms. Said lease shall provide for a lease term of at least ten (10) years with two (2) five (5)-year options to renew, and for primary annual rent of not in excess of the number derived from multiplying six percent (6%) times the gross sales reported by Franchisee to Franchisor for which Franchisee has paid a royalty fee for the next preceding calendar year times eighty percent (80%).

(b) In addition to the option described above, Franchisee shall have an option, exercisable upon written notice to Franchisor, to elect to lease the Restaurant premises to Franchisor upon expiration of this Agreement and Franchisor's exercise of its option to purchase the Restaurant premises pursuant to Subsection 19.4(b) hereof, pursuant to the same terms set forth

in Subsection 19.5(a) above, subject to Franchisee's option to operate the Restaurant for an additional term under Subsection 1.3 hereof. If (i) Franchisee does not notify Franchisor, pursuant to Subsection 1.3 hereof, of a desire to operate the Restaurant for an additional term, or (ii) Franchisee does notify Franchisor of a desire to operate the Restaurant for an additional term and Franchisor determines that Franchisee is not eligible to do so, and Franchisor exercises its option to purchase the Restaurant premises, then Franchisee shall provide the written notice described in the preceding sentence within ten (10) days after its receipt of written notice of Franchisor's election to purchase. With respect to the option to lease upon expiration of this Agreement, this option shall not apply if prior to thirty (30) days before said expiration, Franchisee enters into an agreement to sell such Restaurant premises to a third party upon the expiration of the Franchise Agreement, provided that Franchisee's agreement with the purchaser includes a covenant by the purchaser, which is expressly enforceable by Franchisor as a third-party beneficiary thereof,

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pursuant to which the purchaser agrees, at Franchisor's option, either to lease said premises to Franchisor upon the terms set forth in Subsection 19.5(a), or that for a period of twelve (12) months after the expiration of this Agreement, the purchaser shall not use such premises for the operation of a restaurant business whose menu or method of operation is similar to that employed by restaurant units within the System.

(c) If Franchisee receives approval to operate the Restaurant premises for an additional term in accordance with Subsection 1.3 hereof, Franchisee will be required to execute the then-existing form of franchise agreement which shall contain an option to obtain assignment of Franchisee's lease with a third party and/or to lease certain property, exercisable by Franchisor upon termination thereof, and an option to lease the Restaurant premises, exercisable by Franchisor upon expiration of the additional term (subject to any then-existing rights to renew of Franchisee). Such options shall be substantially similar to the provisions described in this Subsection 19.5.

20. NO WAIVER OF DEFAULT

20.1 The waiver by any party to this Agreement of any breach or default, or series of breaches or defaults, of any term, covenant or condition herein, or of any same or similar term, covenant or condition contained in any other agreement between Franchisor and any franchisee, shall not be deemed a waiver of any subsequent or continuing breach or default of the same or any other term, covenant or condition contained in this Agreement, or in any other agreement between Franchisor and any franchisee.

20.2 All rights and remedies of the parties hereto shall be cumulative and not alternative, in addition to and not exclusive of any other rights or

remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement. The rights and remedies of the parties hereto shall be continuing and shall not be exhausted by any one (1) or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or earlier termination of this Agreement shall not discharge or release Franchisee or any Principal Shareholder from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or earlier termination of the Agreement.

21. CONSTRUCTION, SEVERABILITY, GOVERNING LAW AND JURISDICTION

21.1 If any part of this Agreement shall for any reason be declared invalid, unenforceable or impaired in any way, the validity of the remaining portions shall remain in full force and effect as if the Agreement had been executed with such invalid portion eliminated, and it is hereby declared the intention of the parties that they would have executed the remaining portion of this Agreement without including therein any such portions which might be declared invalid; provided however, that in the event any part hereof relating to the payment of fees to Franchisor, or the preservation of any of Franchisor's trade names, service marks, trademarks, trade secrets or secret formulae licensed or disclosed hereunder is for any reason declared invalid or

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unenforceable, then Franchisor shall have the right to terminate this Agreement upon written notice to Franchisee. If any clause or provision herein would be deemed invalid or unenforceable as written, it shall be deemed modified or limited to such extent or in such manner as may be necessary to render the clause or provision valid and enforceable to the greatest extent possible in light of the interest of the parties expressed in that clause or provision, subject to the provisions of the preceding sentence.

21.2 FRANCHISEE AND PRINCIPAL SHAREHOLDERS ACKNOWLEDGE THAT FRANCHISOR MAY GRANT NUMEROUS FRANCHISES THROUGHOUT THE UNITED STATES ON TERMS AND CONDITIONS SIMILAR TO THOSE SET FORTH IN THIS AGREEMENT, AND THAT IT IS OF MUTUAL BENEFIT TO FRANCHISEE AND PRINCIPAL SHAREHOLDERS AND TO FRANCHISOR THAT THESE TERMS AND CONDITIONS BE UNIFORMLY INTERPRETED. THEREFORE, THE PARTIES AGREE THAT TO THE EXTENT THAT THE LAW OF THE STATE OF KANSAS DOES NOT CONFLICT WITH LOCAL FRANCHISE STATUTES, RULES AND REGULATIONS, KANSAS LAW SHALL APPLY TO THE CONSTRUCTION OF THIS AGREEMENT AND SHALL GOVERN ALL QUESTIONS WHICH ARISE WITH REFERENCE HERETO; PROVIDED HOWEVER, THAT PROVISIONS OF KANSAS LAW REGARDING CONFLICTS OF LAW SHALL NOT APPLY HERETO.

21.3 THE PARTIES AGREE THAT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE PERFORMANCE THEREOF WHICH CANNOT BE AMICABLY SETTLED, EXCEPT AS OTHERWISE PROVIDED HEREIN WILL BE RESOLVED BY A

PROCEEDING IN A COURT IN JOHNSON COUNTY, KANSAS, AND FRANCHISEE AND PRINCIPAL SHAREHOLDERS EACH IRREVOCABLY ACCEPT THE JURISDICTION OF THE COURTS OF THE STATE OF KANSAS AND THE FEDERAL COURTS SERVING JOHNSON COUNTY, KANSAS FOR SUCH CLAIMS, CONTROVERSIES OR DISPUTES. EACH PARTY WAIVES ITS RIGHT TO A JURY TRIAL IN ANY COURT ACTION ARISING AMONG THE PARTIES UNDER THIS AGREEMENT OR OTHERWISE RELATED TO THIS AGREEMENT, WHETHER MADE BY CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR OTHERWISE.

The parties agree that service of process in any proceeding arising out of or relating to this Agreement or the performance thereof may be made as to Franchisee and any Principal Shareholder by serving a person of suitable age and discretion (such as the person in charge of the office) at the address of Franchisee specified in this Agreement and as to Franchisor by serving the president or a vice-president of Franchisor at the address of Franchisor or by serving Franchisor's registered agent.

22. INTERFERENCE WITH EMPLOYMENT RELATIONS

During the term of this Agreement, neither Franchisor nor Franchisee shall employ or seek to employ in a managerial position (i.e., in a position at a pay grade at or above that of Assistant Restaurant Manager or Kitchen Manager), directly or indirectly, any person who is at the time or was at any time during the prior six (6) months employed by the other party or any of its subsidiaries

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or affiliates, or by any franchisee in the System. This section shall not be violated if, at the time Franchisor or Franchisee employs or seeks to employ such person, such former employer has given its written consent. Notwithstanding any other provision of this Agreement, the parties hereto acknowledge that if this Section is violated, such former employer shall be entitled to liquidated damages equal to three (3) times the annual salary of the employee involved, plus reimbursement of all costs and attorneys' fees incurred. In addition to the rights granted to the parties hereto, the parties acknowledge and agree that any franchisee from which an employee was hired by either party to this Agreement in violation of the terms of this Section shall be deemed to be a third-party beneficiary of this provision and may sue and recover against the offending party the liquidated damages herein set forth; provided however, the failure by Franchisor to enforce this Section shall not be deemed to be a violation of this Section.

23. LIQUOR LICENSE

The grant of the rights which are the subject of this Agreement is expressly conditioned upon the ability of the Franchisee to obtain and maintain any and all required state and/or local licenses permitting the sale of liquor by the drink on the Restaurant premises, and Franchisee agrees to use its best efforts to obtain such licenses. In the event Franchisee fails, after a good

faith effort, to obtain any and all such required liquor licenses prior to the date on which the Restaurant is otherwise ready to open for business, then, at the option of the Franchisor, this Agreement may be terminated forthwith by Franchisor upon written notice to Franchisee, in which event, Franchisor shall refund to Franchisee, without interest, the initial franchise fee payment referred to in Subsection 9.1, less any expenses incurred and damages sustained by Franchisor in connection with its performance hereunder prior to the date of such termination. After obtaining the necessary state or local liquor licenses, Franchisee shall thereafter comply with all applicable laws and regulations relating to the sale of liquor on the Restaurant premises. If, during any twelve (12) month period during the term of this Agreement, Franchisee is prohibited for any reason from selling liquor on the Restaurant premises for more than thirty (30) days because of a violation or violations of state or local liquor laws, then at the option of Franchisor this Agreement may be terminated forthwith by Franchisor upon written notice to Franchisee.

24. FORCE MAJEURE

24.1 As used in this Agreement, the term "Force Majeure" shall mean any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government and any other similar cause not within the control of the party affected thereby.

24.2 If the performance of any obligation by any party under this Agreement is prevented or delayed by reason of Force Majeure, which cannot be overcome by use of normal commercial measures, the parties shall be relieved of their respective obligations to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such Force Majeure event to the other party by facsimile, telephone or telegram (in each case to be confirmed in writing), setting forth the nature thereof and an estimate as to its duration, and shall

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be liable for failure to give such timely notice only to the extent of damage actually caused.

24.3 Notwithstanding the provisions of this Section 24, if, as a result of an event of Force Majeure (including condemnation proceedings), the Franchisee ceases to operate the Restaurant or loses the right to possession of the Restaurant premises, Franchisee shall apply within thirty (30) days after the event of Force Majeure for Franchisor's approval to relocate and/or reconstruct the Restaurant. If relocation is necessary, Franchisor agrees to use its reasonable efforts to assist Franchisee in locating an alternative site in the same general area where Franchisee can operate a Restaurant within the System for the balance of the term of the Franchise Agreement. If Franchisor so assists Franchisee, Franchisee shall reimburse Franchisor for its reasonable

out-of-pocket expenses incurred as a result thereof. (This provision shall not be construed to prevent Franchisee from receiving the full amount of any condemnation award of damages relating to the closing of the Restaurant; provided however, that if Franchisor or an affiliate is the lessor of the Restaurant premises, Franchisee specifically waives and releases any claim it may have for the value of any building, fixtures and other improvements on the premises, whether or not installed or paid for by the Franchisee, and Franchisee agrees to subordinate any claim it may have to Franchisor's claim for such improvements.) Selection of an alternative location will be subject to the site approval procedures set forth in Section 5 of the Development Agreement. Once Franchisee has obtained Franchisor's approval to relocate and/or reconstruct the Restaurant, Franchisee must diligently pursue relocation and/or reconstruction until the Restaurant is reopened for business.

25. MISCELLANEOUS

25.1 All notices and other communications required or permitted to be given hereunder shall be deemed given when delivered in person, by overnight courier service, facsimile transmission or mailed by registered or certified mail addressed to the recipient at the address set forth below, unless that party shall have given written notice of change of address to the sending party, in which event the new address so specified shall be used.

FRANCHISOR: Applebee's International, Inc.
4551 W. 107th Street, Suite 100
Overland Park, Kansas 66207
Attention: President

FRANCHISEE: _____

PRINCIPAL SHAREHOLDERS: _____

25.2 All terms used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement may require, the same as if such words had been written in this Agreement themselves. The words "includes", "including" and "inclusive" and the phrases "in particular", "such as", "i.e." and "for

example" when used in this Agreement shall be interpreted and construed so as not to limit the generality of the words of general application and nature which precede these words and phrases. The headings inserted in this Agreement are for reference purposes only and shall not affect the construction of this Agreement or limit the generality of any of its provisions. The term "business day" means any day other than Saturday, Sunday, or the following national holidays: New

Year's Day, Martin Luther King Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving and Christmas.

25.4 Franchisee shall, at its own cost and expense, promptly comply with all laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and offices thereof. Without limiting the generality of the foregoing, Franchisee shall abide by all applicable rules and regulations of any public health department.

25.5 In the event that Franchisor has leased the Restaurant premises to Franchisee pursuant to a written lease agreement (the "Lease"), the Lease is hereby incorporated in this Agreement by reference, and any failure on the part of Franchisee (Lessee therein) to perform, fulfill or observe any of the covenants, conditions or agreements contained in the Lease shall constitute a material breach of this Agreement. It is expressly understood, acknowledged and agreed by Franchisee that any termination of the Lease shall result in automatic and immediate termination of this Agreement without additional notice to Franchisee.

25.6 This Agreement and the documents referred to herein constitute the entire agreement between the parties, superseding and canceling any and all prior and contemporaneous agreements, understandings, representations, inducements and statements, oral or written, of the parties in connection with the subject matter hereof. FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT IT HAS ENTERED INTO THIS FRANCHISE AGREEMENT AS A RESULT OF ITS OWN INDEPENDENT INVESTIGATION AND AFTER CONSULTATION WITH ITS OWN ATTORNEY, AND NOT AS A RESULT OF ANY REPRESENTATIONS OF FRANCHISOR, ITS AGENTS, OFFICERS OR EMPLOYEES, EXCEPT AS CONTAINED HEREIN AND IN FRANCHISOR'S FRANCHISE OFFERING CIRCULAR, HERETOFORE MADE AVAILABLE TO FRANCHISEE.

25.7 Except as expressly authorized herein, no amendment or modification of this Agreement shall be binding unless executed in writing both by Franchisor and by Franchisee and Principal Shareholders.

25.8 Franchisee and the Principal Shareholders acknowledge and agree that (i) this Agreement (and the relationship of the parties contemplated by this Agreement) grants Franchisor the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's explicit rights and obligations hereunder that may affect favorably or adversely Franchisee's interests; (ii) Franchisor will use its business judgment in exercising such discretion based on Franchisor's assessment of its interests and the System, balancing those interests with or against the interests of the operators of Restaurants generally (including Franchisor, its affiliates and other franchisees) and specifically without considering the individual interests of any particular franchisee; (iii) Franchisor will have no liability to Franchisee for the exercise of its discretion in this manner and (iv) even if Franchisor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification for such action or

decision, no trier of fact in any legal action shall substitute its judgment for Franchisor's judgment so exercised, and such action or decision will not be subject to challenge for abuse of discretion. If Franchisor takes any action or chooses not to take any action in Franchisor's discretion with regard to any matter related to this Agreement and Franchisor's action or inaction is challenged for any reason, the parties expressly direct the trier of fact that Franchisor's reliance on a business reason in the exercise of its discretion is to be viewed as a reasonable and proper exercise of Franchisor's discretion, without regard to whether other reasons for its decision may exist and without regard to whether the trier of fact would independently accord the same weight to the business reason.

26. ACKNOWLEDGMENTS

Franchisee and Principal Shareholders acknowledge that:

(a) Franchisee has received a copy of this Agreement and has had an opportunity to consult with its attorney with respect thereto at least five (5) business days prior to execution of this Agreement;

(b) No representation has been made by Franchisor as to the future profitability of the Restaurant;

(c) Prior to the execution of this Agreement, Franchisee has had ample opportunity to contact Franchisor's existing franchisees, if any, and to investigate all statements made by Franchisor relating to the System;

(d) This Agreement establishes the right to construct and operate a Restaurant only at the location specified in Subsection 1.1 hereof; and

(e) Franchisor is the sole owner of the service marks identified in this Agreement, and of the goodwill associated therewith, and Franchisee acquires no right, title or interest in those names and marks other than the right to use them only in the manner and to the extent prescribed and approved by Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

FRANCHISOR:

APPLEBEE'S INTERNATIONAL, INC.

ATTEST:

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

ATTEST:

Name: _____

Title: _____

PRINCIPAL SHAREHOLDER(S):

Name: _____

Name: _____

Witness

Witness

EXHIBIT 1 TO FRANCHISE AGREEMENT

ROYALTY FEE

The monthly royalty fee to be paid by Franchisee shall be four percent (4%) of each calendar month's gross sales until January 1, 2020. Thereafter, a monthly royalty fee shall be determined by Franchisor in its sole discretion.

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APPENDIX A TO FRANCHISE AGREEMENT
STATEMENT OF OWNERSHIP INTERESTS

Shareholder -----	Percent of Issued and Outstanding Shares of Franchisee -----
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APPENDIX B TO FRANCHISE AGREEMENT

REVIEW AND CONSENT WITH RESPECT TO TRANSFERS

In determining whether to grant or to withhold consent to a proposed Transfer, Franchisor shall consider all of the facts and circumstances which it views as relevant in the particular instance, including, but not limited to, any of the following: (i) work experience and aptitude of Proposed New Owner and/or proposed new management (a proposed transferee of a Principal Shareholder's Interest and/or a proposed transferee of this Agreement is referred to as "Proposed New Owner"); (ii) financial background and condition of Proposed New Owner, and actual and pro forma financial condition of Franchisee; (iii) character and reputation of Proposed New Owner; (iv) conflicting interests of Proposed New Owner; (v) the terms and conditions of Proposed New Owner's rights, if the proposed Transfer is a pledge or hypothecation; (vi) the adequacy of Franchisee's operation of any Restaurant and compliance with the System and this Agreement; and (vii) such other criteria and conditions as Franchisor shall then consider relevant in the case of an application for a new franchise to operate a restaurant unit within the System by an applicant that is not then currently doing so. Franchisor's consent also may be conditioned upon execution by Proposed New Owner of an agreement whereby Proposed New Owner assumes full, unconditional, joint and several liability for, and agrees to perform from the date of such Transfer, all obligations, covenants and agreements contained

herein to the same extent as if it had been an original party to this Agreement and may also require Franchisee and Principal Shareholders, including the proposed Transferor(s), to execute a general release which releases Franchisor from any claims they may have had or then have against Franchisor. In the event Proposed New Owner is a partnership (including, but not limited to, a limited partnership), Proposed New Owner will also be required to execute an addendum to the Agreement which amends the references to Franchisee and its Principal Shareholders to include the partnership approved by Franchisor and Proposed New Owner's general partner(s) and the principal shareholders of the general partner(s), if the general partner(s) is a corporation. This addendum will contain a provision including in the definition of "Transfer" the withdrawal, removal or voluntary/involuntary dissolution (if applicable) of the general partner(s) or the substitution or addition of a new general partner. Franchisee or Principal Shareholders, as the case may be, shall provide Franchisor with such information as it may require in connection with a request for approval of a proposed Transfer. For purposes of clarification, nothing in this Appendix B shall limit Franchisor's discretion in granting or withholding consent to a Transfer or to require the applicable parties to agree to certain terms as a condition to obtaining consent to a Transfer.

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APPENDIX C TO FRANCHISE AGREEMENT

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made this _____ day of _____, 20_____, by and between _____, a _____ corporation ("Developer"), and _____, an individual employed by Developer ("Employee").

WITNESSETH:

WHEREAS, APPLEBEE'S INTERNATIONAL, INC. ("Applebee's") is the owner of all rights in and to a unique system for the development and operation of restaurants (the "System"), which includes proprietary rights in valuable trade names, service marks and trademarks, including the service mark Applebee's Neighborhood Grill & Bar and variations of such mark, designs and color schemes for restaurant premises, signs, equipment, procedures and formulae for preparing food and beverage products, specifications for certain food and beverage products, inventory methods, operating methods, financial control concepts, a training facility and teaching techniques;

WHEREAS, Developer is the owner of the exclusive right to develop restaurants franchised by Applebee's which utilize the System ("Restaurants") for the period and in the territory described in the Development Agreement between Applebee's and Developer (the "Development Agreement"); and

WHEREAS, Developer acknowledges that Applebee's information as described

above was developed over time at great expense, is not generally known in the industry and is beyond Developer's own present skills and experience, and that to develop it itself would be expensive, time-consuming and difficult, that it provides a competitive advantage and will be valuable to Developer in the development of its business, and that gaining access to it was therefore a primary reason why Developer entered into the Development Agreement; and

WHEREAS, in consideration of Applebee's confidential disclosure to Developer of these trade secrets, Developer has agreed to be obligated by the terms of Development Agreement to execute, with each employee of Developer who will have supervisory authority over the development or operation of more than one Restaurant in the Territory described in the Development Agreement, a written agreement protecting Applebee's trade secrets and confidential information entrusted to Employee;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

(1) The parties acknowledge and agree that Employee is or will be employed in a supervisory or managerial capacity and in such capacity will have access to information and materials which constitute trade secrets and confidential and proprietary information. The parties further acknowledge and agree that any actual or potential direct or indirect competitor of Applebee's, or of any of its franchisees, shall not have access to such trade secrets and confidential information.

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(2) The parties acknowledge and agree that the System includes trade secrets and confidential information which Applebee's has revealed to Developer in confidence, and that protection of said trade secrets and confidential information and protection of Applebee's against unfair competition from others who enjoy or who have had access to said trade secrets and confidential information are essential for the maintenance of goodwill and special value of the System.

(3) Employee agrees that he or she shall not at any time (i) appropriate or use the trade secrets incorporated in the System, or any portion thereof, for use in any business which is not within the System; (ii) disclose or reveal any portion of the System to any person, other than to Developer's employees as an incident of their training; (iii) acquire any right to use, or to license or franchise the use of any name, mark or other intellectual property right which is or may be granted by any franchise agreement between Applebee's and Developer; or (iv) communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how concerning the methods of development or operation of a Restaurant which may be communicated to Employee or of which Employee may be apprised by virtue of Employee's employment by Developer. Employee shall divulge such confidential information only to such of Developer's other employees as must have access to that information in order to operate a Restaurant or to develop a prospective

site for a Restaurant. Any and information, knowledge and know-how, including, without limitation, drawings, materials, equipment, specifications, techniques and other data, which Applebee's designates as confidential, shall be deemed confidential for purposes of this Agreement.

(4) Employee further acknowledges and agrees that any materials or manuals provided or made available to Developer by Applebee's (collectively, the "Manuals"), described in Section 5 of the applicable franchise agreement between Applebee's and Developer, are loaned by Applebee's to Developer for limited purposes only, remain the property of Applebee's, and may not be reproduced, in whole or in part, without the written consent of Applebee's.

(5) Employee agrees to surrender to Developer or to Applebee's each and every copy of the Manuals and any other information or material in his or her possession or control upon request, upon termination of employment or upon completion of the use for which said Manuals or other information or material may have been furnished to Employee.

(6) The parties agree that in the event of a breach of this Agreement, Applebee's would be irreparably injured and would be without an adequate remedy at law. Therefore, in the event of a breach or a threatened or attempted breach of any of the provisions hereof, Applebee's shall be entitled to enforce the provisions of this Agreement as a third-party beneficiary hereof and shall be entitled, in addition to any other remedies which it may have hereunder at law or in equity (including the right to terminate the Development Agreement), to a temporary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

(7) If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Agreement determines that it would be invalid or unenforceable as written, the provisions hereof shall be deemed to be modified or limited to such extent or in such manner necessary for such provisions to be valid and enforceable to the greatest extent possible.

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IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

DEVELOPER

EMPLOYEE

By: _____
Name: _____
Title: _____

By: _____
Name: _____

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APPENDIX D

EFT WITHDRAWAL AUTHORIZATION

APPLEBEE'S INTERNATIONAL, INC. ("COMPANY")

ID NUMBER: _____

The undersigned ("DEPOSITOR") authorizes COMPANY to initiate debit entries to the Checking Account indicated below at the DEPOSITORY named below, and authorizes DEPOSITORY to debit to such account all entries COMPANY initiates.

DEPOSITORY

NAME _____ BRANCH _____

CITY _____ STATE _____

CHECKING ACCOUNT NO. _____

ROUTING NUMBER _____

DEPOSITOR agrees that this authorization will remain in full force and effect until DEPOSITOR has given COMPANY written notice of its revocation in such time and in such manner as to afford COMPANY and DEPOSITORY a reasonable opportunity to act on the notice.

DEPOSITOR'S

NAME _____ ID NUMBER _____

DEPOSITOR'S SIGNATURE _____

NAME AND TITLE OF PERSON SIGNING (if signed in a representative capacity)

DATE _____

NOTE: ALL WRITTEN DEBIT AUTHORIZATIONS MUST PROVIDE THAT THE DEPOSITOR MAY REVOKE THE AUTHORIZATION ONLY BY NOTIFYING THE DEBIT ORIGINATOR (COMPANY) IN THE MANNER SPECIFIED IN THE AUTHORIZATION.

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APPLEBEE'S INTERNATIONAL, INC.
DEVELOPMENT AND FRANCHISE AGREEMENT SCHEDULE
AS OF DECEMBER 31, 2006

<TABLE>
<CAPTION>

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
<S> APPLE AB ENTERPRISES, INC.* 804 E. Cypress, Suite B Redding, CA 96002	<C> Joseph K. Wong	<C>	<C>	<C>
		(FA.A1) 09-20-94	1801 Hilltop Drive Redding, CA	
		(FA.A2) 04-30-96	2030 Business Lane Chico, CA	
		(FA.A3) 11-26-96	1388 Biddle Road Medford, OR	
		(FA.A4) 09-28-98	2750 Campus Drive Klamath Falls, OR	
		(FA.A5) 02-09-99	3197C Highway 97 Bend, OR	
		(FA.A6) 05-03-00	2846 Broadway Eureka, CA	
		(FA.A7) 06-26-01	250 NE Agnes Avenue Grants Pass, OR	
		(FA.A8) 08-05-02	1201 Airport Park Blvd. Ukiah, CA	
		(FA.A9) 03-20-06	220 Antelope Boulevard Red Bluff, CA	

*Name Change Effective 12-24-04

AL AIN NATIONAL ENTERPRISES MGT. CO., LLC P.O. Box 2502 Abu Dhabi, United Arab Emirates	Ahmed Al-Muhairy Sheikh Ahmed Bin Tanoon Al Nahyan			
		(FA.A1) 11-14-03	Sheikh Issa Tower, Sheikh Zayed Road P.O. Box 71512, Dubai, UAE	

ALIMENTOS TURISTICOS, S.A. 12 Avenida 9 Calle S.O. Casa Esquina Barrio Suyapa San Pedro Sula, Honduras	Raymond Maalouf Oswaldo Quiroz			
		(FA.A1) 12-02-99 (Replacement)	Ave. Circunvalacion 1a Calle o Blvd. Morazan, Frente Fuente Luminosa San Pedro Sula, Honduras	
		(FA.A2) 06-01-00	Mall Megaplaza Carretera Tela Ceiba Col. El Toronjal, LaCeiba Atlantida, Honduras	
		(FA.A3) 12-20-04	Bloque C-2, Blvd. La Hacienda Tegucigalpa, M.D.C., Honduras	
		(FA.A4) 11-21-05	City Mall, Colonia Villa Eugenia Frente a Avenida Circunvalacion San Pedro Sula, Honduras	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
ALISUR, S.A. de C.V. Sur 101, Colonia Florida Villahermosa, Tabasco 86040 Mexico	Sergio Sebilla Jorge Aguilar	(DA.A) 07-01-03 Amended: 09-13-04	States of Tabasco, Campeche, Veracruz, Oaxaca, Chiapas	6/08/31/10
		(FA.A1) 07-10-03	Blvd. Adolfo Ruiz Cortinez #1206 Entre Av. Paseo Tabasco y Calle Samarkanda Col. Oropesa, Villahermosa, Mexico	
		(FA.A2) 10-31-06	Ave. Universidad Km. 8, Centro Comercial Forum	

			Local R-01, Col. Sta. Rosa Coatzacoalcos, Veracruz, Mexico	
		(FA.A3) 12-18-06	Belisario Dominguez #2430-A Fracc. Aramoni Tuxtla Gutierrez Chiapas, Mexico	
APB COMERCIO DE ALIMENTOS LTDA. Av. Reboucas No. 3970 Pico Terreo, Shopping Eldorado--Pinheiros Lojas 139/144 e 150/151 Sao Paulo 05402600, Brazil	Jose Gaspar Martins Netto Alan Feis Haddad Andre Emile Haddad Souad Fayes Haddad Carlos Alberto de Silva Fernandes	(DA.A) 12-06-04	Sao Paulo, BRAZIL	3/08-30-06
		(FA.A1) 12-06-04	Alameida dos Arapanes, 508 Moema, Sao Paulo, Brazil	
		(FA.A2) 12-09-05	Av. Reboucas no 3970 Piso Terro Lojas 139/144-150/151 Sao Paulo, Brazil	
		(FA.A3) 11-10-06	Av. Roque Petroni Junior no 1089 Nivel Inferior LUC 221-I Vila Gertrudes--Morumbi Mall Sao Paulo, Brazil	
APPLE OF NORTH ALABAMA, INC. 601 Vestavia Parkway Suite 1000 Birmingham, AL 35216	Glenn D. Durham Fred W. Gustin	(DA.B) 12-26-03 Amended: 01-17-05 01-19-06 08-31-06	AL, TN	23/10-31-05
		(FA.A1) 02-14-89 (Relocation 10-18-01)	579 Brookwood Village Homewood, AL	
		(FA.A2) 10-09-90 CLOSED 10-30-05 (Replacement 12-26-05)	1240 East Dale Mall Montgomery, AL 6601 Atlanta Highway Montgomery, AL	
		(FA.A3) 02-26-92	3028 S. Memorial Parkway Huntsville, AL	
		(FA.A4) 11-19-92 CLOSED 06-28-04 (Replacement 01-26-06)	100 Century Plaza 7520 Crestwood Boulevard Birmingham, AL 1600 Huffman Road Center Point, AL	
		(FA.A5) 10-12-93	1700 Rainbow Drive Gadsden, AL	
(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A6) 05-03-94	62 McFarland Boulevard Northport, AL	
		(FA.A7) 10-31-94	2041-A Beltline Road, S.W. Decatur, AL	
		(FA.A8) 01-24-95	302 Hughes Road Madison, AL	
		(FA.A9) 02-28-95	3001 Carter Hill Road Montgomery, AL	
		(FA.A10) 10-04-95	360 Cahaba Valley Road Pelham, AL	
		(FA.A11) 05-27-98	1917 Cobbs Ford Rd. Prattville, AL	
		(FA.A12) 09-29-98	3195 Taylor Road Montgomery, AL	
		(FA.A13) 11-17-98	2271 Florence Blvd. Florence, AL	
		(FA.A14) 05-31-99	550 Academy Drive Bessemer, AL	

(FA.A15) 06-28-99 4711 Norell Drive
Trussville, AL

(FA.A16) 01-17-00 1331 Highway 72 East
Athens, AL

(FA.A17) 03-07-00 11950 Highway 431
South Guntersville, AL

(FA.A18) 03-07-00 1701 McFarland Blvd. East #187
Tuscaloosa, AL

(FA.A19) 04-02-01 3150 Memorial Parkway N.W.
Huntsville, AL

(FA.A20) 08-29-02 2933 John Hawkins Parkway
Hoover, AL

APPLE AMERICAN
GROUP LLC
225 Bush Street, Suite 1470
San Francisco, CA 94104

AAG Managers LLC
Mgt. Equity Holdings LLC
Gregory G. Flynn
Gregory & Julie Flynn
2002 Revocable Trust

(DA.A) 11-09-01
Amended 02-17-03
03-30-03
04-27-04
02-04-05
01-19-06

DE, NJ

24/10-31-07

(FA.A1) 11-09-01 909 N. DuPont Highway
Dover, DE

(FA.A2) 11-09-01 900 Churchman Road
Christiana, DE

(3)
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listed) OR LOCATION

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DEVELOPMENT
SCHEDULE
(total
restaurants/
deadline)

(1)
DEVELOPER NAME
AND ADDRESS

(2)
PRINCIPALS

(FA.A3) 11-09-01 630 Suburban Drive
Newark, DE

(FA.A4) 11-09-01 880 Berlin Road
Voorhees, NJ

(FA.A5) 11-09-01 700 Consumer Square
Mays Landing, NJ

(FA.A6) 11-09-01 3849 Delsea Drive
Vineland, NJ

(FA.A7) 11-09-01 1850 Deptford Center Drive
Deptford, NJ

(FA.A8) 11-09-01 3800 Black Horse Pike
Turnersville, NJ

(FA.A9) 11-09-01 2018 Burlington/Mt. Holly Road
Westampton, NJ

(FA.A10) 01-28-02 47 South White Horse Pike
Hammonton, NJ

(FA.A11) 02-28-02 105 Wilton Boulevard
New Castle, DE

(FA.A12) 03-26-03 2480 Pulaski Highway
Glasgow, DE

(FA.A13) 10-21-03 108 Haddonfield Road
Cherry Hill, NJ

(FA.A14) 10-21-03 129 N. Michigan Ave.
Atlantic City, NJ

(FA.A15) 06-14-04 4110 S. Dupont Highway
Camden, DE

(FA.A16) 07-12-04 1639 Center Square Rd.
Swedesboro, NJ

(FA.A17) 09-27-04 1600 Rocky Run Parkway
Wilmington, DE

(FA.A18) 11-18-04 320 Dove Run Centre Blvd.
Middletown, DE

(FA.A19) 11-21-05 610 W. Nicholson Rd.
Audubon, NJ

(FA.A20) 05-23-06 419 N. Broadway
Pennsville, NJ

(FA.A21) 05-23-06 51 Bethel Road
Somers Point, NJ

(FA.A22) 12-19-06 455 Cross Keys Road
[Opens in 2007] Sicklerville, NJ

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
-----	-----	(DA.B) 11-09-01 Amended 02-17-03 03-30-03 04-27-04 02/04/05 01-19-06	IN	33/10-31-07
		(FA.B1) 11-09-01	5046 W.Pike Plaza Indianapolis, IN	
		(FA.B2) 11-09-01 CLOSED 11-13-05	4040 E. 82nd Street Indianapolis, IN	
		(FA.B3) 11-09-01	1436 W. 86th Street Indianapolis, IN	
		(FA.B4) 11-09-01	1050 Broad Ripple Avenue Indianapolis, IN	
		(FA.B5) 11-09-01	2415 Sagamore Pkwy., South Lafayette, IN	
		(FA.B6) 11-09-01	1241 U.S. 31 North, #L-5 Greenwood, IN	
		(FA.B7) 11-09-01	1900 25th Street Columbus, IN	
		(FA.B8) 11-09-01	14711 U.S. 31 North Carmel, IN	
		(FA.B9) 11-09-01	1423 W. McGalliard Road Muncie, IN	
		(FA.B10) 11-09-01	1129 N. Baldwin Marion, IN	
		(FA.B11) 11-09-01	1922 E. 53rd Street Anderson, IN	
		(FA.B12) 11-09-01	3720 S. Reed Road Kokomo, IN	
		(FA.B13) 11-09-01	2894 E. 3rd Street Bloomington, IN	
		(FA.B14) 11-09-01	5664 Crawfordsville Road Speedway, IN	
		(FA.B15) 11-09-01	700 N. Morton Street Franklin, IN	
		(FA.B16) 11-09-01	8310 East 96th Fishers, IN	
		(FA.B17) 11-09-01	109 S. Memorial Drive New Castle, IN	
(1) DEVELOPER NAME	(2)	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE	(4) TERRITORY (all or part of the states/countries	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)

AND ADDRESS	PRINCIPALS	AGREEMENT	listed) OR LOCATION	deadline)
		(FA.B18) 11-09-01	2659 E. Main Street Plainfield, IN	
		(FA.B19) 11-09-01	1516 S. Washington Street Crawfordsville, IN	
		(FA.B20) 11-09-01	7345 E. Washington Street Indianapolis, IN	
		(FA.B21) 11-09-01	3009 Northwestern Avenue West Lafayette, IN	
		(FA.B22) 11-09-01	17801 Foundation Drive Noblesville, IN	
		(FA.B23) 11-09-01	101 Lee Blvd. Shelbyville, IN	
		(FA.B24) 11-09-01	1792 N. State St. Greenfield, IN	
		(FA.B25) 11-09-01	3326 E. Market St. Logansport, IN	
		(FA.B26) 11-09-01	2 Whittington Drive Brownsburg, IN	
		(FA.B27) 09-25-02	10680 Enterprise Drive Camby, IN	
		(FA.B28) 10-22-02	2432 E. Wabash Street Frankfort, IN	
		(FA.B29) 07-08-03	10325 N. Michigan Rd. Carmel, IN	
		(FA.B30) 08-19-03	10655 Pendleton Pike Lawrence, IN	
		(FA.B31) 03-11-04	874 S. State Road 135 Greenwood, IN	
		(FA.B32) 11-21-05	6110 E. 82nd Street Indianapolis, IN	
		(DA.C) 11-09-01 Amended 02-17-03 03-30-03 04-27-04 02-04-05 01-19-06	OH	35/10-31-07
		(FA.C1) 11-09-01	5658 Mayfield Road Lyndhurst, OH	
		(FA.C2) 11-09-01	5010 Great Northern Plaza North North Olmstead, OH	
		(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(FA.C3) 11-09-01 CLOSED 05-07-06 (Replacement 05-08-06)	3000 Westgate Mall Fairview Park, OH 20705 Center Ridge Road Fairview Park, OH	
		(FA.C4) 11-09-01	4981 Dressler Road N. Canton, OH	
		(FA.C5) 11-09-01	508 Howe Avenue Cuyahoga Falls, OH	
		(FA.C6) 11-09-01	6871 Pearl Road Middleburg Heights, OH	
		(FA.C7) 11-09-01	3989 Burbank Road Wooster, OH	
		(FA.C8) 11-09-01	9174 Mentor Avenue	

Mentor, OH

(FA.C9) 11-09-01 1023 N. Lexington-Springmill Rd.
Mansfield, OH

(FA.C10) 11-09-01 6140 SOM Center Road
Solon, OH

(FA.C11) 11-09-01 7159 Macedonia Commons Blvd.
Macedonia, OH

(FA.C12) 11-09-01 4800 Ridge Road
Brooklyn, OH

(FA.C13) 11-09-01 5503 Milan Road
Sandusky, OH

(FA.C14) 11-09-01 1540 W. River Road
Elyria, OH

(FA.C15) 11-09-01 4115 Pearl Street
Medina, OH

(FA.C16) 11-09-01 411 Northfield Road
Bedford, OH

(FA.C17) 11-09-01 233 Graff Road, S.E.
New Philadelphia, OH

(FA.C18) 11-09-01 17771 S. Park Center
Strongsville, OH

(FA.C19) 11-09-01 4296 Kent Road
Stow, OH

(FA.C20) 11-09-01 3938 Medina Road
Akron, OH

(FA.C21) 11-09-01 1020 High Street
Wadsworth, OH

(1)
DEVELOPER NAME
AND ADDRESS

(2)
PRINCIPALS

(3)
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(FA.C22) 11-09-01 2033 Crocker Road
Westlake, OH

(FA.C23) 11-09-01 2600 W. State St.
Alliance, OH

(FA.C24) 11-09-01 2250 Claremont Avenue
Ashland, OH

(FA.C25) 11-09-01 2897 S. Arlington Road
Akron, OH

(FA.C26) 11-09-01 32 Massillon Marketplace Dr. SW
Massillon, OH

(FA.C27) 11-09-01 3241 N. Ridge Road East
Ashtabula, OH

(FA.C28) 05-13-02 1200 SR 303
Streetsboro, OH

(FA.C29) 01-30-03 4191 Rockside Road
Independence, OH

(FA.C30) 05-12-03 14020 Cedar Road
University Heights, OH

(FA.C31) 09-27-04 1421 Town Center Blvd., Suite B-10
Brunswick, OH

(FA.C32) 07-05-05 3528 Hudson Drive
Stow, OH

(FA.C33) 09-23-05 35916 Detroit Road
Avon, OH

(FA.C34) 09-08-06 220 Tallmadge Road

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
			Kent, OH	
		(FA.C35) 09-08-06	145 Stander Avenue Mansfield, OH	
		(D.A.D) 11-09-01 Amended 02-17-03 03-30-03 04-27-04 02-04-05 01-19-06	WA	24/10-31-07
		(FA.D1) 11-09-01	1842 S. Sea Tac Mall Federal Way, WA	
		(FA.D2) 11-09-01	4626 196th Street, Southwest Lynnwood, WA	
		(FA.D3) 11-09-01	806 S.E. Everett Mall Way Everett, WA	
		(FA.D4) 11-09-01	3510 S. Meridian Puyallup, WA	
		(FA.D5) 11-09-01	17790 Southcenter Parkway Tukwila, WA	
		(FA.D6) 11-09-01	1919 S. 72nd Street Tacoma, WA	
		(FA.D7) 11-09-01	1300A N. Miller Street Wenatchee, WA	
		(FA.D8) 11-09-01	3138 NW Randall Way Silverdale, WA	
		(FA.D9) 11-09-01	525 Sleater Kinney Road Lacey, WA	
		(FA.D10) 11-09-01	3520 Factoria Blvd. SE Bellevue, WA	
		(FA.D11) 12-11-01	1069 East Sunset Drive Bellingham, WA	
		(FA.D12) 08-22-02	13856 Bellevue Redmond Road Bellevue, WA	
		(FA.D13) 09-13-02	188 Cascade Mall Drive Burlington, WA	
		(FA.D14) 07-25-03	22916 Bothell-Everett Hwy. Bothell, WA	
		(FA.D15) 05-03-04	10407 Gravelly Lake Drive Lakewood, WA	
		(FA.D16) 12-09-03	17024 S.E. 272nd St. Covington, WA	
		(FA.D17) 10-31-04	9430 192nd Street East Bonney Lake, WA	
		(FA.D18) 10-31-04	130 River Road Sequim, WA	
		(FA.D19) 08-29-05	1441 "D" Street N.E. Auburn, WA	
		(FA.D20) 09-23-05	31810 State Route 20 Oak Harbor, WA	
		(FA.D21) 11-28-05	1670 NW Louisiana Ave. Chehalis, WA	
		(FA.D22) 12-01-05	2500 Capital Mall Drive SW Olympia, WA	

(FA.D23) 02-06-06 3702 88th Avenue NE
Marysville, WA

(1)
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(total
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(FA.D24) 07-10-06

375 S. Grady Way
Renton, WA

(FA.D25) 11-13-06
[Opens in 2007]

16518 S.R. 161 East
Puyallup, WA

(DA.E) 04-27-04
Amended: 01-19-06

PA, WV

21/10-31-07

(FA.E1) 06-11-90

Scott Towne Center
2101 Greentree Road
Pittsburgh, PA

(FA.E2) 05-28-91

North Hills Village Mall
4801 McKnight Road
Pittsburgh, PA

(FA.E3) 11-12-91

Edgewood Towne Centre
1601 S. Braddock Avenue
Pittsburgh, PA

(FA.E4) 08-09-93

2045 Lebanon Church Road
West Mifflin, PA

(FA.E5) 01-10-94

4039 Washington Road
McMurray, PA

(FA.E6) 10-21-96

425 Galleria Drive
Johnstown, PA

(FA.E7) 01-13-97

3440 William Penn Highway
Pittsburgh, PA

(FA.E8) 12-08-97

1065 Van Voorhis Road
Morgantown, WV

(FA.E9) 01-12-98

110 Logan Valley Road
Altoona, PA

(FA.E10) 11-13-00

1004 Trinity Circle
Washington, PA

(FA.E11) 02-15-01

6570 Steubenville Pike
Robinson Township, PA

(FA.E12) 11-01-01

1685 Route 228
Cranberry, PA

(FA.E13) 11-26-02

12 Colonnade Way
State College, PA

(FA.E14) 08-08-05

850 Chippewa Town Centre Dr.
Beaver Falls, PA

(FA.E15) 12-01-05

3944 Brodhead Road
Monaca, PA

(FA.E16) 12-19-06
[Opens in 2007]

1050 Village Center Drive
Tarentum, PA

(1)
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AND ADDRESS

(2)
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FRANCHISE
AGREEMENT

(4)
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of the states/countries
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DEVELOPMENT
SCHEDULE
(total
restaurants/
deadline)

(DA.F) 02-01-06

CA

15/10-31-09

*(FA.A1) 12-19-95

2250 Santa Rosa Avenue
Santa Rosa, CA

*(FA.A2) 06-07-96

5301 Old Redwood Hwy.
Petaluma, CA

		* (FA.A3) 02-14-00	3050 Northgate Mall San Rafael, CA	
		* (FA.A4) 12-31-00	885 Hopper Avenue Santa Rosa, CA	
		* (FA.A5) 08-19-02	195 Soscol Avenue Napa, CA	
*Acquired from WineCountry Apple, LLC 02/01/06		* (FA.A6) 07-29-05	501 Rohnert Park Expressway Rohnert Park, CA	

APPLE ARKANSAS, INC. 5120 Summerhill Road Texarkana, TX 75504	Joe S. Thomson El Chico Restaurants of Arkansas	(DA.A) 04-09-96 Amended: 12-02-00 10-04-04 05-24-06	AR, LA, OK, TX	14/10-31-07
		(FA.A1) 06-15-93	5110 Summerhill Road Texarkana, TX	
		(FA.A2) 10-19-93	9088 Mansfield Road Shreveport, LA	
		(FA.A3) 03-08-94	6818 Rogers Avenue Ft. Smith, AR	
		(FA.A4) 04-09-96	2126 Airline Drive Bossier City, LA	
		(FA.A5) 05-29-96	4078 N. College Fayetteville, AR	
		(FA.A6) 10-07-97	1517 Bert Kouns Shreveport, LA	
		(FA.A7) 02-23-99	2305 East End Boulevard South Marshall, TX	
		(FA.A8) 04-24-00	2133 North West Avenue El Dorado, AR	
		(FA.A9) 10-15-01	4911 Pecanland Mall Drive Monroe, LA	
		(FA.A10) 07-01-02	2300 Greenhill Road Mr. Pleasant, TX	
		(FA.A11) 11-04-02	3330 Highway 365 Port Arthur, TX	
		(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A12) 09-19-06	3953 W. Sunset Avenue Springdale, AR	

APPLE BY THE BAY, INC. 999 W. Taylor Street Suite D San Jose, CA 95126	Ronald A. Caselli Gene K. Caselli	(DA.B) 11-03-05	CA	14/10-31-08
		(FA.A1) 05-05-94	8200 Arroyo Circle Gilroy, CA	
		(FA.A2) 08-22-95	84 Ranch Drive Milpitas, CA	
		(FA.A3) 03-05-96	3900 Sisk Road Modesto, CA	
		(FA.A4) 09-21-99	2501 Fulkerth Road Turlock, CA	
		(FA.A5) 02-22-00	3060 N. Naglee Road Tracy, CA	
		(FA.A6) 12-18-00	555 Saratoga Avenue San Jose, CA	
		(FA.A7) 06-04-01	851 Sanguinetti Road Sonora, CA	

		(FA.A8)	10-11-01	1272 E. Yosemite Ave. Manteca, CA	
		(FA.A9)	06-22-04	1135 Veterans Boulevard Redwood City, CA	
		(FA.A10)	11-14-06	2449 Claribel Road Riverbank, CA	
		(DA.C)	11-03-05	CA	2/10-31-07
		(FA.B.1)	12-30-03	1734 W. Olive Avenue Merced, CA	

APPLE CARIBE, INC. 411 Kennedy Avenue 4th Floor San Juan, Puerto Rico	Jorge Colon-Gerena Jorge Colon-Nevares	(DA.A)	04-20-06	PUERTO RICO	12/08-01-13

APPLE CORE ENTERPRISES, INC. 2505 16th Street S.W. Minot, North Dakota 58702	Myron Thompson Abe Sakak	(DA.A)	08-20-98 Amended: 12-02-00 10-18-04	MN, ND	12/10-31-06
		(FA.A1)	11-13-90	2302 15th Street, S.W. Minot, ND	
		(FA.A2)	04-14-92	434 S. 3rd Bismarck, ND	
		(3)	DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	-----			
		(FA.A3)	12-07-93	2351 S. Columbia Road Grand Forks, ND	
		(FA.A4)	11-08-94	2800 13th Avenue, Southwest Fargo, ND	
		(FA.A5)	12-19-95	289 15th Street, West Dickinson, ND	
		(FA.A6)	12-26-99	6 26th Street West Williston, ND	
		(FA.A7)	10-24-00	415 Second St. NW East Grand Forks, MN	
		(FA.A8)	07-27-01	3200 North 14th Street Bismarck, ND	
		(FA.A9)	05-08-02	4900 13th Avenue SW Fargo, ND	
		(FA.A10)	08-06-02	605 Kennedy Park Road Fergus Falls, MN	
		(FA.A11)	06-20-03	611 25th Street SW Jamestown, ND	
		(FA.A12)	11-27-06	2001 16th Street North Fargo, ND	
		(DA.B)	10-26-98 Amended: 12-02-00 12-30-02 03-05-04 10-18-04	AZ, CA	8/10-31-07
		(FA.B1)	04-16-96	3101 S. Fourth Avenue Yuma, AZ	
		(FA.B2)	08-12-97	32400 Date Palm Drive Cathedral City, CA	
		(FA.B3)	04-11-00	71740 Highway 111 Rancho Mirage, CA	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.B4) 03-05-01	1101 16th Street East Yuma, AZ	
		(FA.B5) 09-04-03	2505 Scaroni Road Calexico, CA	
		(FA.B6) 03-30-04	2421 N. Cottonwood El Centro, CA	
		(FA.B7) 11-12-04	74999 Frank Sinatra Dr. Palm Desert, CA	
		(FA.B8) 11-07-05	11274 S. Fortuna Rd. Yuma, AZ	
		(FA.B9) 12-06-05	57796 29 Palms Highway Yucca Valley, CA	
		(FA.B10) 07-26-06	1585 E. 6th Street Beaumont, CA	
APPLE CORPS, L.P. 1877 North Rock Road Wichita, KS 67206	David K. Rolph Darrel L. Rolph	(DA.A) 08-03-98 Amended: 12-02-00 11-08-04 03-20-06	IL, WI, IA, MO	24/10-31-07
		(FA.A1) 08-03-98	6301 University Ave. Cedar Falls, IA	
		(FA.A2) 08-03-98	105 Chestnut Ames, IA	
		(FA.A3) 08-03-98	3838 Elmore Ave. Davenport, IA	
		(FA.A4) 08-03-98	11410 Forest Clive, IA	
		(FA.A5) 08-03-98	6301 S.E. 14th Street West Des Moines, IA	
		(FA.A6) 08-03-98	303 Collins Road Cedar Rapids, IA	
		(FA.A7) 08-03-98	3900 Merle Hay Rd. Des Moines, IA	
		(FA.A8) 08-03-98	1001 E. First Street Ankeny, IA	
		(FA.A9) 08-03-98	3805 41st Ave. Moline, IL	
		(FA.A10) 08-03-98	3920 E. Lincoln Way Sterling, IL	
		(FA.A11) 08-03-98	306 Cleveland Muscatine, IA	
		(FA.A12) 08-03-98	3101 S. Center Street Marshalltown, IA	
		(FA.A13) 08-03-98	2810 5th Avenue South Fort Dodge, IA	
		(FA.A14) 08-03-98	2414 Lincoln Way Clinton, IA	
		(FA.A15) 08-03-98	3006 Fourth Street S.W. Mason City, IA	
		(FA.A16) 08-03-98	200 12th Avenue Center Coralville, IA	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	AGREEMENT OR FRANCHISE AGREEMENT	TERRITORY (all or part of the states/countries listed) OR LOCATION	(total restaurants/ deadline)
		(FA.A17) 08-23-99	1355 Associates Drive Dubuque, IA	
		(FA.A18) 08-14-00	3741 8th St. SW Altoona, IA	
		(FA.A19) 09-05-00	2645 Edgewood Road Cedar Rapids, IA	
		(FA.A20) 10-17-01	1303 Vaughn Drive Ottumwa, IA	
		(FA.A21) 06-12-02	2780 Crossroads Blvd. Waterloo, IA	
		(FA.A22) 03-20-06	3005 W. Kimberly Rd. Davenport, IA	
		(FA.A23) 11-02-06	6190 Mills Civic Parkway W. Des Moines, IA	

APPLE EAST, INC.
89 Taunton Hill Road
Newtown, CT 06470

Edwin F. Scheibel
Cynthia H. Scheibel

(FA.A1) 10-21-97 57 Federal Road
Danbury, CT

APPLE FOOD SERVICE
OF NEW YORK, LLC
7 Pearl Court
Allendale, NJ 07401

Edward W. Doherty
William A. Johnsen

(DA.A) 05-04-98
Amended: 12-02-00
10-26-04

NY

15/10-31-07

(FA.A1) 05-04-98

938 S. Broadway
Hicksville, NY

(FA.A2) 05-04-98

Veterans Hwy. & Smithtown Avenue
Bohemia, NY

(FA.A3) 05-04-98

2660 Sunrise Highway
Bellmore, NY

(FA.A4) 05-04-98

1985 Jericho Turnpike
New Hyde Park, NY

(FA.A5) 05-04-98

2550 Sunrise Hwy.
East Islip, NY

(FA.A6) 05-04-98

1935 N. Ocean Avenue
Farmingville, NY

(FA.A7) 05-04-98

3145 Middle Country Rd.
Lake Grove, NY

(FA.A8) 11-24-98

360 Walt Whitman Rd.
Huntington Station, NY

(FA.A9) 03-02-99

200 Airport Plaza
Farmingdale, NY

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A10) 09-19-00	1832 Old Country Road Riverhead, NY	
		(FA.A11) 03-21-01	1126 Green Acres Mall Valley Stream, NY	
		(FA.A12) 11-29-00	105 Veterans Memorial Highway Commack, NY	
		(FA.A13) 06-18-02	600-A N. Wellwood Ave. Lindenhurst, NY	
		(FA.A14) 10-13-03	5 Towns Shopping Center 253-01 Rockaway Blvd. Rosedale, NY	

		(FA.A15) 08-20-04	1251 Deer Park Avenue North Babylon, NY	
		(FA.A16) 10-26-06	355 Rt. 25A Miller Place, NY	

APPLE GOLD, INC. 170 Wind Chime Court Raleigh, NC 27615	Michael D. Olander	(DA.B) 09-29-03 Amended: 12-13-04 11-29-06	NC, VA	54/10-31-07
		(FA.A1) 06-28-85	7471 Six Forks Road Raleigh, NC	
		(FA.A2) 01-28-87	1508 E. Franklin Road Chapel Hill, NC	
		(FA.A3) 09-10-87 (Replacement 08-05-02)	2001 N. Main 3865 John Gordon Lane High Point, NC	
		(FA.A4) 06-13-88	476 Western Boulevard Jacksonville, NC	
		(FA.A5) 02-01-89	1120 N. Wesleyan Boulevard Rocky Mount, NC	
		(FA.A6) 01-22-90	3103 Garden Road Burlington, NC	
		(FA.A7) 07-31-90	202 S.W. Greenville Blvd. Greenville, NC	
		(FA.A8) 12-18-90	9616 E. Independence Blvd. Matthews, NC	
		(FA.A9) 01-03-91	3625 Hillsborough Street Raleigh, NC	
		(FA.A10) 07-01-91	10921 Carolina Place Pkwy. Pineville, NC	
		(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
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(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A11) 03-24-92	4406 W. Wendover Avenue Greensboro, NC	
		(FA.A12) 05-18-93	2180 Highway 70, Southeast Hickory, NC	
		(FA.A13) 09-29-93	1115 Glenway Drive Statesville, NC	
		(FA.A14) 07-19-94	901 N. Spence Avenue Goldsboro, NC	
		(FA.A15) 10-18-94	8700 J.W. Clay Charlotte, NC	
		(FA.A16) 01-10-95	3200 Battleground Avenue Greensboro, NC	
		(FA.A17) 05-16-95	2239 W. Roosevelt Boulevard Monroe, NC	
		(FA.A18) 09-19-95	5120 New Center Drive Wilmington, NC	
		(FA.A19) 11-07-95	1990 Griffin Road Winston-Salem, NC	
		(FA.A20) 12-19-95	1403 N. Sand Hills Blvd. Aberdeen, NC	
		(FA.A21) 03-05-96	1240 U.S. Highway 29 North Concord, NC	
		(FA.A22) 04-29-96	3400 Clairndon Blvd. New Bern, NC	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A23) 11-12-96	2300 Forest Hills Road Wilson, NC	
		(FA.A24) 02-11-97	501 E. Six Forks Road Raleigh, NC	
		(FA.A25) 04-22-97	2702 Raeford Road Fayetteville, NC	
		(FA.A26) 10-07-97	1165 Highway 70 Garner, NC	
		(FA.A27) 12-16-97	205 Faith Road Salisbury, NC	
		(FA.A28) 02-03-98	5110 Piper Station Dr. Charlotte, NC	
		(FA.A29) 06-02-98	1961 Skibo Road Fayetteville, NC	
		(FA.A30) 11-03-98	3628 E. Franklin Blvd. Gastonia, NC	
		(FA.A31) 02-02-99	4690 N. Patterson Avenue Winston-Salem, NC	
		(FA.A32) 07-20-99	5184 Highway 70 West Morehead, NC	
		(FA.A33) 11-09-99	1260 N. Brightleaf Blvd. Smithfield, NC	
		(FA.A34) 07-18-00	1909-A Highway 421 N. Wilkesboro, NC	
		(FA.A35) 10-10-00	517 NC 24-27 Bypass East Albemarle, NC	
		(FA.A36) 12-05-00	71 Plaza Parkway Lexington, NC	
		(FA.A37) 12-19-00	433 Earl Road Shelby, NC	
		(FA.A38) 02-20-01	137 Norman Station Blvd. Mooresville, NC	
		(FA.A39) 04-23-02	11805 Retail Drive Wake Forest, NC	
		(FA.A40) 03-26-03	8701 Brier Creek Parkway Raleigh, NC	
		(FA.B1) 09-29-03	8710 S. Tryon Street Charlotte, NC	
		(FA.B2) 11-17-03	8018 Concord Mills Blvd. Concord, NC	
		(FA.B3) 12-22-03	4483 Highway 70 West Kinston, NC	
		(FA.B4) 07-19-04	2036 Blowing Rock Road Boone, NC	
		(FA.B5) 11-18-04	210 Premier Blvd. Roanoke Rapids, NC	
		(FA.B6) 06-06-05	1325 Plaza Blvd. Sanford, NC	
		(FA.B7) 11-01-05	1480 N. Main St. Fuquay-Varina, NC	
		(FA.B8) 08-24-06	6310 Allegacy Way Clemmons, NC	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
APPLE J, L.P. 400 Executive Center Dr. Suite 315 Greenville, SC 29615	Pat Williamson William A. Klepper Allan S. Huston Arthur Everson	(DA.B) 12-15-03 Amended: 02-25-05	GA, NC, SC	32/12-31-07
		(FA.A1) 09-14-98	430 Congaree Rd. Greenville, SC	
		(FA.A2) 09-14-98	2344 Broad River Rd. @ I-20 Columbia, SC	
		(FA.A3) 09-24-98	3441 Clemson Blvd. Anderson, SC	
		(FA.A4) 09-14-98 CLOSED 11-14-99	9 Park Lane Hilton Head, SC	
		(FA.A5) 09-14-98	4505 Devine Street Columbia, SC	
		(FA.A6) 09-14-98	7602 Greenville Hwy. Spartanburg, SC	
		(FA.A7) 09-14-98	841 Broad Street Sumter, SC	
		(FA.A8) 09-14-98	1635 Four Seasons Blvd. Hendersonville, NC	
		(FA.A9) 09-14-98 CLOSED 12-18-06	1922 Augusta Street Greenville, SC	
		(FA.A10) 09-14-98	1360 Whiskey Road Aiken, SC	
		(FA.A11) 09-14-98	5055 Calhoun Memorial Blvd. Easley, SC	
		(FA.A12) 09-14-98	115 Tunnel Road Asheville, NC	
		(FA.A13) 09-14-98	245 O'Neil Court Columbia, SC	
		(FA.A14) 09-14-98	704 Wade Hampton Blvd. Greer, SC	
		(FA.A15) 09-14-98	696 Bypass 123 Seneca, SC	
		(FA.A16) 09-14-98	1617 Bypass 72 N.E. Greenwood, SC	
		(FA.A17) 09-14-98	2227 Dave Lyle Blvd. Rock Hill, SC	
		(FA.A18) 09-14-98	3944 Grandview Dr. Simpsonville, SC	
(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A19) 09-14-98 CLOSED 03/28/04 (Replacement 12-20-04)	64 Beacon Drive Greenville, SC 275 Smokey Park Highway Asheville, NC	
		(FA.A20) 09-14-98	1512 W. Floyd Baker Ave. Gaffney, SC	

		(FA.A21)	09-14-98	1268 Hwy. 9 Bypass Lancaster, SC	
		(FA.A22)	09-14-98	5185 Fernadina Rd. Columbia, SC	
		(FA.A23)	09-14-98	605 Columbia Ave. Lexington, SC	
		(FA.A24)	09-14-98	1655 Hendersonville Rd. Asheville, NC	
		(FA.A25)	09-14-98	1065 S. Big A Road Toccoa, GA	
		(FA.A26)	09-14-98	2360 Chestnut Street Orangeburg, SC	
		(FA.A27)	09-14-98	2338 Boundary Street Beaufort, SC	
		(FA.A28)	09-14-98	1221 Woodruff Rd. Greenville, SC	
		(FA.A29)	09-14-98	1985 E. Main Street Spartanburg, SC	
		(FA.A30)	09-11-00	6200 White Horse Road Berea, SC	
		(FA.A31)	01-08-01	125 Rainbow Lake Road Boiling Springs, SC	
		(FA.A32)	10-14-02	2815 Augusta Road West Columbia, SC	
		(FA.A33)	05-30-05	200-A Museum Street Hilton Head, SC	
		(FA.A34)	09-20-06	10102 Two Notch Road Columbia, SC	

APPLE JAL, S.A. de C.V. Av. Vallarta #6503-48E Zapopan, Jalisco 45010 Mexico	Clara Martinez Joaquin Martinez	(DA.B)	12-29-06	States of Michoacan; Hidalgo; Jalisco; Nayarit and Colima, Mexico	9/11-15-09
		(FA.A01)	11-11-03	Av. Rafael Sanzio #150 Local 1 Zona D Plaza Galerias, Residencial la Estancia Zapopan, Jalisco, Mexico	
			(3)		(5)
			DATE OF		DEVELOPMENT
			DEVELOPMENT		SCHEDULE
			AGREEMENT OR	(4)	(total
(1)	(2)		FRANCHISE	TERRITORY (all or part	restaurants/
DEVELOPER NAME	PRINCIPALS		AGREEMENT	of the states/countries	deadline)
AND ADDRESS				listed) OR LOCATION	

		(FA.A02)	03-11-05	Avenida Lopez Mateos 1501 Colonia La Tijera Tlajomulco, Jalisco, Mexico	
		(FA.A03)	06-05-06	Ave Patria #1199 Col. Jardines Universidad Zapopan, Jalisco, Mexico	

APPLE NORDESTE COMERCIO DE ALIMENTOS LTDA. Rua Ernesto de Paula Santos, 187-sala 404 Bairro Boa Viagem-CEP Recife, Pernambuco, Brazil	Mariza Monte Carvalheira Felipe Monte da Carvalheira Claudio Jose Leal Pragana Filho	(DA.A)	03-01-05	BRAZIL	6/02-29-10
		(FA.A1)	03-01-05	Rua Padre Carapuiceiro 777, Loja BV 01/03 CEP 51020-280, Boa Viagem Recife, Brazil	

APPLE NORTE, S.A. de C.V. Av. Tecnologico #900-A Col. El Crucero Cd. Juarez, Chihuahua C.P. 32500 Mexico	Eduardo Orozco Joaquin Martinez	(FA.A1)	05-26-98	Avenida Tecnologico 1585 Colonia Partido Doblado Cd. Juarez, Chihuahua, Mexico	
		(FA.A2)	04-11-02	Paseo Triunfo del la Republica 3333 Col. Monumental Cd. Juarez, Chihuahua, Mexico	

(FA.A3) 12-07-04 Teofilo Borunda #8681
 Local Interior Restaurante #1
 Centro Comercial Las Misiones
 Col. Partido Iglesias
 Cd. Juarez, Chihuahua, Mexico

APPLE NORTH, INC.
 99 New Unionville Rd.
 Wallkill, NY 12589

Eddie G. Hittinger

(FA.A1) 03-11-92 Wappinger Plaza
 1271 Route 9
 Wappinger Falls, NY

(FA.A2) 11-21-95 18 Park Avenue
 Clifton Park, NY

APPLE RESTAURANTS,
 INC.
 6620 McGinnis Ferry Rd.
 Suite B, Building 12D
 Duluth, GA 30097

William F. Palmer

(DA.A) 02-01-89
 Amended: 04-08-92
 07-31-92
 03-25-93
 04-05-94
 12-02-00
 07-21-03
 11/09/05

GA 31/10-31-07

(FA.A1) 02-01-89 655 Georgia Highway 120
 Lawrenceville, GA

(FA.A2) 10-01-89 2445 Mall Boulevard
 Kennesaw, GA

(3)
 DATE OF
 DEVELOPMENT
 AGREEMENT OR
 FRANCHISE
 AGREEMENT

(4)
 TERRITORY (all or part
 of the states/countries
 listed) OR LOCATION

(5)
 DEVELOPMENT
 SCHEDULE
 (total
 restaurants/
 deadline)

(1)
 DEVELOPER NAME
 AND ADDRESS

(2)
 PRINCIPALS

(FA.A3) 10-15-90 1152 Old Salem Road
 CLOSED 05-22-05 Conyers, GA
 (Replacement 05-23-05) 1448 Dogwood Drive
 Conyers, GA

(FA.A4) 03-11-91 Perimeter Road, Suite 2054
 CLOSED 03-31-99 4400 Ashford-Dunwoody Rd.
 (Replacement 01/24/00) Atlanta, Georgia
 792 Glynn Street
 Fayetteville, GA

(FA.A5) 11-25-91 826 Turner McCall Boulevard
 Rome, GA

(FA.A6) 08-10-92 1705 Browns Bridge Road
 Gainesville, GA

(FA.A7) 05-03-93 504 Lakeland Plaza
 Cumming, GA

(FA.A8) 02-21-94 2728 Spring Road
 Smyrna, GA

(FA.A9) 12-19-94 3676 Highway 138
 Stockbridge, GA

(FA.A10) 03-21-95 2226 W. Broad Street
 Athens, GA

(FA.A11) 05-08-95 1925 Highway 124
 Snellville, GA

(FA.A12) 02-05-96 185 Cherokee Place
 Cartersville, GA

(FA.A13) 06-17-96 971 Bullsboro Drive
 Newnan, GA

(FA.A14) 02-24-97 1105 S. Park Street
 Carrollton, GA

(FA.A15) 03-16-98 1421 Riverstone Pkwy.
 Canton, GA

(FA.A16) 06-15-98 4210 Johns Creek Pkwy.
 Suwanee, GA

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A17) 08-10-98	125 Gwinco Blvd. Suwanee, GA	
		(FA.A18) 02-08-99	1647 North Expressway Griffin, GA	
		(FA.A19) 07-05-99	815 Industrial Boulevard McDonough, GA	
		(FA.A20) 06-06-00	6915 Douglas Blvd. Douglasville, GA	
		(FA.A21) 11-22-00	4685 Nelson Brogdon Blvd. Buford, GA	
		(FA.A22) 05-03-01	2404 Dallas Highway Marietta, GA	
		(FA.A23) 03-18-02	2945 Stonecrest Circle Lithonia, GA	
		(FA.A24) 12-16-02	1524 Lafayette Parkway LaGrange, GA	
		(FA.A25) 10-13-03	5176 Highway 278 N.W. Covington, GA	
		(FA.A26) 12-08-03	550 Thornton Road Lithia Springs, GA	
		(FA.A27) 05-31-04	105 E. Ridgeway Road Commerce, GA	
		(FA.A28) 10-10-05	1531 Highway 400 South Dawsonville, GA	
		(FA.A29) 11-14-05	5149 Jimmy Lee Smith Parkway Hiram, GA	
		(FA.A30) 06-05-06	130 Perimeter Center Place Atlanta, Georgia	
		(FA.A31) 12-04-06	145 Martin Luther King Jr. Blvd. Monroe, Georgia	
APPLE RIO COMERCIO DE ALIMENTOS LTDA. Avenida das Americas 5000 Ioja 208/209, Barra da Tijuca Rio de Janeiro 22640-100 Brazil	Mauro Basto Pinhel Antonio Petrus Kalil Filho Andre Edouard Stauffer	(DA.A1) 12-12-06	BRAZIL	2/11-15-08
APPLE RIVER FOODS LTD 12789 B--20th Avenue Surrey, British Columbia V4A 5Z8 Canada	Richard J. Fraser Lillian Valerie Meredith William John Caine	(FA.A1) 06-16-03	2325 Ottawa Street Port Coquitlam, B.C.	
		(FA.A2) 06-16-03	#145, 7155 Kingsway Burnaby, B.C.	
		(DA.A) 02-11-92 Amended: 10-20-92 08-25-94 10-05-94	IN, OH	33/10-31-07

03-02-97
12-02-00
01-17-05
06-12-06

(FA.A1) 11-03-92 650 W. Lincoln Highway
Schererville, IN

(FA.A2) 08-24-93 5788 Coventry Lane
Ft. Wayne, IN

(FA.A3) 12-21-93 4510 N. Clinton Street
Ft. Wayne, IN

(FA.A4) 11-15-94 4057 S. Franklin Street
Michigan City, IN

(FA.A5) 04-25-95 670 Morthland
Valparaiso, IN

(FA.A6) 07-04-95 6615 N. Main Street
Granger, IN

(FA.A7) 09-19-95 266 E. Alexis Road
Toledo, OH

(FA.A8) 11-07-95 3241 Interchange Drive
Elkhart, IN

(FA.A9) 12-05-95 531 Dussel Road
Maumee, OH

(FA.A10) 06-11-96 4702 Monroe Street
Toledo, OH

(FA.A11) 06-17-96 8425 Broadway
Merrillville, IN

(FA.A12) 07-30-96 3296 Elida Road
Lima, OH

(FA.A13) 09-10-97 6525 Lima Road
Ft. Wayne, IN

(FA.A14) 10-28-97 2531 Tiffan Avenue
Findlay, OH

(FA.A15) 11-25-97 1150 Ireland Road
South Bend, IN

(FA.A16) 12-09-97 330 Ridge Road
Munster, IN

(FA.A17) 07-14-98 2621 E. Center St.
Warsaw, IN

(1)
DEVELOPER NAME
AND ADDRESS

(2)
PRINCIPALS

(3)
DATE OF
DEVELOPMENT
AGREEMENT OR
FRANCHISE
AGREEMENT

(4)
TERRITORY (all or part
of the states/countries
listed) OR LOCATION

(5)
DEVELOPMENT
SCHEDULE
(total
restaurants/
deadline)

(FA.A18) 10-20-98 1807 Reith Blvd.
Goshen, IN

(FA.A19) 08-03-99 346 Hauenstein Road
Huntington, IN

(FA.A20) 10-26-99 3703 Portage Road
South Bend, IN

(FA.A21) 12-07-99 2225 N. Oak Road
Plymouth, IN

(FA.A22) 12-14-99 6211 US Hwy. 6
Portage, IN

(FA.A23) 07-04-00 2200 N. State Route 53
Freemont, OH

(FA.A24) 08-08-00 602 Fairview Blvd.
Kendallville, IN

(FA.A25) 10-31-00 507 Ley Drive

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
			Auburn, IN	
		(FA.A26) 12-12-00	1003 N. Clinton Street Defiance, OH	
		(FA.A27) 04-23-02	202 E. Jacob Avenue Angola, IN	
		(FA.A28) 05-20-02	7340 Central Avenue Toledo, OH	
		(FA.A29) 08-30-02	5410 Meijer Drive Fort Wayne, IN	
		(FA.A30) 10-11-02	3007 Curtice Road Northwood, OH	
		(FA.A31) 10-03-03	791 Indian Boundary Road Chesterton, IN	
		(FA.A32) 11-13-03	4515 Lincoln Way East Mishawaka, IN	
		(FA.A33) 11-15-04	2825 Glendale Ave. Toledo, OH	
		(FA.A34) 08-04-05	1925 Roschman Avenue Lima, OH	
		(DA.B) 01-17-05 Amended 06-12-06	FL	12/10-31-07
		(FA.B1) 04-12-94	10135 Pines Boulevard Pembroke Pines, FL	
		(FA.B2) 07-12-94	12719 W. Sunrise Boulevard Sunrise, FL	
		(FA.B3) 02-15-95	1179 S. University Drive Plantation, FL	
		(FA.B4) 09-12-95	2729 University Drive Coral Springs, FL	
		(FA.B5) 10-10-96	9815 N.W. 41st Street Miami, FL	
		(FA.B6) 04-01-02	20505 S. Dixie Highway Miami, FL	
		(FA.B7) 06-17-04	33009 S. Dixie Highway Florida City, FL	
		(FA.B8) 06-27-06	5377 W. Atlantic Blvd. Margate, FL	
		(FA.B9) 08-14-06	6005 N. University Dr. Tamarac, FL	
		(FA.B10) 08-31-06	6670 Dykes Road Southwest Ranches, FL	
APPLE SURESTE, S.A. de C.V. 10a Ave. Norte Esquina Calle 2 Norte #101 Colonia Centro Cozumel, Q.R., Mexico	Raul Omar Gonzalez Angulo Holding Valora, S.A. de C.V. Raul Omar Gonzalez Castilla Maria de Lourdes Castilla Patron	(DA.A1) 09-08-06	States of Quintana Roo and Yucatan, MEXICO	4/09-05-10
APPLE-BAY EAST, INC. 1811 Santa Rita Rd. Suite 215 Pleasanton, CA 94566	Richard L. Winders	(FA.A1) 06-14-94	2263 South Shore Center Alameda, CA	
		(FA.A2) 09-27-94	4301 N. 1st Street Livermore, CA	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A3) 01-08-96	24041 Southland Drive Hayward, CA	
		(FA.A4) 12-17-96	2819 Ygnacio Valley Road Walnut Creek, CA	
		(FA.A5) 07-28-97	1369 Fitzgerald Drive Pinole, CA	
		(FA.A6) 08-05-98	2737 Hillcrest Ave. Antioch, CA	
		(FA.A7) 01-06-99	17900 San Ramon Valley Road San Ramon, CA	
		(FA.A8) 03-01-99	39139 Farwell Drive Fremont, CA	
		(FA.A9) 05-02-00	4808 Dublin Blvd. Dublin, CA	
		(FA.A10) 03-27-01	30980 Dyer Street Union City, CA	
APPLE-METRO, INC. 550 Mamaroneck Ave. Harrison, NY 10528	Roy Raeburn Zane Tankel	(DA.C) 12-13-04 Consolidated 06-28-06	NY	27/10-31-07
		(FA.A1) 10-25-94	Staten Island Mall 2655 Richmond Avenue Staten Island, NY	
		(FA.A2) 06-06-95	640 E. Boston Post Road Mamaroneck, NY	
		(FA.A3) 11-07-95	430 New Dorp Lane Staten Island, NY	
		(FA.A4) 04-29-97	185 North Bedford Road Mt. Kisco, NY	
		(FA.A5) 11-18-97	1 Mall Walk West Yonkers, NY	
		(FA.A6) 04-21-98	1451 Richmond Ave. Staten Island, NY	
		(FA.A7) 11-17-98	3127 E. Main St. Mohegan Lake, NY	
		(FA.A8) 04-13-99	221 Route 59 Airmont, NY	
		(FA.A9) 07-27-99	35 LeCount Place New Rochelle, NY	
		(FA.A10) 12-07-99	2276 Bartow Avenue Bronx, NY	
		(FA.A11) 03-21-00	234 W. 42nd Street New York, NY	
		(FA.A12) 06-13-00	18 Saw Mill River Road Hawthorne, NY	
		(FA.A13) 06-27-00	102 N. End Avenue New York, NY	
		(FA.A14) 02-15-01	213-29 26th Avenue Bayside, NY	
		(FA.A15) 02-15-01	61-48 188th Street Fresh Meadows, NY	
		(FA.A16) 05-14-02	2505 Emmons Avenue Brooklyn, NY	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A17) 08-22-02	395 Flatbush Ave. Ext. Brooklyn, NY	
		(FA.A18) 11-26-02	395 Tarrytown Road White Plains, NY	
		(FA.A19) 06-10-03	95-25 Queens Blvd. Queens, NY	
		(FA.A20) 10-13-03	205 West 50th Street New York, NY	
		(FA.A21) 10-29-03	27 Mamaroneck Ave. White Plains, NY	
		(FA.C22) 06-16-04	76 W. 225th Street New York, NY	
		(FA.C23) 08-30-04	90-15 Queens Blvd. Elmhurst, NY	
		(FA.C24) 08-30-05	1360 Fulton St. Brooklyn, NY	
		(FA.C25) 01-30-06	2720 Veteran's Road West Staten Island, NY	

APPLEILLINOIS, L.L.C.
741 Centre View Blvd.
Suite 100
Crestview Hills, KY 41017

J. Timothy Brugh
James P. Borke
Curtis J. Smith

(DA.A) 11-18-98
Amended: 12-02-2000
02-18-05

IL

43/10-31-07

(FA.A1) 11-18-98	354 W. Army Trail Rd. Bloomington, IL
(FA.A2) 11-18-98 CLOSED 01-18-04 (Replacement 08-17-04)	60 Waukegan Road Deerfield, IL 1719 River Oaks Dr. Calumet City, IL
(FA.A3) 11-18-98	999 Elmhurst Road Mt. Prospect, IL
(FA.A4) 11-18-98	880 S. Barrington Rd. Steamwood, IL
(FA.A5) 11-18-98	9380 Joliet Road Hodgkins, IL
(FA.A6) 11-18-98	5690 Northwest Hwy. Crystal Lake, IL
(FA.A7) 11-18-98	4937 W. Cal-Sag Road Crestwood, IL
(FA.A8) 11-18-98	1040 N. Kenzie Bradley, IL

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A9) 11-18-98	2411 Sycamore Road DeKalb, IL	
		(FA.A10) 11-18-98	1296 W. Boughton Rd. Bolingbrook, IL	
		(FA.A11) 11-18-98	125 S. Randall Road Elgin, IL	
		(FA.A12) 11-18-98	2795 Plainfield Road Joliet, IL	

(FA.A13)	11-18-98	1690 S. Randall Road Geneva, IL
(FA.A14)	11-18-98	6447 Grand Avenue Gurnee, IL
(FA.A15)	11-18-98	1700 N. Richmond Rd. McHenry, IL
(FA.A16)	11-18-98	251 N. Randall Rd. Lake in the Hills, IL
(FA.A17)	11-18-98	16200 S. Harlem Ave. Tinley Park, IL
(FA.A18)	11-18-98	17575 Halsted Avenue Homewood, IL
(FA.A19)	11-18-98	741 E. Dundee Palatine, IL
(FA.A20)	11-18-98	400 Town Center Matteson, IL
(FA.A21)	11-18-98	449 S. Route 59 Aurora, IL
(FA.A22)	11-18-98	6656 W. Grand Ave. Chicago, IL
(FA.A23)	11-18-98	418 E. Rollins Rd. Round Lake Beach, IL
(FA.A24)	07-18-00	350 US Route 30 Bypass Montgomery, IL
(FA.A25)	02-14-01	1507 36th Street Peru, IL
(FA.A26)	08-07-01	2015 Sheridan Road Zion, IL
(FA.A27)	11-06-02	1407 W. Lake Street Addison, IL
(FA.A28)	07-26-02	18 S. Roselle Road Schaumburg, IL

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
-----	-----	(FA.A29)	06-30-03	19826 S. LaGrange Road Mokena, IL
		(FA.A30)	08-19-03	472 N. Weber Road Romeoville, IL
		(FA.A31)	11-10-03	2401 W. 95th Street Evergreen Park, IL
		(FA.A32)	04-19-05	12624 S. Route 59 Plainfield, IL
		(FA.A33)	05-10-05	3110 North Route 60 Mundelein, IL
		(FA.A34)	05-02-06	111 East Algonquin Rd. Arlington Heights, IL
		(FA.A35)	05-31-06	7519 South Cicero Chicago, IL
		(FA.A36)	06-20-06	2400 W. Jefferson St. Joliet, IL
		(FA.A37)	10-17-06	4029 W. 167th St. Country Club Hills, IL

APPLEJAM, INC.
P.O. Box 956308

Frank DeAngelo

(DA.A) 08-01-88
Amended: 11-18-91

AL, FL, GA

12/10-01-00

3355 Breckinridge Blvd.
 Suite 126
 Duluth, GA 30096

08-20-93
 03-10-94
 10-12-94
 10-01-96
 11-20-97
 12-02-00
 05-09-05

(FA.A1) 12-01-88 1170 Appalachee Parkway
 Tallahassee, FL

(FA.A2) 02-14-89 1400 Village Square Blvd.
 Tallahassee, FL

(FA.A3) 04-17-90 637 Westover Boulevard
 Albany, GA

(FA.A4) 06-25-91 678 W. 23rd Street
 Panama City, FL

(FA.A5) 12-08-92 3050 Ross Clark Circle, S.W.
 Dothan, AL

(FA.A6) 05-10-94 1301 S. Augustine Road
 Valdosta, GA

(FA.A7) 08-23-94 1005 N.W. 13th Street
 Gainesville, FL

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A8) 05-21-96 CLOSED 06-21-06 (Replacement 06-22-06)	1401 Capital Circle, N.W. Tallahassee, FL 1388 Capital Circle, N.W. Tallahassee, FL	
		(FA.A9) 09-21-98	808 West 7th Street Tifton, GA	
		(FA.A10) 02-09-99	600 N. Tyndall Parkway Callaway, FL	
		(FA.A11) 03-07-99	10071 Middle Beach Road Panama City Beach, FL	
		(FA.A12) 12-14-99	421 East By-Pass NE Moultrie, GA	
		(FA.A13) 05-23-00	414 US Highway 231 South Ozark, AL	
		(FA.A14) 01/21/03	13765 Highway 19 South Thomasville, GA	
		(FA.A15) 11-13-03	3256 Inner Perimeter Rd. Valdosta, GA	
		(DA.B) 01-15-92 Amended: 06-24-93 02-28-95 02-12-96 12-102-00 03-06-03 05-09-05 Amended & Restated 04-12-06	TX	14/10-31-07
		(FA.B1) 07-19-93	5809 Loop 410 Northwest San Antonio, TX	
		(FA.B2) 04-12-94	97 Loop 410 Northeast San Antonio, TX	
		(FA.B3) 09-19-95	995 I-35 New Braunfels, TX	
		(FA.B4) 03-18-97	7880 Interstate Hwy. 35 N. San Antonio, TX	
		(FA.B5) 11-24-97	8224 Fredericksburg San Antonio, TX	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.B6) 08-26-99	1511 S.W. Military Drive San Antonio, TX	
		(FA.B7) 06-06-00	210 Springtown Way San Marcos, TX	
		(FA.B8) 08-07-01	2205 Avenue F, Suite F-16 Del Rio, TX	
		(FA.B9) 09-16-03	1305 N. FM 1604 West San Antonio, TX	
		(FA.B10) 10-13-03	405 Bibb Avenue Eagle Pass, TX	
		(FA.B11) 09-16-03	11605 W. Loop 1604 North San Antonio, TX	
		(FA.B12) 11-15-04	3060 E. Main St. Uvalde, TX	
APPLEMEX, S.A. de C.V. Av. Tecnologico No. 900-A Fracc. El Crucero Cd. Juarez, Chihuahua 32500 Mexico	Tomas Zaragoza Ito Enrique Zaragoza Ito	(FA.A01) 04-10-00	Periferico De La Junentud #5708 Colonia La Cantera Chihuahua 31250, Mexico	
		(FA.A02) 01-24-02	Francisco L. Montejano #1066 Col. Libertad C.P. 21030 Mexicali, Baja California, Mexico	
		(FA.A03) 12-17-03	Blvd. Luis Donald Colosio Murrieta #462 C.P. 83200 Hermosillo, Sonora, Mexico	
		(FA.A04) 05-23-05	Blvd. Rotarismo #2700 Norte Desarrollo Urbano Tres Rios, Culiacan, Sinaloa, Mexico	
		(FA.A05) 10-24-06	Ave. El Greco #45 R-2 Lote 3, Col. El Greco Nogales, Sonora, Mexico	
APPLESEED CORP. 250 North Water, Ste. 300 Wichita, KS 67202	Kansas Finance Co., Inc. David L. Murfin	(FA.A1) 11-01-04	388 Country Hill Blvd., Ste #707 Calgary, Alberta, Canada	
		(FA.B1) 11-01-04	2065 Pembina Highway Winnipeg, Manitoba, Canada	
		(FA.B2) 11-01-04	1150 Grant Avenue Winnipeg, Manitoba, Canada	
		(FA.B3) 11-01-04	1598 Regent Avenue Winnipeg, Manitoba, Canada	
		(FA.B4) 11-01-04	1204 18th Street Brandon, Manitoba, Canada	
APPLESHORE RESTAURANTS INC. 3260 Odessa Drive Tecumseh, Ontario Canada N8N 2M1	Robert B. Troup, Jr. Kenneth S. Troup Brian Moore Paul Moore	(DA.A) 01-10-03	Ontario, CANADA	5/10/01/07
		(FA.A1) 10-06-03	2250 Division Road Windsor, Ontario	
		(FA.A2) 03-22-04	1555 Talbot Road, Unit 204	

			LaSalle, Ontario	
		(FA.A3) 09-13-05	154 Erie North Leamington, Ontario	
		(FA.A4) 09-08-06	1105 Wellington Road, Unit 418 London, Ontario	

APPLETOWN, S.A. 2A Avenida 3-48 Zona 7 Colonia Landivar Guatemala City, Guatemala	Erwin Giovanni Pezzarossi Reyes Erwin Pezzarossi Figueroa	(DA.B) 02-01-06	GUATEMALA	3/11-15-08
		(FA.A1) 10-28-03	2a Avenida 12-55, Zona 10 Guatemala City, Guatemala	

APPLE'S RESTAURANTES DEL ECUADOR, CIA. LTDA. Av. 6, de Diciembre 5978 Casilla 17-17-661 Quito, Ecuador	Abraham Zoldan Pedro Markovits Jose Sperber	(FA.A1) 04-30-03	Avenida Eloy Alfaro No. 10-16 Calle San Salvador Quito, Ecuador	

ARABIAN ENTERTAINMENT COMPANY LIMITED P.O. Box 4384 Jeddah 21491 Kingdom of Saudi Arabia	Saudi Economic & Development Company, Ltd.	(DA.B1) 03-17-05	SAUDI ARABIA	7/11-01-09
		(FA.A1) 01-18-03	Al Andalus Street Jeddah, Saudi Arabia	
		(FA.A2) 08-06-04	Prince Sultan Street Jeddah, Saudi Arabia	
		(FA.B1) 03-17-05	Al Tahleah Street Riyadh, Saudi Arabia	
		(FA.B2) 06-27-06	Corniche Center Al Khobar, Saudi Arabia	

CAFE VENTURES, INC. 6620 McGinnis Ferry Road Suite B, Building 12D Duluth, GA 30097	William F. Palmer	04-11-83 (Employment Agreement)	GA	
		(FA.A1) 10-01-85	475 Franklin Road Marietta, GA	
		(FA.A2) 05-12-86	2095 Pleasant Hill Duluth, GA	
		(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	-----		
		(FA.A3) 07-18-87	11070 Alpharetta Roswell, GA	
		(FA.A4) 05-26-88	5200 Highway 78 Stone Mountain, GA	
		(FA.A5) 07-21-03	4705 Memorial Dr. Decatur, GA	
		(FA.A6) 07-21-03	6649 Roswell Road Atlanta, GA	
		(FA.A7) 07-21-03 CLOSED 01-02-05 (Replacement 01-03-05)	6608 Tara Blvd. Jonesboro, GA 6727 Tara Blvd. Jonesboro, GA	
		(FA.A8) 07-21-03 CLOSED 10-31-05	3140 Johnson's Ferry Marietta, GA	
		(FA.A9) 07-21-03 CLOSED 04/18/06	7190 Jimmy Carter Blvd. Norcross, GA	
		(FA.A10) 07-21-03	2050 Lawrenceville Hwy. Decatur, GA	

(FA.A1) 07-21-03 4353 Lawrenceville Hwy.
Tucker, GA

(FA.A12) 07-21-03 3690 Cascade Road
Atlanta, GA

CALABEE'S, INC.
565 W. Lambert Road
Suite C
Brea, CA 92821-3121

John R. Bifone
John R. Bifone, Jr.

(FA.A1) 08-10-93 674 W. Arrow Highway
San Dimas, CA

(FA.A2) 10-31-94 300 S. California West
Covina, CA

(FA.A3) 09-17-96 502 W. Huntington Drive
Monrovia, CA

(FA.A4) 12-16-96 9241 Monte Vista Avenue
Montclair, CA

(FA.A5) 03-17-03 21625 E. Valley Blvd.
Walnut, CA

(FA.B01) 11-21-03 21 East Main Street
Alhambra, CA

(FA.B02) 04-14-04 5701 N. Rosemead Blvd.
Temple City, CA

(FA.B3) 01-24-05 1493 N. Montebello Blvd., Suite A
Montebello, CA

(1)
DEVELOPER NAME
AND ADDRESS

(2)
PRINCIPALS

(3)
DATE OF
DEVELOPMENT
AGREEMENT OR
FRANCHISE
AGREEMENT

(4)
TERRITORY (all or part
of the states/countries
listed) OR LOCATION

(5)
DEVELOPMENT
SCHEDULE
(total
restaurants/
deadline)

(FA.B4) 08-01-06 5700 E. Florence Avenue
Bell Gardens, CA

CASUAL RESTAURANT
CONCEPTS, INC.
Tampa Bay Marina Center
205 S. Hoover St., #305
Tampa, FL 33609

Franklin W. Carson

(DA.B) 08-11-92
Amended: 05-14-93
11-15-93
02-02-94
08-03-94
02-28-95
03-01-97
07-30-97
12-02-00
05-09-05

FL

29/10-31-07

(FA.A1) 01-23-90 5110 East Bay Drive
Clearwater, FL

(FA.A2) 05-15-90 30180 U.S. Highway 19 N.
Clearwater, FL

(FA.B1) 06-07-93 5779 E. Fowler Avenue
Temple Terrace, FL

(FA.B2) 02-02-94 4301 Cortez Road
Bradenton, FL

(FA.B3) 01-16-95 4700 4th Street, North
St. Petersburg, FL

(FA.B4) 07-03-95 10911 Starkey Road
Largo, FL

(FA.B5) 06-18-96 3255 University Pkwy.
Bradenton, FL

(FA.B6) 06-18-96 3702 W. McKay Avenue, S.
CLOSED 08-23-99 Tampa, FL

(FA.B7) 04-14-97 829 Providence Road
Brandon, FL

(FA.B8) 07-21-97 4835 S. Florida Avenue
Lakeland, FL

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.B9) 09-29-97	1465 McMullen Booth Road Clearwater, FL	
		(FA.B10) 03-16-98	8537 Little Road New Port Richey, FL	
		(FA.B11) 07-20-98	4651 Commercial Way Spring Hill, FL	
		(FA.B12) 10-19-98	15090 N. Dale Mabry Hwy. Carrollwood, FL	
		(FA.B13) 02-15-99	201 Cypress Garden Boulevard Winter Haven, FL	
		(FA.B14) 04-19-99	10606 Sheldon Road Tampa, FL	
		(FA.B15) 12-13-99	4000 Park Boulevard Pinellas Park, FL	
		(FA.B16) 03-27-00	1901 W. Main St. Inverness, FL	
		(FA.B17) 05-15-00	230 Arteva Drive Lakeland, FL	
		(FA.B18) 06-06-00	28422 State Road 54 Wesley Chapel, FL	
		(FA.B19) 09-18-00	7157 State Road 70 Bradenton, FL	
		(FA.B20) 06-18-01	200 N. Suncoast Blvd. Crystal River, FL	
		(FA.B21) 11-09-01	1204 Townsgate Court Plant City, FL	
		(FA.B22) 12-17-01	20090 Cortez Blvd. Brooksville, FL	
		(FA.B23) 02-03-03	5908 18th Street East Ellenton, FL	
		(FA.B24) 06-30-03	4638 SR 64 East Bradenton, FL	
		(FA.B25) 12-15-03	4016 Tampa Road Oldsmar, FL	
		(FA.B26) 07-12-04	3920 W. Hillsborough Ave. Tampa, FL	
		(FA.B27) 02-01-05	1905 State Road 60 East Valrico, FL	
		(FA.B28) 12-11-06	10243 Big Bend Riverview, FL	
C.J.K. ASSOCIATES, LLC 633 E. Victor Road, Suite E Lodi, CA 95240	Michael Pettit David Knox Todd Knox	(DA.A) 08-01-98 Amended: 12-02-00 08-30-04 02-23-06	CA	21/10-31-07
		(FA.A1) 12-19-94 CLOSED 11-04-98	311 Lake Merced Daly City, CA	
		(FA.A2) 03-15-94	1041 Admiral Callaghan Lane Vallejo, CA	
		(FA.A3) 07-26-94	9105 E. Stockton Boulevard Elk Grove, CA	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	SCHEDULE (total restaurants/ deadline)
		(FA.A4) 11-08-94	2170 Golden Centre Lane Gold River, CA	
		(FA.A5) 04-04-95	160 Nut Tree Parkway Vacaville, CA	
		(FA.A6) 10-02-95	2442 N. Kettleman Lane Lodi, CA	
		(FA.A7) 08-18-97	6700 Stanford Ranch Road Roseville, CA	
		(FA.A8) 12-08-97	2659 W. March Lane Stockton, CA	
		(FA.A9) 08-24-98	400 Iron Point Road Folsom, CA	
		(FA.A10) 11-16-98	3601 Truxel Sacramento, CA	
		(FA.A11) 11-09-99	2024 Arden Way Sacramento, CA	
		(FA.A12) 12-11-00	1350 Travis Road Fairfield, CA	
		(FA.A13) 03-05-01	2500 Bell Road Auburn, CA	
		(FA.A14) 11-01-01	1000 Tharp Road Yuba City, CA	
		(FA.A15) 07-01-02	1715 Research Drive Davis, CA	
		(FA.A16) 11-13-02	1790 E. Main Street Woodland, CA	
		(FA.A17) 07-12-04	8620 Sierra College Blvd. Roseville, CA	
		(FA.A18) 08-17-04	3281 Coach Lane Cameron Park, CA	
		(FA.A19) 09-14-04	5113 Business Center Drive Fairfield, CA	
		(FA.A20) 12-16-05	925 S. Highway 65 Lincoln, CA	

COMERCIAL E INDUSTRIAL COIN, S.A. de C.V. Luis Rodriguez Velasco No. 4712 of-2 Santiago, Chile	Eduardo E. Kraizel Pedro C. Strauss Jorge A. Steiner Pier A. Zaccaria	(DA.A) 04-12-04 (FA.A) 04-12-04	CHILE Av. Las Condes 12.340, Loc. 11, Vitacura Santiago, Chile	6/3-31-10
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(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
CONCORD HOSPITALITY, INC. 1701 Windhoek Drive P.O. Box 6212 Lincoln, NE 68516	Lawrence S. Bird	(DA.A) 07-01-91 Amended: 07-05-91 11-27-94 01-31-95 09-01-95 09-01-97 12-02-00 12-03-01 06-02-03	KS, MO, NE	13/10-31-06
		(FA.A1) 04-07-92	100 Manhattan Town Center 3rd & Poyntz, Suite P-5 Manhattan, KS	

(FA.A2) 06-03-92 5928 S.W. 17th Street
Topeka, KS

(FA.A3) 04-20-93 3730 Village Drive
Lincoln, NE

(FA.A4) 08-09-94 4004 Frederick Boulevard
St. Joseph, MO

(FA.A5) 08-15-95 102 Platte Oasis Parkway
North Platte, NE

(FA.A6) 07-30-96 6100 O Street
Lincoln, NE

(FA.A7) 09-22-98 2901 Eaglecrest Dr.
Emporia, KS

(FA.A8) 08-02-99 3951 North 27th
Lincoln, NE

(FA.A9) 12-14-99 721 Diers Avenue
Grand Island, NE

(FA.A10) 06-20-00 1133 Q Street
Lincoln, NE

(FA.A11) 03-26-01 4619 S. Lincoln Ave.
York, NE

(FA.A12) 07-01-02 5605 2nd Avenue
Kearney, NE

(FA.A13) 12-17-02 328 East 23rd Street
Columbus, NE

(FA.A14) 11-18-03 2919 S. Main St.
Maryville, MO

(DA.B) 09-07-93 OK, TX 11/10-31-07
Amended: 09-01-94
11-27-94
11-29-95
09-30-96
10-01-96

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		12-02-00		
		12-03-01		
		01-21-03		
		06-02-03		
		12-01-03		
		10-19-04		
		(FA.B1) 04-22-94	2714 Soncy Road Amarillo, TX	
		(FA.B2) 05-27-94	4025 S. Loop 289 Lubbock, TX	
		(FA.B3) 10-16-95	2911 Kemp Boulevard Wichita Falls, TX	
		(FA.B4) 09-16-96	6211 N.W Cache Road Lawton, OK	
		(FA.B5) 11-10-98	2680 W. Broadway Ardmore, OK	
		(FA.B6) 08-31-04	5630 W. Amarillo Blvd. Amarillo, TX	
		(FA.B7) 10-11-04	6501 4th Street Lubbock, TX	
		(FA.B8) 09-23-05	3501 North Main St. Altus, OK	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.B9) 03-13-06	1220 N. Mississippi Ave. Ada, OK	
		(DA.C) 10-25-95 Amended: 07-01-97 12-02-00 12-03-01 06-02-03	NE, WY	4/10-31-04
		(FA.C1) 08-03-94	2621 5th Avenue Scottsbluff, NE	
		(FA.C2) 10-22-96	3209 Grand Avenue Laramie, WY	
		(FA.C3) 08-16-99	359 Miracle Evansville, WY	
		(FA.C4) 07-10-01	1927 Cliff Davis Drive Gillette, WY	
		(FA.C5) 06-14-04	2491 Foothill Blvd. Rock Springs, WY	
		(FA.D1) 04-30-85	5760 Airport Boulevard Mobile, AL	
		(FA.D2) 03-31-86	5091 Bayou Boulevard Pensacola, FL	
		(FA.D3) 08-15-88 CLOSED 03-06-05	330 Mary Esther Cutoff Mary Esther, FL	
		(FA.D4) 01-24-91	8670 Hwy. 98 West Destin, FL	
		(FA.D5) 12-06-93	4940 Government Boulevard Mobile, AL	
		(FA.D6) 07-10-95	165 E. Nine Mile Road Pensacola, FL	
		(FA.D7) 11-15-99	2409 S. McKenzie Street Foley, AL 36535	
		(FA.D8) 11-06-00	1601 Bienville Blvd. Ocean Springs, MS	
		(FA.D9) 11-13-00	215 Raspberry Road Crestview, FL	
		(FA.E1) 06-02-03	514 E. Expressway 83 McAllen, TX	
		(FA.E2) 06-02-03	4601 N. 10th Street N. McAllen, TX	
		(FA.E3) 06-02-03	7601 San Dario Ave. Laredo, TX	
		(FA.E4) 06-02-03	1519 W. Harrison Harlingen, TX	
		(FA.E5) 06-02-03	6691 S. Padre Island Drive Corpus Christi, TX	
		(FA.E6) 06-08-06	1913 W. Trenton Road Edinburg, TX	
DELAWARE NORTH COMPANIES TRAVEL HOSPITALITY SERVICES, INC. 40 Fountain Plaza Buffalo, NY 14202		(FA.A1) 08-07-98	2500 Airport Drive Ontario, CA	
		(FA.A2) 12-14-05	Richmond International Airport Richmond, VA	

DELAWARE VALLEY
 ROSE, L.P.
 826 Newtown Yardley Rd.
 Suite 200
 Newtown, PA 18940

Harold T. Rose

(FA.A1) 12-13-99 Catasaqua Road & Route 22
 Bethlehem, PA

(FA.A2) 12-13-99 470 West Lincoln Highway
 Exton, PA

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A3) 12-13-99	9142 Roosevelt Blvd. Philadelphia, PA	
		(FA.A4) 12-13-99	1905 Ridgewood Wyomissing, PA	
		(FA.A5) 12-13-99	1063 East Street Road Upper Southampton, PA	
		(FA.A6) 12-13-99	555 S. Trooper Road Norristown, PA	
		(FA.A7) 12-13-99	323 Old York Road Jenkintown, PA	
		(FA.A8) 12-13-99	2700 DeKalb Pike East Norriton, PA	
		(FA.A9) 12-13-99	145 Northwest End Boulevard Quakertown, PA	
		(FA.A10) 12-13-99	7650 City Line Philadelphia, PA	
		(FA.A11) 12-13-99	2333 W. Main Street Lansdale, PA	
		(FA.A12) 12-13-99	833 N. State Street Pottstown, PA	
		(FA.A13) 11-09-00	3219 Street Road Bensalem, PA	
		(FA.A14) 12-12-00	1281 Knapp Road North Wales, PA	
		(FA.A15) 05-22-01	7150 Hamilton Blvd. Trexlerstown, PA	
		(FA.A16) 10-16-01	815 E. Baltimore Pike Building 3 Kennett Square, PA	
		(FA.A17) 06-12-02	320 MacDade Boulevard Folsom, PA	
		(FA.A18) 10-11-02	1510 Cedar Crest Blvd. Allentown, PA	
		(FA.A19) 06-30-03	3702 Easton-Nazareth Hwy. Easton, PA	
		(FA.A20) 06-28-04	70 Buckwalter Road Limerick, PA	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
DINE-IN, S.A.L. El Kallassi Trading Co. Bldg. Kallassi Center Mar Georges Street Awkar, Lebanon	Groupka Holding Co. Bechara El Kallassi Jean El Kallassi Yaacoub El Kallassi Paul El Kallassi	(DA.A) 06-03-05	LEBANON	2/06-28-07
		(FA.A1) 06-03-05	Dbayeh Highway Dbayeh, Lebanon	

EHI REALTY, INC.
 7 Pearl Court
 Allendale, NJ 07401

Edward W. Doherty
 William A. Johnson

(DA.A) 08-30-91
 Amended: 12-10-92
 07-31-93
 08-03-94
 07-01-97
 12-02-00
 10-25-04

NJ

26/10-31-07

- (FA.A1) 10-26-93 1282 Centennial Avenue
Piscataway, NJ
- (FA.A2) 12-07-93 14 Park Road
Tinton Falls, NJ
- (FA.A3) 11-09-94 Fashion Center Mall
17 North & Ridgewood East
Paramus, NJ
- (FA.A4) 06-13-95 1599 Route 22, West
Watchung, NJ
- (FA.A5) 11-21-95 52 Brick Plaza
Brick, NJ
- (FA.A6) 04-16-96 465 Rt. 46 West
Totowa, NJ
- (FA.A7) 11-12-96 251 Woodbridge Ctr. Drive
Woodbridge, NJ
- (FA.A8) 08-19-97 112 Eisenhower Parkway
Livingston, NJ
- (FA.A9) 08-09-96 1057 Route 46 East
Parsippany, NJ
- (FA.A10) 02-16-99 Ocean County Mall
1201 Hooper Avenue
Toms River, NJ
- (FA.A11) 04-14-99 375 Route 3 East
Clifton, NJ
- (FA.A12) 06-29-99 Manalapan Epicentre
Route 9 & Symmes Road
Manalapan, NJ
- (FA.A13) 08-27-99 640 Promenade Blvd.
Bridgewater, NJ

(1)
 DEVELOPER NAME
 AND ADDRESS

(2)
 PRINCIPALS

(3)
 DATE OF
 DEVELOPMENT
 AGREEMENT OR
 FRANCHISE
 AGREEMENT

(4)
 TERRITORY (all or part
 of the states/countries
 listed) OR LOCATION

(5)
 DEVELOPMENT
 SCHEDULE
 (total
 restaurants/
 deadline)

- (FA.A14) 11-16-99 1045 Rt. 1 South
Edison, NJ
- (FA.A15) 02-13-01 324 Ryders Lane
Milltown, NJ
- (FA.A16) 05-03-01 671 West Edger Road
Linden, NJ
- (FA.A17) 06-27-01 205 Route 72 West
Manahawkin, NJ
- (FA.A18) 11-01-01 4721 U.S. Highway 9 North
Howell, NJ
- (FA.A19) 03-25-02 2007 Highway 35
Wall, NJ
- (FA.A20) 06-18-02 2301 Route 66
Ocean, NJ
- (FA.A21) 12-17-02 315 S.R. 206, Unit 300
Hillsborough, NJ
- (FA.A22) 03-11-03 1183 Route 35
Middletown, NJ

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A23) 07-21-04	1721 Morris Avenue Union, NJ	
		(FA.A24) 09-14-04	1200 Route 23 North Butler, NJ	
		(FA.A25) 06-27-05	225 Mountain Ave. Hackettstown, NJ	
		(FA.A26) 09-20-05	240 Rt. 10 & Murray Ave. East Hanover, NJ	
		(FA.A27) 10-25-05	175 Passaic Avenue Kearny, NJ	
		(FA.A28) 11-01-05	450 Hackensack Ave. Hackensack, NJ	
		(FA.A29) 01-06-06	965 Jefferson Avenue Union, NJ	
		(FA.A30) 04-04-06	Hudson Mall 701 Rt. 440 South Jersey City, NJ	
		(FA.A31) 07-21-06	50 International Drive South Flanders, NJ	
		(FA.A32) 07-21-06	383 Springfield Ave. Newark, NJ	
		(DA.B) 11-06-96 Amended: 10-25-04	NJ	3/08-31-06
		(FA.B1) 04-30-02	244 Highway 202 Flemington, NJ	
		(FA.B2) 09-25-02	1323 Route 22 Phillipsburg, NJ	
		(FA.B3) 01-20-06	6 North Park Drive Newton, NJ	
EL APPLE I, LTD. 5835 Onix, Suite 300 El Paso, TX 79912	John M. Verlander James J. Gore	(DA.B) 12-14-04	NM, TX	11/10-31-07
		(FA.A1) 05-27-94	5800 N. Mesa El Paso, TX	
		(FA.A2) 03-13-95	1766 Airway Boulevard El Paso, TX	
		(FA.A3) 11-01-95	7956 Gateway East El Paso, TX	
		(FA.A4) 06-27-96	2501 E. Lohman Las Cruces, NM	
		(FA.A5) 08-29-96	4700 Woodrow Bean El Paso, TX	
		(FA.A6) 03-25-97	1985 George Dieter El Paso, TX	
		(FA.A7) 12-31-97	4333 Sherwood Way San Angelo, TX	
		(FA.A8) 12-01-03	440 E. Redd Road El Paso, TX	
		(FA.B1) 12-14-04	1601 Hickory Loop Las Cruces, NM	
FLORIDA APPLE EAST, L.L.C.	Laura G. Carr William Georgas	(DA.B) 05-10-04 Amended: 04-17-06	FL	13/10-31-07

250 S. Australian Ave.
Suite 1110
West Palm Beach, FL 33401

Gregory Georgas

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A1) 08-03-98	10501 S. U.S. Highway 1 Port St. Lucie, FL	
		(FA.A2) 08-03-98	6775 W. Indiantown Road Jupiter, FL	
		(FA.A3) 08-03-98	6706 Forrest Hill Boulevard Green Acres, FL	
		(FA.A4) 08-03-98	4890 Okeechobee Road Ft. Pierce, FL	
		(FA.A5) 08-03-98	1975 Military Trail W. Palm Beach, FL	
		(FA.A6) 08-03-98	3373 S.E. Federal Highway Stuart, FL	
		(FA.A7) 08-03-98	5335 20th Street Vero Beach, FL	
		(FA.A8) 08-03-98	1720 S. Federal Highway Delray Beach, FL	
		(FA.A9) 08-03-98	100 U.S. Highway 441 Royal Palm Beach, FL	
		(FA.A10) 08-03-98	3167 N. Lake Blvd. Lake Park, FL	
		(FA.A11) 08-03-98 (Replacement 03/14/02)	1570 Boynton Beach Blvd. Boynton Beach, FL	
		(FA.A12) 05-14-01	15058 Jog Road Delray Beach, FL	
FLORIDA APPLE NORTH, L.L.C. 250 S. Australian Ave. Suite 1110 West Palm Beach, FL 33401	Laura G. Carr William Georgas Gregory Georgas	(DA.B) 05-10-04 Amended: 05-10-05 04-17-06	FL, GA	20/10-31-07
		(FA.A1) 08-03-98	10502 San Jose Boulevard Jacksonville, FL	
		(FA.A2) 08-03-98 CLOSED 01-01-03 (Replacement 01-17-05)	492 Blanding Boulevard Orange Park, FL 8635 Blanding Boulevard Jacksonville, FL	
		(FA.A3) 08-03-98	4194 S. 3rd Street Jacksonville Beach, FL	
		(FA.A4) 08-03-98	9498 Atlantic Boulevard Jacksonville, FL	
		(FA.A5) 08-03-98 CLOSED 07/15/04	9485 Bay Meadows Road Jacksonville, FL	
		(FA.A6) 08-03-98	225 State Road 312 St. Augustine, FL	
		(FA.A7) 08-03-98	177 Altama Connector Brunswick, GA	
		(FA.A8) 08-03-98	1901 Memorial Drive Waycross, GA	
		(FA.A9) 08-03-98	574 Busch Drive Jacksonville, FL	
(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)

(FA.A10)	08-03-98	113 The Lake Boulevard Kingsland, GA
(FA.A11)	08-03-98	Route 17, Box 2219 Lake City, FL
(FA.A12)	08-03-98	6251 103rd Street Jacksonville, FL
(FA.A13)	08-03-98	13201 Atlantic Blvd. Jacksonville, FL
(FA.A14)	08-03-98	5055 J. Turner Butler Blvd. Jacksonville, FL
(FA.A15)	08-27-01	843 Lane Avenue South Jacksonville, FL
(FA.A16)	10-24-03	2006 S. 8th Street Fernandina Beach, FL
(FA.A17)	12-05-05	1627 Racetrack Rd. Jacksonville, FL
(FA.A18)	01-06-06	1803 East-West Parkway Orange Park, FL
(FA.A19)	07-10-06	14560 St. Augustine Rd. Jacksonville, FL
(FA.A20)	10-17-06 [Opens in 2007]	4570 Town Center Parkway St. John's Center Jacksonville, FL

FLORIDA APPLE
WEST, L.L.C.
250 S. Australian Ave.
Suite 1110
West Palm Beach, FL 33401

Laura G. Carr
William Georgas
Gregory Georgas

(DA.B) 05-10-04
Amended: 05-10-05
04-17-06

FL

16/10-31-07

(FA.A1)	08-03-98	13550 S. Tamiami Trail Ft. Myers, FL
(FA.A2)	08-03-98 (Replacement 03/25/02)	5490 Clark Road Sarasota, FL
(FA.A3)	08-03-98	15151 N. Cleveland Avenue N. Ft. Myers, FL
(FA.A4)	08-03-98	20 Electric Drive Sarasota, FL
(FA.A5)	08-03-98	4329 S. Tamiami Trail Venice, FL
(FA.A6)	08-03-98	5082 Airport Pulling Rd., N. Naples, FL
(FA.A7)	08-03-98	19010 Murdock Circle Port Charlotte, FL

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AGREEMENT

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(5)
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SCHEDULE
(total
restaurants/
deadline)

(FA.A8)	08-03-98	2228 Del Prado Blvd. South Cape Coral, FL
(FA.A9)	08-03-98	26801 S. Tamiami Trail Bonita Springs, FL
(FA.A10)	08-03-98	1991 Main Street Sarasota, FL
(FA.A11)	11-01-01	10750 Tamiami Trail Naples, FL
(FA.A12)	03-22-05	8043 Dani Drive Ft. Myers, FL
(FA.A13)	01-10-05	10391 Corkscrew Commons Dr. Estero, FL

FOODVEST COMPANY,
W.L.L.
Al Jassim Group
P.O. Box 790
Doha, Qatar

Sheikh Khalid Jassim Al-Thani
Sheikh Abdulaziz bin Jassim
Al-Thani
Sheikh Mohamed bin Faisal
Al-Thani

(FA.A1) 05-11-01 Suhaim Bin Hamad Street
Doha, Qatar

(FA.A2) 09-14-04 City Center Mall
Doha, Qatar

GENERAL TRADING
AND FOOD PROCESSING
COMPANY
P.O. Box 20202
Manama, Bahrain

Ebrahim Zainal, Chairman

(FA.A1) 06-07-01 Bahrain Mall, Building #184
Street 28, Block 410, Unit #1
Sanabes Area, Manama, Bahrain

GOLDEN WEST
RESTAURANTS, INC.
10621 Calle Lee, Suite 141
Los Alamitos, CA 90720

Anand D. Gala

(FA.A1) 06-23-92 Fig Garden Village
5126 N. Palm Avenue
Fresno, CA

(FA.A2) 08-31-93 98 Shaw Avenue
Clovis, CA

(FA.A3) 12-12-94 1665 W. Lacey Boulevard
Hanford, CA

(FA.A4) 06-20-95 7007 N. Cedar
Fresno, CA

(FA.A5) 03-05-96 3604 West Shaw
Fresno, CA

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A6) 06-10-97	5325 Avenida De Los Robles Visalia, CA	
		(FA.A7) 08-12-97	9000 Ming Avenue, Suite M Bakersfield, CA	
		(FA.A8) 12-07-05	3400 S. Mooney Visalia, CA	

GRUPO PROALIMEX,
S.A. de C.V.
Ave. Sendero Sur #3000
Esq. Con Marquez De La Colina
Col. Valle Del Marquez, Monterrey
Nuevo Leon 64790 Mexico

Ricardo Garza Rodriguez

(DA.A) 06-28-06 States of Nuevo Leon; Coahuila; 18/11-01-11
Tamaulipas; Queretaro, Guanajuato,
Aguascalientes and San Luis Potosi
MEXICO

(FA.A1) 08-04-98 Vasconcelos #158
Santa Engracia Ote.
Garza Garcia, Nuevo Leon, Mexico

(FA.A2) 10-11-99 Ave. Eugenio Garza Sada #3680-A/
Col. Contry
Monterrey, Nuevo Leon, Mexico

(FA.A3) 01-31-00 Blvd. Independencia 1101 Oriente
Colonia San Isidro, Plaza San Isidro
Torreon, Coahuila, Mexico

(FA.A4) 10-24-00 Reforma #4400 Col Mexico
Nuevo Laredo, Tamaulipas, Mexico

(FA.A5) 12-04-00 Periferico Luis Echeverria #851 Esq.
Con M. Avasolo YS Mojado
Colonia Republica Nte.
Saltillo, Coahuila, Mexico

(FA.A6) 12-18-00 Blvd. Morelos #185-1
Col Ampliacion Rodriguez

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
			Reynosa, Tamaulipas, Mexico	
		(FA.A7) 08-06-01	Av. Independencia #2351 Fracc. Jardines de la Concepcion Aguascalientes, Aguascalientes, Mexico	
		(FA.A8) 08-06-01	Ave. Jose Eleuterio Gonzalez #445 Monterrey, Nuevo Leon, Mexico	
		(FA.A9) 12-17-01	Prolongacion Madero 4401-1 Colonia Parque Regiomantano Monterrey, Nuevo Leon, Mexico	
		(FA.A10) 09-27-02	Blvd. Tamaulipas #3262 Fraccionamineto Villa Real Subancla 1 C.P. 87027, Tamaulipas, Mexico	
		(FA.A11) 09-06-04	Avenida Manuel Barragan Esq. Ave. Almazan, Col. Residencial Anahuac San Nicolas de los Garza, Nuevo Leon, Mexico	
		(FA.A12) 06-30-05	Ave. Hacienda Peneulas No. 6769 Residencial Cumbres Monterrey, N.L., Mexico	
		(FA.A13) 06-28-06	En Prolongacion Ave. Hidalgo 5820 Local - 2 Col. Lomas de Chairrel Tampico, Tamaulipas, Mexico	
HEARTLAND APPLE, INC. 1303 Ben Sawyer Blvd, #10 Mt. Pleasant, SC 29464	Kevin P. Allardice Marianne B. Allardice Andrew C. Robertson	(DA.A) 03-14-02 Amended: 07-10-02 05-31-06	IA, IL, MO	15/10-31-07
		(FA.A1) 11-02-92	3335 Veterans Parkway Springfield, IL	
		(FA.A2) 08-16-93	1966 N. Henderson Street Galesburg, IL	
		(FA.A3) 08-29-94 CLOSED 08-27-04 (Replacement 12-13-04)	405 N. Main E. Peoria, IL 900 Riverside Drive E. Peoria, IL	
		(FA.A4) 10-17-94	1275 S. Route 51 Forsyth, IL	
		(FA.A5) 11-07-94	502 N. Veterans Parkway Bloomington, IL	
		(FA.A6) 08-28-95	116 S. Roosevelt Burlington, IA	
		(FA.A7) 02-26-96	3827 Broadway Quincy, IL	
		(FA.A8) 06-09-97 CLOSED 04/16/04 (Replacement 09-12-06)	3540 Vermilion Street Danville, IL 1201 N. Dunlap Avenue Savoy, IL	
		(FA.A9) 10-27-97	3540 Court Street Pekin, IL	
		(FA.A10) 08-10-98	2121 N. Prospect Champaign, IL	
		(FA.A11) 06-15-98	6844 N. War Memorial Peoria, IL	
		(FA.A12) 03-22-04	2554 Sunrise Drive Springfield, IL	
		(FA.A13) 12-12-06	1721 W. Morton Ave. Jacksonville, IL	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
J.S. VENTURES, INC. 2400 N. Woodlawn Suite 140 Wichita, KS 67220	James H. Stevens	(DA.A) 10-10-92 Amended: 05-14-93 10-20-93 02-28-95 01-01-97 12-02-00 10-14-04 04-24-06	IA, KS, MO, NE	24/10-31-07
		(FA.A1) 08-07-89	6730 W. Central Wichita, KS	
		(FA.A2) 01-15-91	2035 N. Rock Road, Ste. 101 Wichita, KS	
		(FA.A3) 09-22-92	3350 S. 143rd Place Omaha, NE	
		(FA.A4) 12-14-93	2875 S. 9th Salina, KS	
		(FA.A5) 07-05-94	4760 S. Broadway Wichita, KS	
		(FA.A6) 11-08-94	7450 W. Dodge Street Omaha, NE	
		(FA.A7) 02-28-95	1609 E. 17th Street Hutchinson, KS	
		(FA.A8) 06-04-96	13208 W. Maple Road Omaha, NE	
		(FA.A9) 01-21-97	4101 N. Vine Hays, KS	
		(FA.A10) 08-11-97	1202 N. Washington Omaha, NE	
		(FA.A11) 10-20-98	601 Manchester Lane Newton, KS	
		(FA.A12) 01-19-99	3000 Dial Drive Council Bluffs, IA	
		(FA.A13) 04-20-99	436 S. Andover Road Andover, KS	
		(FA.A14) 10-12-99	3209 10th Street Great Bend, KS	
		(FA.A15) 01-17-00	2280 E. Kansas Ave. McPherson, KS	
		(FA.A16) 11-07-00	3030 E. Kansas Garden City, KS	
		(FA.A17) 07-17-01	10402 S. 15th Street Bellevue, NE	
(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A18) 10-09-01	2829 S. 181st Street Omaha, NE	
		(FA.A19) 08-05-02	406 W. Wyatt Earp Blvd. Dodge City, KS	
		(FA.A20) 12-19-02	3420 E. Elk Lane Fremont, NE	
		(FA.A21) 11-18-03	996 E. Connolly Court Park City, KS	

		(FA.A22)	07-27-04	1245 N. Rock Road Derby, KS	
		(FA.A23)	11-15-04	10728 W. 21st St. North Wichita, KS	
		(FA.A24)	08-29-05	2611 N. Kansas Ave. Liberal, KS	
		(FA.A25)	10-26-06	6222 N. 72nd St. Omaha, NE	

JORDAN AMERICAN FOOD COMPANY LTD. P.O. Box 940489 Amman 11194 Jordan	Khaled Dahleh Marwan Dahleh Haytham Dahleh	(DA.A)	11-08-04	JORDAN	3/09-01-09
		(FA.A01)	11-08-04	Mecca Street Amman, Jordan	

KERRIO CORPORATION 7280 Lundy's Lane Niagara Falls, Ontario L2G 1W7 Canada	Vincent Kerrio	(FA.A1)	07-11-00	6546 Buchanan Avenue Niagara Falls, Ontario	
		(FA.A2)	06-24-03	5657 Victoria Avenue Niagara Falls, Ontario	

KEYSTONE APPLE, INC. 1205 Manor Drive, Suite 201 P.O. Box 2055 Harrisburg, PA	Stephen H. Davenport	(DA.B)	08-19-04 Amended: 02-09-05	PA	9/10-31-07
		(FA.A1)	05-04-94	4401 Jonestown Road Harrisburg, PA	
		(FA.A2)	05-16-95	1181 Mae Street Hummelstown, PA	
		(FA.A3)	06-17-97	2321 Lincoln Highway Lancaster, PA	
		(FA.A4)	08-19-97	6055 Carlisle Pike Mechanicsburg, PA	
		(FA.A5)	05/22/02	101 Northern Way York, PA	
		(3)		(4)	(5)
(1)	(2)	(3)		(4)	(5)
DEVELOPER NAME AND ADDRESS	PRINCIPALS	DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT		TERRITORY (all or part of the states/countries listed) OR LOCATION	DEVELOPMENT SCHEDULE (total restaurants/ deadline)

		(FA.A6)	11-12-02	260 Noble Blvd. Carlisle, PA	
		(FA.B7)	07-20-05	3501 Paxton Street Harrisburg, PA	
		(FA.B8)	10-31-05	320 E. Main St. Ephrata, PA	

MACFRAN, S.A. de C.V. 205B Cofre de Perote Mexico City 11000 Mexico	Mariano Franco Maria F. Franco Rodrigo Franco Elmer F. Franco	(DA.B)	10-25-06	States of Guerrero, Mexico, Morelos and Federal District, MEXICO	7/11-20-08
		(FA.A1)	03-11-04	Galerias Diana local 15 Costera Miguel Aleman No. 1926 esq. Vicente Yanez Col. Magallanes Acapulco, Guerrero, Mexico	
		(FA.A2)	12-19-05	Delta Mall Av. Cuauhtemoc No. 462 Col. Navarte Delg. Benito Juarez Mexico City, Mexico	
		(FA.B3)	12-23-06	Colector Trece #280, Plaza Parque Lindavista Local R11, Col. Lindavista, Deagacion Gustavo A. Madero Mexico City, Mexico	

MILLER APPLE
LIMITED
PARTNERSHIP
G-4488 Bristol Road
Flint, MI 48507

William M. Wentworth
Elizabeth Wentworth

(DA.B) 07-27-01
Amended: 05-29-03
01-13-05

MI, WI

19/10-31-07

(FA.A1) 11-16-93 3129 Miller Road
Flint, MI

(FA.A2) 12-15-94 2260 Tittabawassee
Saginaw, MI

(FA.A3) 11-28-95 4135 N. Court Street
Burton, MI

(FA.A4) 06-04-96 2384 U.S. 31 South
Traverse City, MI

(FA.A5) 07-01-97 3500 Wilder
Bay City, MI

(FA.A6) 10-28-97 8800 Main Street
Birch Run, MI

(FA.A7) 07-19-99 1400 East Hill
Grand Blanc, MI

(FA.A8) 12-20-99 5940 State Street
Saginaw, MI

(1)
DEVELOPER NAME
AND ADDRESS

(2)
PRINCIPALS

(3)
DATE OF
DEVELOPMENT
AGREEMENT OR
FRANCHISE
AGREEMENT

(4)
TERRITORY (all or part
of the states/countries
listed) OR LOCATION

(5)
DEVELOPMENT
SCHEDULE
(total
restaurants/
deadline)

(FA.A9) 06-26-00 4929 East Pickard Road
Mt. Pleasant, MI

(FA.A10) 09-18-00 6911 Eastman
Midland, MI

(FA.A11) 11-09-00 18115 Silver Parkway
Fenton, MI

(FA.B1) 11-19-01 2902 U.S. Highway 41 West
Marquette, MI

(FA.B2) 06-17-02 1468 M-32 West
Alpena, MI

(FA.B3) 10-01-02 1930 US 131 South
Petoskey, MI

(FA.B4) 09-02-04 1379 West Main
Gaylord, MI

(FA.B5) 10-11-04 2992 Cook Road
West Branch, MI

(FA.B6) 07-28-05 2437 East Main
Corunna, MI

(FA.B7) 10-24-05 4478 I-75 Business Loop
Sault St. Marie, MI

(FA.B8) 06-14-06 2131 W. Houghton Lake Dr., Suite 2
Prudenville (Houghton Lake), MI

(FA.B9) 07-28-06 980 Razorback Drive
Houghton, MI

(FA.B10) 10-26-06 10040 Lapeer Rd.
Davison, MI

MILOMEL
HELLAS, S.A.
22 Isiodou Street
P.C. 10674 Athens, Greece

Maria Tzannes

(DA.B) 10-23-05
Amended: 03-31-06

GREECE

11/10-31-11

(FA.A1) 10-27-96 11th Kilometer National Rd.
Thessaloniki National Airport
Thessaloniki, Greece

(FA.A2) 03-21-00 12 Lazaraki Street
Glyfada, Greece

(FA.A3) 02-25-02 24 Fokionos Negri Street
 Athens, Greece
 CLOSED 08-27-06
 (Replacement 10-30-06) 91 Hermou Street
 Monastiraki
 Athens, Greece

(FA.A4) 04-15-02 190 Alexandras Avenue
 Athens, Greece

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A5) 10-31-02	8 Filadelpheos Street Athens, Greece	
		(FA.A6) 06-28-04	45 Nikis Avenue Thessaloniki, Greece	
		(FA.A7) 03-31-06	Kosmopolis Center 5 Dionysou Street & Pournara Marousi, Athens, Greece	
		(FA.A8) 09-20-06	42 Ag. Ioannou Street Agia Paraskevi Athens, Greece	

NEIGHBORHOOD HOSPITALITY, LLC 601 Main Street Suite 102 Hazard, KY 41701	Theresa Johnson L. Martin Johnson	(DA.A) 02-19-99 Amended: 12-02-00 08-18-04	WV, OH, KY, PA	20/10-31-07
		(FA.A1) 02-19-99	19 Mall Road Barboursville, WV	
		(FA.A2) 02-19-99	389 S. John Scott Avenue Steubenville, OH	
		(FA.A3) 02-19-99	3 Dudley Farms Lane Charleston, WV	
		(FA.A4) 02-19-99	50655 Valley Frontage Road St. Clairsville, OH	
		(FA.A5) 02-19-99	802 Grand Central Avenue Vienna, WV	
		(FA.A6) 02-19-99	100 Hylton Lane Beckley, WV	
		(FA.A7) 02-19-99	60 Liberty Square Hurricane, WV	
		(FA.A8) 02-19-99	123 Meadowfield Lane Princeton, WV	
		(FA.A9) 02-19-99	1135 Third Avenue Huntington, WV	
		(FA.A10) 02-19-99	531 Emily Drive Clarksburg, WV	
		(FA.A11) 02-19-99	482 Pike Street Marietta, OH	
		(FA.A12) 02-19-99	202 Kanawha Mall Charleston, WV	
		(FA.A13) 02-19-99	505 Armco Road Ashland, KY	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A14) 12-18-00	172 Cassidy Boulevard Pikeville, KY	
		(FA.A15) 04-02-01	200 Piercy Drive	

				Lewisburg, WV	
		(FA.A16)	07-30-01	302 Merchants Walk Summersville, WV	
		(FA.A17)	11-05-01	30 Morton Boulevard Hazard, KY	
		(FA.A18)	02-01-05	516 Commerce Drive Bluefield, VA	
		(FA.A19)	01-20-06	789 Beverly Pike Elkins, WV	
		(FA.A20)	12-04-06	555 E. State St. Athens, OH	
		(DA.B)	11-01-00	OH	1/12-31-01
		(FA.B1)	05-20-02	3181 Maple Avenue Zanesville, OH	

NORTHERN APPLE RESTAURANTS INC. 10114 175th Street Edmonton, Alberta T5S1L1 Canada	Bill Hanson Sam Wong	(DA.A)	04-18-05	Alberta, CANADA	5/08-01-08
		(FA.A1)	04-18-05	13006 50th Street Edmonton, Alberta, Canada	
		(FA.A2)	04-18-05	50-D 5250 22nd Street Red Deer, Alberta, Canada	
		(FA.A3)	12-05-06	10390 51st Avenue Edmonton, Alberta	

O.K. APPLE, INC. 170 Wind Chime Court Raleigh, NC 27615	Michael D. Olander	(DA.C)	09-29-04 Amended: 12-13-04	OK, KS	17/10-31-07
		(FA.A1)	01-26-93	3900 S. Elm Place Broken Arrow, OK	
		(FA.A2)	06-15-93	4733 S. Yale Avenue Tulsa, OK	
		(FA.A3)	09-21-93	9409 E. 71st Street Tulsa, OK	
		(FA.A4)	06-20-95	3521 S. Broadway Edmond, OK	
		(FA.A5)	05-01-96	317 N. Perkins Stillwater, OK	
		(3)			(5)
(1)	(2)	(3)	(4)	(5)	
DEVELOPER NAME AND ADDRESS	PRINCIPALS	DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	TERRITORY (all or part of the states/countries listed) OR LOCATION	DEVELOPMENT SCHEDULE (total restaurants/ deadline)	

		(FA.A6)	07-30-96	500 Ed Noble Pkwy. Norman, OK	
		(FA.A7)	03-04-97	415 W. Shawnee Muskogee, OK	
		(FA.A8)	05-13-97	3616 W. Garriot Enid, OK	
		(FA.A9)	04-21-98	4825 Northwest Expressway Oklahoma City, OK	
		(FA.A10)	05-18-99	608 N. Air Depot Midwest City, OK	
		(FA.A11)	11-23-99	6020 SW 3rd Street Oklahoma City, OK	
		(FA.A12)	03-25-02	11104 E. 41st Street Tulsa, OK	
		(FA.A13)	12-16-02	2401 S. I-35 Frontage Road Moore, OK	

(FA.A14)	09-13-05	9039 N. 121st East Avenue Owasso, OK	
(FA.A15)	03-01-06	2610 W. Memorial Dr. Oklahoma City, OK	
(DA.D)	09-29-03	AR, MO	6/10-31-05
Amended:	12-13-04		
	11-29-06		
(FA.B1)	09-13-93	4333 Warden Road North Little Rock, AR	
(FA.B2)	11-09-94	4426 Central Avenue Hot Springs, AR	
(FA.B3)	06-19-95	12110 Chenal Parkway Little Rock, AR	
(FA.D1)	02-01-05	6 Mabelvale Plaza Lane Little Rock, AR	
(FA.D2)	11-17-05	17348 Interstate 30 Benton, AR	

OCEAN APPLE
RESTAURANTS INC
84 Peregrine Crescent
Bedford, Nova Scotia B4A 3C1
Canada

Colin MacMillan
Michael Magee

(FA.A1)	04-15-04	278 Lacewood Drive Halifax, Nova Scotia
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(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)	
OPERADORA APPLE, S.A. de C.V. Calle Septima #602 Col. Centro, C.P. 31000 Chihuahua, Mexico	Eduardo Herrera Eduardo A. Herrera Carla Maria Herrera	(DA.B)	05-25-06	Baja California Sur, Durango, Zacatecas, City of Mazatlan, MEXICO	4/11-01-08
		(FA.A01)	05-25-04	Calle 7A, #602 La Paz, Baja California Sur, Mexico	
		(DA.C)	05-25-06	Puebla, MEXICO	3/11-01-08
		(FA.B01)	05-25-06	Calle 39 Poniente #3515 Colonia Las Animas, Puebla, Puebla, Mexico	

PORTER APPLE
COMPANY
4101 Carnegie Place
Sioux Falls, SD 57106

Todd G. Porter

(DA.A)	10-09-92	IA, MN, MT, NE, SD, WY	10/10-31-07
Amended:	03-28-94		
	10-01-95		
	10-01-97		
	12-02-00		
	09-13-04		
(FA.A1)	06-05-91	3800 S. Louise Avenue Sioux Falls, SD	
(FA.A2)	08-17-93	1700 Hamilton Boulevard Sioux City, IA	
(FA.A3)	08-09-94	4555 Southern Hills Dr., #106 Sioux City, IA	
(FA.A4)	12-05-95	2160 Haines Avenue Rapid City, SD	
(FA.A5)	03-07-00	301 N. 27th Street Spearfish, SD	
(FA.A6)	09-10-01	3221 E. 10th Street Sioux Falls, SD	
(FA.A7)	11-12-03	3001 LeFevre Drive Brookings, SD	
(FA.A8)	12-07-04	700 South 13th Street Norfolk, NE	
(FA.A9)	11-14-05	2630 9th Avenue S.E.	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
QUALITY RESTAURANT CONCEPTS, L.L.C. 601 Vestavia Pkwy. Suite 1000 Birmingham, AL 35216	Fred Gustin Glenn D. Durham	(DA.C) 12-26-03 mended: 01-17-05 08-31-06	108 S. Minnesota Ave. Sioux Falls, SD	21/10-31-07
		(FA.A1) 06-29-98	261 N. Peters Road Knoxville, TN	
		(FA.A2) 06-29-98	6928 Kingston Pike Knoxville, TN	
		(FA.A3) 06-29-98	1213 Oak Ridge Turnpike Oak Ridge, TN	
		(FA.A4) 06-29-98	1661 E. Stone Drive Kingsport, TN	
		(FA.A5) 06-29-98	1322 W. Walnut Ave. Dalton, GA	
		(FA.A6) 06-29-98	2342 Shallowford Village Rd. Chattanooga, TN	
		(FA.A7) 06-29-98	2100 North Roane St. Johnson City, TN	
		(FA.A8) 06-29-98	358 Northgate Mall Chattanooga, TN	
		(FA.A9) 06-29-98	2564 Alcoa Highway Alcoa, TN	
		(FA.A10) 06-29-98	5316 Central Ave. Pike Knoxville, TN	
		(FA.A11) 06-29-98	168 Paul Huff Pkwy. Cleveland, TN	
		(FA.A12) 06-29-98	3216 East Towne Mall Circle Knoxville, TN	
		(FA.A13) 06-29-98	5536 Decatur Pike Athens, TN	
		(FA.A14) 06-29-98	2771 E. Andrew Johnson Hwy. Greeneville, TN	
		(FA.A15) 06-29-98	437 Parkway Gatlinburg, TN	
		(FA.A16) 06-29-98	2328 W. Andrew Jackson Morristown, TN	
		(FA.A17) 06-29-98	425 Volunteer Pkwy. Bristol, TN	
		(FA.A18) 12-11-00	5606 East Brainard Road Chattanooga, TN	
		(FA.A19) 07-28-05	1010 Overmountain Drive Elizabethton, TN	
		(FA.A20) 10-26-06	2215 Battlefield Parkway Ft. Oglethorpe, GA	
		(FA.A21) 11-17-06	207 Collier Drive Sevierville, TN	

AND ADDRESS	PRINCIPALS	AGREEMENT	listed) OR LOCATION	deadline)
		(DA.D) 09-29-03 Amended: 01/17/05	MS, AL	13/10-31-07
		(FA.B1) 06-29-98	900 E. County Line Rd. Ridgeland, MS	
		(FA.B2) 06-29-98	3703 Hardy Street Hattiesburg, MS	
		(FA.B3) 06-29-98	885 Barnes Crossing Rd. Tupelo, MS	
		(FA.B4) 06-29-98	2332 Highway 45 North Columbus, MS	
		(FA.B5) 06-29-98	814 Highway 12 West Starkville, MS	
		(FA.B6) 06-29-98	9319 Highway 49 Gulfport, MS	
		(FA.B7) 06-29-98	2389 Lakeland Dr. Flowood, MS	
		(FA.B8) 06-29-98	106 Highway 11 & 80 Meridian, MS	
		(FA.B9) 06-29-98	2019 Highway 15 North Laurel, MS	
		(FA.B10) 12-20-99	111 Clinton Center Drive Clinton, MS	
		(FA.B11) 07-28-05	124 Grandview Blvd. Madison, MS	
		(FA.B12) 07-25-06	126 Stribling Lane Brandon, MS	
		(DA.C) 06-19-06	FL	4/10-31-09

RESTAURANT
CONCEPTS II, LLC
400 Interstate N. Parkway
Suite 1200
Atlanta, GA 30339

Stephen A. Grove

(DA.A) 12-20-04
Amended: 03-09-06

ID, OR

8/10-31-07

(FA.A1) 06-02-97

635 N. Utah Avenue
Idaho Falls, ID

(FA.A2) 07-28-97

1587 Blue Lake Blvd.
Twin Falls, ID

(FA.A3) 04-20-98

1441 Bench Road
Pocatello, ID

(FA.A4) 07-20-98

7845 West Emerald
Boise, ID

(3)
DATE OF
DEVELOPMENT
AGREEMENT OR
FRANCHISE
AGREEMENT

(4)
TERRITORY (all or part
of the states/countries
listed) OR LOCATION

(5)
DEVELOPMENT
SCHEDULE
(total
restaurants/
deadline)

(1)
DEVELOPER NAME
AND ADDRESS

(2)
PRINCIPALS

(FA.A5) 03-27-00

1527 Caldwell Blvd.
Nampa, ID

(FA.A6) 10-09-00

1460 North Eagle Road
Meridian, ID

(FA.A7) 07-23-03

7253 W. State Street
Garden City, ID

(DA.B) 12-20-04

NM

7/10-31-04

(FA.B1) 12-16-96

2212 North Main
Roswell, NM 88201

(FA.B2) 09-22-97

4246 Cerrillos Road
Santa Fe, NM

(FA.B3) 10-27-97

4601D E. Main St.

Farmington, NM

(FA.B4) 02-14-01 1355 S. White Sands Ave.
Alamogordo, NM

(FA.B5) 01-15-03 1330 W. Joe Harvey Blvd.
Hobbs, NM

(FA.B6) 02-27-04 4100 Ridge Rock Road
Rio Rancho, NM

(FA.B7) 06-14-04 1560 W. Maloney Ave.
Gallup, NM

(FA.B8) 07-15-05 516 E. Llano Estacado Blvd.
Clovis, NM

(DA.C) 12-20-04 CO 24/10-31-05

(FA.C1) 10-02-89 3301 Tamarac Drive
Denver, CO

(FA.C2) 10-23-90 5250 S. Wadsworth Boulevard
Littleton, CO

(FA.C3) 06-08-92 4306 S. College Avenue
Ft. Collins, CO

(FA.C4) 09-07-92 14091 E. Iliff Avenue
Aurora, CO

(FA.C5) 10-05-92 8292 S. University Boulevard
Littleton, CO

(FA.C6) 04-12-93 410 S. Colorado Boulevard
Glendale, CO

(FA.C7) 11-15-93 100 W. 104th Avenue
Northglenn, CO

(3)
DATE OF
DEVELOPMENT
AGREEMENT OR
FRANCHISE
AGREEMENT

(4)
TERRITORY (all or part
of the states/countries
listed) OR LOCATION

(5)
DEVELOPMENT
SCHEDULE
(total
restaurants/
deadline)

(1)
DEVELOPER NAME
AND ADDRESS

(2)
PRINCIPALS

(FA.C8) 01-24-94 9010 N. Wadsworth Parkway
Westminster, CO

(FA.C9) 03-21-94 6405 W. 120th Avenue
Broomfield, CO

(FA.C10) 05-30-94 1250 S. Hover Road
Building 10-A
Longmont, CO

(FA.C11) 08-29-94 1906 28th Street
Boulder, CO

(FA.C12) 10-31-94 10625 W. Colfax Avenue
Lakewood, CO

(FA.C13) 12-19-94 297 E. 120th Avenue
Thornton, CO

(FA.C14) 06-26-95 10440 E. Arapahoe Road
Englewood, CO

(FA.C15) 10-23-95 5265 Wadsworth Boulevard
Arvada, CO

(FA.C16) 05-06-96 4100 West 10th Street
Greeley, CO

(FA.C17) 12-08-97 213 E. 29th
Loveland, CO

(FA.C18) 11-02-98 16485 E. 40th Circle
Aurora, CO

(FA.C19) 03-07-01 1078 Allen Street
Castle Rock, CO

(FA.C20) 07-27-01 922 S. Fourth Ave.

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
			Brighton, CO	
		(FA.C21) 05-09-03	12712 W. Ken Caryl Ave. Littleton, CO	
		(FA.C22) 02-03-05	9932 S. 20 Mile Road Parker, CO	
		(DA.D) 12-20-04	CO	8/10-31-05
		(FA.D1) 10-03-94	7625 Goddard Street Colorado Springs, CO	
		(FA.D2) 04-03-95	3428 N. Elizabeth Pueblo, CO	
		(FA.D3) 07-10-95	3708 East Galley Colorado Springs, CO	
		(FA.D4) 11-27-95	711 Horizon Drive Grand Junction, CO	
		(FA.D5) 05-18-98	495 Garden of the Gods Rd. Colorado Springs, CO	
		(FA.D6) 06-14-01	800 Camino del Rio Durango, CO	
		(FA.D7) 02-11-03	4001 W. Northern Ave. Pueblo, CO	
		(FA.D8) 10-04-05	6460 Highway 85/87 Fountain, CO	
		(FA.D9) 04-12-06	1501 Oxbow Drive Montrose, CO	
		(DA.E) 12-20-04	AL, GA	22/10-31-05
		(FA.E1) 01-28-87	3117 Washington Road Augusta, GA	
		(FA.E2) 08-21-87	480 Mall Boulevard Savannah, GA	
		(FA.E3) 05-17-93	3229 Gentian Boulevard Columbus, GA	
		(FA.E4) 07-26-93	1627-34 Opelika Road Auburn, AL	
		(FA.E5) 10-25-93	11120 Abercorn Savannah, GA	
		(FA.E6) 04-04-94	314 Russell Parkway Warner Robbins, GA	
		(FA.E7) 09-05-94	4705 Highway 80 Savannah Island, GA	
		(FA.E8) 12-05-94	612 E. Hamric Avenue Oxford, AL	
		(FA.E9) 06-05-95	2574 Riverside Drive Macon, GA	
		(FA.E10) 10-30-95	3652 Eisenhower Macon, GA	
		(FA.E11) 05-11-98	2004 Veterans Blvd. Dublin, GA	
		(FA.E12) 06-22-98	804 U.S. Highway 80 East Statesboro, GA	
		(FA.E13) 07-27-98	5460 Augusta Road Garden City, GA	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.E14) 08-17-98	100 Valley Drive Perry, GA	
		(FA.E15) 02-08-99	106 Roberson Mill Road Milledgeville, GA	
		(FA.E16) 05-31-99	2090 Highway 280/431 Phenix City, AL	
		(FA.E17) 03-21-01	505 N. Belair Road Evans, GA	
		(FA.E18) 03-23-05	2125 Windsor Spring Road Augusta, GA	
		(FA.E19) 12-12-05	2521 Airport Thruway Columbus, GA	
		(FA.E20) 04-12-06	1492 E. Oglethorpe Hwy. Flemington, GA	
		(FA.E21) 10-26-06	587 Al Henderson Blvd. Savannah, GA	
ROSE CASUAL DINING, L.P. 29 Friends Lane Newtown, PA 18940	Harold T. Rose	(DA.A) 08-04-93 Amended: 09-09-94 02-28-95 02-15-96 06-30-97 12-02-00 05-10-02 Consolidated: 07-15-05	MD, PA, NJ	*52/10-31-07 *Includes Restaurants operated by Delaware Valley Rose, L.P.
		(FA.A1) 01-17-95	2141 Generals Highway Annapolis, MD	
		(FA.A2) 10-31-95	2703 N. Salisbury Boulevard Salisbury, MD	
		(FA.A3) 05-13-96	6505 Baltimore National Pike Catonsville, MD	
		(FA.A4) 12-10-96	8610 LaSalle Road Towson, MD	
		(FA.A5) 01-21-97	3330 Brunswick Pike Lawrenceville, NJ	
		(FA.A6) 03-04-97	333 State Route 33 Trenton, NJ	
		(FA.A7) 11-11-97	634 Baltimore Blvd. Westminster, MD	
		(FA.A8) 05-20-98	1745 Easton Road Doylestown, PA	
		(FA.A9) 11-17-98	7760 Eastpoint Mall Essex, MD	
		(FA.A10) 12-07-99	2450 Broad Avenue Timonium, MD	
		(FA.A11) 12-20-99	8335 Benson Drive Columbia, MD	
		(FA.A12) 06-04-01	1225 Churchville Road Bel Air, MD	
		(FA.A13) 06-04-01	2 West Road	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
			Newtown, PA	
		(FA.A14) 07-27-01	2408 Brandermill Blvd. Gambrills, MD	
		(FA.A15) 02-25-03	6798 Reisterstown Road Baltimore, MD	
		(FA.A16) 06-14-04	12849 Ocean Gateway Ocean City, MD	
		(FA.A17) 06-07-05	8999 Ocean Gateway Easton, MD	
		(FA.A18) 06-02-97	939 New Berwick Highway Bloomsburg, PA	
		(FA.A19) 07-07-98	2 Weis Lane West Hazelton, PA	
		(FA.A20) 08-26-98	253 Wilkes-Barre Township Blvd. Wilkes-Barre Township, PA	
		(FA.A21) 10-27-98	74 Viewmont Mall Route 6; Scranton-Carbondale Hwy. Dickson City, PA	
		(FA.A22) 12-08-98	1115 Susquehanna Valley Mall Selinsgrove, PA	
		(FA.A23) 09-30-03	2501 Aramingo Avenue Philadelphia, PA	
		(FA.A24) 11-22-04	3479 E. Lincoln Highway Thorndale, PA	
		(FA.A25) 08-18-05	300 International Drive Lewisburg, PA	
		(FA.A26) 06-07-05	8601 Henry Avenue Philadelphia, PA	
		(FA.A27) 11-28-05	1107 West Chester Pike West Chester, PA	
		(FA.A28) 01-30-06	215 South 15th Street Philadelphia, PA	
		(FA.A29) 03-16-06	Manoa Shopping Center 1305 W. Chester Pike Havertown, PA	
		(FA.A30) 04-12-06	991 Beards Hill Road Aberdeen, MD	
		(FA.A31) 07-28-06	3730 Nazareth Pike Bethlehem, PA	
		(FA.A32) 07-28-06	2539-53 Castor Avenue Philadelphia, PA	
RYAN RESTAURANT CORPORATION 2038 Overland Avenue Billings, MT 59102	William O. Ryan Beverly R. Ryan	(DA.A) 03-05-96 Amended: 01-01-98 12-02-00 11-23-04	MT	7/10-31-07
		(FA.A1) 11-23-93	740 24th Street, West Billings, MT	
		(FA.A2) 03-05-96	1108 North 7th Avenue Bozeman, MT	
		(FA.A3) 07-24-96	4041 Highway 93 South Missoula, MT	
		(FA.A4) 12-10-96	1200 E. Idaho Kalispell, MT	

		(FA.A5)	09-02-97	1212 Custer Helena, MT	
		(FA.A6)	12-31-98	204 Main Billings, MT	
		(FA.A7)	06-27-00	223 River Drive South Great Falls, MT	

SCOTT'S APPLE, INC. 8040 Peach Street P.O. Box 3306 Erie, PA 16509	Nicholas C. Scott	(DA.B)	09-30-05	PA	5/10-31-07
		(FA.A1)	01-24-94	7790 Peach Street Erie, PA	
		(FA.A2)	03-21-95	2911 W. 12th Street Erie, PA	
		(FA.A3)	12-12-97	11227 Shaw Avenue Meadville, PA	
		(FA.A4)	07-12-06	4002 Buffalo Road Erie, PA	

			(3) DATE OF DEVELOPMENT AGREEMENT OR	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS		FRANCHISE AGREEMENT		

SOUTHERN RIVER RESTAURANTS, LLC 296 Highland Boulevard Natchez, MS 39120	David E. Paradise Frank C. Heath, Jr. Jerome D. Krouse	(DA.B)	10-18-04 Amended: 10-18-04 12-12-05	LA, MS	18/10-31-07
		(FA.A1)	10-25-00	1000 W. Esplanade Avenue Kenner, LA	
		(FA.A2)	10-25-00	3701 Veterans Memorial Blvd. Metairie, LA	
		(FA.A3)	10-25-00	850 I-10 Service Road Slidell, LA	
		(FA.A4)	10-25-00	315 N. Highway 190 Covington, LA	
		(FA.A5)	10-25-00	5630 Johnston Street Lafayette, LA	
		(FA.A6)	10-25-00	4005 General DeGaulle New Orleans, LA	
		(FA.A7)	10-25-00	1220 Clearview Pkwy. Harahan, LA	
		(FA.A8)	10-25-00	1039 W. Tunnel Blvd. Houma, LA	
		(FA.A9)	10-25-00	3142 Highway 190 Hammond, LA	
		(FA.A10)	10-25-00	4808 S. Sherwood Forest Baton Rouge, LA	
		(FA.A11)	10-25-00	9702 Airline Highway Baton Rouge, LA	
		(FA.A12)	10-25-00	1500 MacArthur Drive Alexandria, LA	
		(FA.A13)	10-25-00	3624 Ryan Lake Charles, LA	
			CLOSED 08-29-05		

SPECIALTY RESTAURANT DEVELOPMENT, LLC 2600 Westhall Lane Suite 100 Maitland, FL 32751	Abe Gustin Gregory Gustin Guy Taylor Jack E. Parsons	(FA.A1)	02-11-99	1545 Palm Bay Road Melbourne, FL	
		(FA.A2)	02-11-99	100 Sykes Creek Parkway N. Merritt Island, FL	
		(FA.A3)	02-11-99	12103 Collegiate Way	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
			Orlando, FL	
		(FA.A4) 02-11-99	2599 Enterprise Road Orange City, FL	
		(FA.A5) 02-11-99	3001 W. Eaugallie Blvd. Melbourne, FL	
		(FA.A6) 02-11-99	150 Williamson Blvd. Ormond Beach, FL	
		(FA.A7) 02-11-99	1390 Dunlawton Avenue Port Orange, FL	
		(FA.A8) 06-29-00	1009 Bichara Blvd. The Villages, FL	
		(FA.A9) 03-12-01	298 Southhall Lane Maitland, FL	
		(FA.A10) 08-05-02	7055 County Road 46-A Lake Mary, FL	
		(FA.A11) 06-10-03	2615 SW 19th Ave. Rd. Ocala, FL	
		(FA.A12) 03-23-04	15351 US Highway 41 Eustis, FL	
		(FA.A13) 12-14-04	995 State Route 434 North Altamonte Springs, FL	
		(FA.A14) 07-19-05	2060 E. Osceola Parkway Kissimmee, FL	
		(FA.A15) 07-26-06	4759 W. Irlo Bronson Memorial Parkway Kissimmee, FL	
SPECIALTY RESTAURANT COMPANY P.O. Box 26671 13127 Safat, Kuwait	Kout Food Group K.S.C. Abdul Mohsen Al-Homaizi Saleh Yacoub Al-Homaizi Yacoub Al Homaizi Fadwa Al Homaizi	(DA.B) 02-27-06	Kuwait	6/08-01-08
		(FA.A1) 09-28-96	Gulf Street Kuwait City, Kuwait	
		(FA.A2) 07-22-00	Safina 9, Saraya El Gezira Zamalek, Cairo, Egypt	
		(FA.A3) 09-01-01	Abu Halifa & Coastal Road Kuwait City, Kuwait	
		(FA.B5) 09-14-06	Souk Sharq Mall Kuwait City, Kuwait	
		(FA) 09-14-06	Building #157, US Navy Exchange Sigonella 210-024, Sicily	
SPECTRUM APPLE, L.P. P.O. Box 80340 30252 Tomas, #200 Rancho Santa Margarita, CA 92688	John D. Gantes Linda B. Gantes	(FA.A1) 09-05-95	23626 Valencia Boulevard Santa Clarita, CA	
		(FA.A2) 04-16-96	39720 N. 10th Street West Palmdale, CA	
		(FA.A3) 07-30-96	291 Ventura Blvd. Camarillo, CA	

(FA.A4) 08-26-97 3980 Thousand Oaks Blvd.
Thousand Oaks, CA

(FA.A5) 12-17-99 109 Cochran Street
Simi Valley, CA

(FA.A6) 05-20-03 4910 Telephone Road
Ventura, CA

(FA.A7) 02-14-06 9255 N. Winnetka Ave.
Chatsworth, CA

TLC CENTRAL, LLC
220 Ponte Vedra Park Dr.
Suite 100
Ponte Vedra Beach, FL 32082

Matthew J. Fairbairn
David Stein

(DA.A) 08-31-98
Amended: 12-01-01
09-12-03
11-01-04
02-14-06

NY, PA

27/10-31-09

(FA.A1) 01-10-96 877 Country Route 64
Elmira, NY

(FA.A2) 09-09-97 3701 Vestal Parkway East
Vestal, NY

(FA.A3) 02-03-98 1205 Union Avenue
Newburgh, NY

(FA.A4) 11-10-98 Woodbury Common
#488 Evergreen Court
Central Valley, NY

(FA.A5) 01-12-99 255 Quaker Road
Queensbury, NY

(FA.A6) 03-30-99 600 Troy Road
Rensselaer, NY

(FA.A7) 03-30-99 2400 Cambridge Road
Schenectady, NY

(FA.A8) 01/11/00 3 Lowes Drive
Sarasota Springs, NY

(FA.A9) 08-30-00 3450 North Road
Poughkeepsie, NY

(FA.A10) 03-12-01 2300 N. Triphammer Road
Ithaca, NY

(FA.A11) 08-27-01 856 S.R. 13
Cortland, NY

(1)
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AND ADDRESS

(2)
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(3)
DATE OF
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FRANCHISE
AGREEMENT

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TERRITORY (all or part
of the states/countries
listed) OR LOCATION

(5)
DEVELOPMENT
SCHEDULE
(total
restaurants/
deadline)

(FA.A12) 11-01-01 223 N. Comrie Avenue
Johnstown, NY

(FA.A13) 02-19-02 1794 Black River Blvd.
Rome, NY

(FA.A14) 04-01-02 12 Orange Plaza Lane
Middletown, NY

(FA.A15) 08-05-02 4755 Commercial Drive
New Hartford, NY

(FA.A16) 12-17-02 Southside Mall, Cluster Box #M25
5005 S.R. 23
Oneonta, NY

(FA.A17) 01-09-03 630 West State Street
Herkimer, NY

(FA.A18) 06-20-03 3149 Silverback Lane
Painted Post, NY

(FA.A19) 08-12-03 115 Independence Way
Brewster, NY

		(FA.A20)	10-13-03	1171 Ulster Avenue Kingston, NY	
		(FA.A21)	10-13-03	291 Route 9 West Glenmont, NY	
		(FA.A22)	01-23-04	555 Troy-Schenectady Road Latham, NY	
		(FA.A23)	02-24-04	300 Riverside Mall Utica, NY	
		(FA.A24)	05-16-05	842 Upper Front Street Binghamton, NY	

TLC EAST, LLC 220 Ponte Vedra Park Dr. Suite 100 Ponte Vedra Beach, FL 32082	Matthew J. Fairbairn David A. Stein	(DA.A)	02-24-98	CT	14/10-31-07
		Amended:	01-15-99		
			12-01-01		
			09-12-03		
			11-01-04		
		(FA.A1)	09-15-99	2400 Dixwell Avenue Hamden, CT	
		(FA.A2)	11-09-99	270 New Britain Avenue Plainville, CT	
		(FA.A3)	12-20-99	350 Long Hill Road Groton, CT	
		(FA.A4)	07-25-00	1088 N. Colony Road Wallingford, CT	
		(3)			(5)
(1)	(2)	DATE OF		(4)	DEVELOPMENT
DEVELOPER NAME	PRINCIPALS	DEVELOPMENT		TERRITORY (all or part	SCHEDULE
AND ADDRESS		AGREEMENT OR		of the states/countries	(total
		FRANCHISE		listed) OR LOCATION	restaurants/
		AGREEMENT			deadline)

		(FA.A5)	08-30-00	1690 East Main Street Torrington, CT	
		(FA.A6)	02-15-01	3140 Berlin Turnpike Newington, CT	
		(FA.A7)	06-12-01	516 Boston Post Road Orange, CT	
		(FA.A8)	08-30-01	93 Storrs Road Willimantic, CT	
		(FA.A9)	06-12-02	191 Deming Street Manchester, CT	
		(FA.A10)	02-24-04	973 Wolcott Street Waterbury, CT	

TLC WEST, LLC 220 Ponte Vedra Park Dr. Suite 100 Ponte Vedra Beach, FL 32082	Matthew J. Fairbairn David Stein	(DA.A)	08-31-98	NY, PA	29/10-31-09
		Amended:	12-01-01		
			09-12-03		
			11-01-04		
			02-14-06		
		(FA.A1)	03-12-91	3050 Winton Road South Rochester, NY	
		(FA.A2)	09-30-91	5017 Transit Road Williamsville, NY	
		(FA.A3)	06-23-92	4405 Milestrip Road Blasdell, NY	
		(FA.A4)	07-21-92	585 Moseley Road Fairport, NY	
		(FA.A5)	08-24-93	200 Paddy Creek Circle Rochester, NY	
		(FA.A6)	09-28-93	3189 Erie Boulevard, East De Witt, NY	

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		(FA.A7) 07-06-94	628 S. Main Street N. Syracuse, NY	
		(FA.A8) 08-23-94	1683 E. Ridge Road Rochester, NY	
		(FA.A9) 10-04-94	1900 Military Road Niagara Falls, NY	
		(FA.A10) 11-22-94	1641 Niagara Falls Boulevard Buffalo, NY	
		(FA.A11) 02-13-95	3975 Route 31 Liverpool, NY	
		(FA.A12) 06-20-95	1955 Empire Boulevard Webster, NY	
		(FA.A13) 08-29-95	5822 S. Transit Road Lockport, NY	
		(FA.A14) 04-02-96	340 E. Fairmount Avenue Lakewood, NY	
		(FA.A15) 07-30-96	2656 Delaware Avenue Buffalo, NY	
		(FA.A16) 04-22-97 CLOSED 12-17-06 (Replacement 12-18-06)	3637 Union Road Cheektowaga, NY 1785 Walden Avenue Cheektowaga, NY	
		(FA.A17) 11-17-98	1283 Arsenal Street Watertown, NY	
		(FA.A18) 02-08-99	3908 Vineyard Drive Dunkirk, NY	
		(FA.A19) 11-16-99	217 Grant Street Auburn, NY	
		(FA.A20) 07-18-00	2120 Chili Avenue Rochester, NY	
		(FA.A21) 11-01-01	3067 W. State Street Olean, NY	
		(FA.A22) 08-05-02	8322 Lewiston Road Batavia, NY	
		(FA.A23) 12-17-02	4967 Transit Road Depew, NY	
		(FA.A24) 12-15-03	3349 Monroe Avenue Pittsford, NY	
		(FA.A25) 10-24-05	5241 West Genessee Camillus, NY	
		(FA.A26) 11-21-05	4207 Recreation Dr. Canandaigua, NY	
		(FA.A27) 10-10-06	3360 W. Henrietta Rd. Rochester, NY	
THE BLOOMIN' APPLE, L.L.C. 1303 Ben Sawyer Blvd. Suite 10 Mt. Pleasant, SC 29464	Marianne B. Allardice Kevin P. Allardice Ronald C. Williams Andrew C. Robertson	(DA.A) 08-24-98 Amended: 07-10-02 (FA.A1) 08-24-98	IL, WI 6845 E. State St. Rockford, IL	6/10-31-08

AND ADDRESS	PRINCIPALS	AGREEMENT	listed) OR LOCATION	deadline)
		(FA.A2) 08-24-98	3024 Milton Ave. Janesville, WI	
		(FA.A3) 08-24-98	1675 E. Riverside Rd. Rockford, IL	
		(FA.A4) 08-24-98	1802 S. West St. Freeport, IL	
		(FA.A5) 02-14-00	2680 Cranston Road Beloit, WI	
THOMAS AND KING, INC. 249 E. Main St. Suite 101 Lexington, KY 40507	Michael J. Scanlon Ronald T. Reynolds Douglas M. Wilson	(DA.A) 05-31-88 Amended: 05-31-91 08-06-93 06-07-95 07-30-96 05-30-97 12-02-00 06-20-05	IN, KY, OH	56/10-31-07
		(FA.A1) 08-01-88	2573 Richmond Road Lexington, KY	
		(FA.A2) 11-14-88	7383 Turfway Road Florence, KY	
		(FA.A3) 02-24-89	105 N. Springsboro Pike W. Carrollton, OH	
		(FA.A4) 05-11-89	340 Glensprings Drive Springdale, OH	
		(FA.A5) 10-09-89	4009 Nicholasville Road, Block B Lexington, KY	
		(FA.A6) 04-11-89	10635 Techwood Circle Blue Ash, OH	
		(FA.A7) 03-12-90	9660 Mason-Montgomery Road Mason, OH	
		(FA.A8) 05-11-90	2755 Brice Road Reynoldsburg, OH	
		(FA.A9) 08-20-90 CLOSED 03/13/05	2555 Shiloh Springs Road Trotwood, OH	
		(FA.A10) 12-11-90	6669 Dublin Center Drive Dublin, OH	
		(FA.A11) 07-15-91	967 Hebron Road Heath, OH	
		(FA.A12) 12-16-91	5050 Crookshank Cincinnati, OH	
(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A13) 08-17-92	4440 Glen Este-Withamsville Road Batavia, OH	
		(FA.A14) 11-09-92	4600 East Broad Street White Hall, OH	
		(FA.A15) 03-01-93	1307 U.S. 127 South Frankfort, KY	
		(FA.A16) 04-05-93	30 Crestview Hills Mall Road Crestview Hills, KY	
		(FA.A17) 06-21-93	480 Ackerman Road Columbus, OH	
		(FA.A18) 09-06-93	700 Washington Blvd., N.W. Hamilton, OH	

(FA.A19)	10-04-93	853 Eastern Bypass Richmond, KY
(FA.A20)	01-17-94	Northgate Mall 9595 Colrain Avenue Cincinnati, OH
(FA.A21)	04-11-94	910 Beaumont Center Pkwy. Lexington, KY
(FA.A22)	06-13-94	3240 Towne Boulevard Middletown, OH
(FA.A23)	10-03-94	8331 Old Troy Pike Huber Heights, OH
(FA.A24)	12-02-94	1800 W. 1st Street Springfield, OH
(FA.A.25)	05-29-95	4425 National Road East Richmond, IN
(FA.A26)	08-07-95	1615 Rivervalley Circle North Lancaster, OH
(FA.A27)	01-29-96	1525 N. Lexington Avenue Winchester, KY
(FA.A28)	01-30-96	1 Madison Avenue Covington, KY
	CLOSED 10/03/04	175 Wal-Mart Way
	(Replacement 09/05/05)	Maysville, Kentucky
(FA.A29)	05-20-96	3894 Morse Road Columbus, OH
(FA.A30)	07-25-96	1759 W. Main Street Troy, OH
(FA.A31)	09-23-96	1514 Mt. Vernon Avenue Marion, OH

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(FA.A32)	03-24-98	5561 Westchester Woods Blvd. Columbus, OH
(FA.A33)	06-30-98	1836 Alesheba Way Lexington, KY
(FA.A34)	12-15-98	6242 Wilmington Pike Dayton, OH
(FA.A35)	01-26-99	5980 Meijer Drive Milford, OH
(FA.A36)	11-16-99	8565 Winton Road Cincinnati, OH
(FA.A37)	12-20-99	1161 Polaris Parkway Columbus, OH
(FA.A38)	05-08-00	121 N. Plaza Drive Nicholasville, KY
(FA.A39)	05-22-00	1590 Georgasville Rd. Columbus, OH
(FA.A40)	08-14-00	6084 Mulhauser West Chester, OH
(FA.A41)	09-18-00	690 N. Maysville Rd. Mt. Sterling, KY
(FA.A42)	11-13-00	2810 Alexandria Pike Highland Heights, KY
(FA.A43)	01-29-01	2020 Stringtown Road Grove City, OH

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A44) 07-30-01	1500 Oxford Drive Georgetown, KY	
		(FA.A45) 11-19-01	820 North Bridge Street Chillicothe, OH	
		(FA.A46) 05-28-02	5331 Pleasant Avenue Fairfield, OH	
		(FA.A47) 08-19-02	1450 W. Dorothy Lane Kettering, OH	
		(FA.A48) 09-03-02	7920 Beechmont Avenue Cincinnati, OH	
		(FA.A49) 11-18-02	881 W. Central Avenue Springboro, OH	
		(FA.A50) 06-09-03	300 Skywatch Drive Danville, KY	
		(FA.A51) 11-18-03	221 Vandemark Road Sidney, OH	
		(FA.A52) 11-15-04	1761 Sharkey Way Lexington, KY	
		(FA.A53) 03-14-05	9762 Sawmill Parkway Powell, OH	
		(FA.A54) 05-16-05	1795 Delco Park Drive Kettering, OH	
		(FA.A55) 06-12-06	1099 Delaware Avenue Marysville, OH	
		(FA.A56) 07-10-06	5037 N. High Street Columbus, OH	
		(FA.A57) 10-16-06	3169 Princeton Road Hamilton, OH	
		(DA.B) 02-24-94 Amended: 02-28-95 05-01-95 12-02-00 06-20-05	OH, PA	4/10-31-07
		(FA.B1) 08-28-95	904 Great East Plaza Niles, OH	
		(FA.B2) 02-25-97	201 S. Hermitage Road Hermitage, PA	
		(FA.B3) 11-17-98	6691 South Avenue Boardman, OH	
		(DA.C) 10-23-90 Amended: 10-21-94 06-01-95 09-16-96 01-08-98 12-02-00 09-30-03 06-20-05	AZ	32/10-31-07
		(FA.C1) 03-31-93 CLOSED 10-15-06	2053 S. Alma School Road Mesa, AZ	
		(FA.C2) 12-18-90	2720 W. Bell Road Phoenix, AZ	
		(FA.C3) 07-08-91	565 E. Wetmore Tucson, AZ	
		(FA.C4) 12-08-92	6259 E. Southern Avenue Mesa, AZ	

(FA.C5) 05-17-93 Park Mall, Building E
5870 East Broadway
Tucson, AZ

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
-----	-----	(FA.C6) 06-14-93	2032 E. Baseline Road Mesa, AZ	-----
		(FA.C7) 09-27-93	8001 W. Bell Road Peoria, AZ	
		(FA.C8) 06-26-94	1655 W. Elliott Tempe, AZ	
		(FA.C9) 12-12-94	10460 N. 90th Street Scottsdale, AZ	
		(FA.C10) 05-22-95	2547 N. 44th Street Phoenix, AZ	
		(FA.C11) 10-09-95	2 East Camelback Phoenix, AZ	
		(FA.C12) 11-20-95 CLOSED: 11-17-97	4924 E. Shea Boulevard Phoenix, AZ	
		(FA.C13) 02-26-96	1881 West Highway 69 Prescott, AZ	
		(FA.C14) 08-19-96	5880 W. Peoria Glendale, AZ	
		(FA.C15) 03-24-97	2230 W. Ina Road Tucson, AZ	
		(FA.C16) 04-22-97	909 E. Broadway Tempe, AZ	
		(FA.C17) 11-18-97	1245 W. Chandler Blvd. Chandler, AZ	
		(FA.C18) 10-20-98	1143 N. Higley Rd. Mesa, AZ	
		(FA.C19) 01-24-00	4625 E. Grant Rd. Tucson, AZ	
		(FA.C20) 07-10-00	13832 W. McDowell Rd. Goodyear, AZ	
		(FA.C21) 06-25-01	13756 W. Bell Road Surprise, AZ	
		(FA.C22) 02-11-02	4609 E. Chandler Blvd. Phoenix, AZ	
		(FA.C23) 11-25-02	830 W. Warner Road Gilbert, AZ	
		(FA.C24) 09-08-03	3899 El Mercado Loop Sierra Vista, AZ	
		(FA.C25) 10-04-04	2180 E. Baseline Road Phoenix, AZ	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
-----	-----	(FA.C26) 01-17-05	9330 W. Northern Ave. Glendale, AZ	-----
		(FA.C27) 09-19-05	4712 E. Ray Road Higley, AZ	
		(FA.C28) 10-17-05	3843 S. Gilbert Road	

			Gilbert, AZ	
		(FA.C29) 01-16-06	2501 W. Happy Valley Rd. Phoenix, AZ	
		(FA.C30) 07-10-06	2805 S. Alma School Road Chandler, AZ	

THUNDER APPLE NORTH, INC. 920 Tungsten Street Thunder Bay, Ontario P7B 5Z6 Canada	Robert A. Syroid Brenda Syroid	(FA.A1) 08-08-94	1155 Alloy Drive Thunder Bay, Ontario Canada P7B 6M8	

TRUE NORTH RESTAURANTS, INC. 95 King Street East, Suite 301 Toronto, Ontario M5C 1G4 Canada	Ian A. Mackay Michael J. Lewis	(FA.A1) 04-14-98	155 Kingston Road East Ajax, Ontario Canada L1S 7J4	
		(FA.A2) 03-16-99	355 Hespeler Road Cambridge, Ontario Canada N1R 6B3	
		(FA.A3) 09-16-99	5700 Mavis Road Mississauga, Ontario Canada L5V 2N6	
		(FA.A4) 05-23-00	60 Biscayne Crescent Brampton, Ontario Canada L6W 4S1	

WEST COAST MANAGEMENT, LLC 400 Interstate N. Parkway Suite 1200 Atlanta, GA 30339	Stephen A. Grove	(DA.B) 12-20-04 Amended: 12-20-04 03-09-06	WA, OR, ID, CA	33/10-31-05
		(FA.A1) 10-31-98	1220 N.W. 185th Avenue Beaverton, OR	
		(FA.A2) 10-31-98	6325 S.W. Meadows Road Lake Oswego, OR	
		(FA.A3) 10-31-98	1415 S. Bradley Santa Maria, CA	
		(FA.A4) 10-31-98	280 Hanley Coeur D'Alene, ID	
		(3)		(5)
(1)	(2)	(4)	(4)	(5)
DEVELOPER NAME AND ADDRESS	PRINCIPALS	DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	TERRITORY (all or part of the states/countries listed) OR LOCATION	DEVELOPMENT SCHEDULE (total restaurants/ deadline)

		(FA.A5) 10-31-98	305 Madonna Road San Luis Obispo, CA	
		(FA.A6) 10-31-98	12217 E. Mission Avenue Spokane, WA	
		(FA.A7) 10-31-98	Lancaster Mall 747 Lancaster Drive, N.E. Salem, OR	
		(FA.A8) 10-31-98	606 N. Columbia Ctr. Blvd. Kennewick, WA	
		(FA.A9) 10-31-98	12717 S.E. 2nd Circle Vancouver, MA	
		(FA.A10) 10-31-98	4007 29th Street Spokane, WA	
		(FA.A11) 10-31-98	1439 N.E. Halsey Portland, OR	
		(FA.A12) 10-31-98	1301 N. Davis Rd. Salinas, CA	

(FA.A13)	10-31-98	10004 NE Halsey Portland, OR
(FA.A14)	10-31-98	10172 SE 82nd Street Clackamas, OR
(FA.A15)	08-23-99	105 WarBonnet Drive Moscow, ID
(FA.A16)	10-11-99	2625 Liberty Street N.E. Salem, OR
(FA.A17)	07-17-00	2755 Edenbower Blvd. Roseburg, OR
(FA.A18)	10-30-00 Closed 02/03/02 (Replacement 04-29-02)	1760 Schneidmiller Ave. Post Falls, ID 9634 N. Newport Highway Spokane, WA
(FA.A19)	06-04-01	5111 NE 112th Avenue Vancouver, WA
(FA.A20)	07-27-01	816 NE 98th Circle Vancouver, WA
(FA.A21)	06-10-02	3024 Gateway Street Springfield, OR
(FA.A22)	07-15-02	8559 Tualatin-Sherwood Road Tualatin, OR
(FA.A23)	07-15-02	43 Columbia Point Drive Richland, WA

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)	
-----	-----	-----	-----	-----	
		(FA.A24)	12-10-02	5070 Commercial St., NE, Ste. 100 Salem, OR	
		(FA.A25)	09-13-04	400 Triangle Center Longview, WA	
		(FA.A26)	08-31-04	489 N.W. Burnside Road Gresham, OR	
		(FA.A27)	10-14-04	1505 E. Washington Ave. Union Gap, WA	
		(FA.B1)	12-13-04	1105 S. Green Valley Rd. Watsonville, CA	
		(FA.B2)	06-09-05	2235 Thain Grade Lewiston, ID	
		(FA.B3)	07-15-05	1525 Geary Street Albany, Oregon	
		(FA.B4)	10-31-05	1604 Plaza Way Walla Walla, WA	
		(FA.B5)	08-02-06	5305 Road #68 Pasco, WA	
-----	-----	-----	-----	-----	
WHG REAL ESTATE NORTH, LLC 10930 W. Potter Road Wauwatosa, WI 53226	Mark L. Dillon James T. Query David S. Israel	(DA.A) 12-07-98 Amended: 12-02-00 08-20-02 02-03-05 09-12-05	WI	9/10-31-07	
		(FA.A1)	12-07-98	4745 Golf Road Eau Claire, WI	
		(FA.A2)	12-07-98	2221 W. Stewart Ave. Wausau, WI	

		(FA.A3) 12-07-98	5609 Hwy. 10 East Stevens Point, WI	
		(FA.A4) 12-07-98	9364 Hwy. 16 Onalaska, WI	
		(FA.A5) 07-01-02	2114 N. Central Ave. Marshfield, WI	

WHIT-MART, INC. 56 Wentworth Street Charleston, SC 29401	Gary P. Whitman	(DA.A) 06-29-98 Amended: 12-02-00 03-03-05	SC, NC	16/10-31-07
		(FA.A1) 06-29-98	7818 Rivers Ave. N. Charleston, SC	
		(FA.A2) 06-29-98	1859 Sam Rittenburg Charleston, SC	
		(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	-----		
		(FA.A3) 06-29-98	811 S. Irby Street Florence, SC	
		(FA.A4) 06-29-98	88 Old Trolley Road Summerville, SC	
		(FA.A5) 06-29-98	1486 Stuart Engles Blvd. Mt. Pleasant, SC	
		(FA.A6) 06-29-98	7915 N. Kings Highway Myrtle Beach, SC	
		(FA.A7) 06-29-98	1271 Folly Road Charleston, SC	
		(FA.A8) 06-29-98	4910 Ashley Phosphate Rd. North Charleston, SC	
		(FA.A9) 06-29-98	1647 Church Street Conway, SC	
		(FA.A10) 06-29-98	203 S. Fifth Street Hartsville, SC	
		(FA.A11) 06-29-98	3256 Highway 17 South Murrells Inlet, SC	
		(FA.A12) 02-07-00	640 Rembert C. Dennis Blvd. Moncks Corner, SC	
		(FA.A13) 03-27-00	1571 Highway 17 North N. Myrtle Beach, SC	
		(FA.A14) 07-15-02	1310 North Main Street Summerville, SC	
		(DA.B) 03-29-99 Amended: 12-02-00 03-03-05	KY, IN	15/10-31-07
		(FA.B1) 03-29-99	4535 Outer Loop Louisville, KY	
		(FA.B2) 03-29-99	9201 Hurstbourne Lane Louisville, KY	
		(FA.B3) 03-29-99	2225 Taylorsville Road Louisville, KY	
		(FA.B4) 03-29-99	Hwy. 131 & Greentree Blvd. Greenville Mall Clarksville, IN 47130	
		(FA.B5) 03-29-99	4717 Dixie Highway Louisville, KY	
		(FA.B6) 03-29-99	12913 Shelbyville Road Louisville, KY	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.B7) 03-29-99	10600 Dixie Highway Louisville, KY	
		(FA.B8) 03-29-99 CLOSED 05-20-05	5000 Shelbyville Road Louisville, KY	
		(FA.B9) 11-20-00	9921 Ormsby Station Rd. Louisville, KY	
		(FA.B10) 09-04-01	1705 E. Tipton Street Seymour, IN	
		(FA.B11) 03-11-04	10006 Will Way Fern Creek, KY	
		(FA.B12) 12-20-04	2059 Walmart Way Radcliff, KY	
		(FA.B13) 07-28-05	3030 Grantline Road New Albany, IN	
		(FA.B14) 11-14-06	1205 Market Street LaGrange, KY	

WILD WEST APPLE VENTURES, A LIMITED LIABILITY COMPANY 1439 Stillwater Avenue, Suite 6 Cheyenne, WY 82009	Calvin E. Keller Linda A. Keller	(FA.A1) 07-07-92	1401 Dell Range Boulevard Cheyenne, WY	
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WILLIAM TELL, INC. 136 E. South Temple Suite 1740 Salt Lake City, UT 84111	John B. Prince	(DA.B) 09-13-04 Amended: 11-29-04 02-23-06	ID, NV, UT	15/10-31-07
		(FA.A1) 04-12-94	6123 S. State Street Murray, UT	
		(FA.A2) 12-19-94	5678 S. Redwood Road Taylorsville, UT	
		(FA.A3) 01-22-96	1622 N. 1000 West Layton, UT	
		(FA.A4) 04-29-96	1125 W. Riverdale Road Riverdale, UT	
		(FA.A5) 08-19-96	680 West 1300 South Orem, UT	
		(FA.A6) 11-11-96	7047 S. 1300 East Midvale, UT	
		(FA.A7) 04-13-98	2715 West City Center Court West Valley, UT	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A8) 05-08-00	150 S. River Road St. George, UT	
		(FA.A9) 09-25-00	1352 S. Providence Ave. Cedar City, UT	
		(FA.A10) 03-26-01	1280 N. 30 West Tooele, UT	
		(FA.A11) 11-18-02	3736 West 7800 South West Jordan, UT	
		(FA.A12) 11-18-03	159 South Rio Grande #1018	

			Salt Lake City, UT	
		(FA.A13) 02-26-06	313 North West State Road American Fork, UT	
		(FA.A14) 03-13-06	27 North 500 West Bountiful, UT	
		(FA.A15) 11-01-06	105 E. 12300 South Draper, UT	
		(DA.B) 03-30-05	AK	1/10-31-08
		* (FA.A1) 12/01/06	4331 Credit Union Drive Anchorage, AK	
*Acquired from Apple Alaska, LLC 12/01/06		* (FA.A2) 12-01-06	7611 DeBarr Road Anchorage, AK	

WISCONSIN HOSPITALITY GROUP, LLC 10930 W. Potter Rd. Wauwatosa, WI 53226	David S. Israel James T. Query Mark L. Dillon	(DA.A) 08-24-98 Amended: 12-02-00 08-20-02 02-03-05 09-12-05	WI, MI	33/10-31-07
		(FA.A1) 08-24-98	2500 N. Mayfair Road Wauwatosa, WI	
		(FA.A2) 08-24-98	20101 W. Bluemound Road Waukesha, WI	
		(FA.A3) 08-24-98	5100 S. 76th Street Greendale, WI	
		(FA.A4) 08-24-98	5900 N. Port Washington Rd. Glendale, WI	
		(FA.A5) 08-24-98	660 S. Whitney Way Madison, WI	
		(FA.A6) 08-24-98	4710 E. Towne Boulevard Madison, WI	
		(FA.A7) 08-24-98	3730 W. College Avenue Appleton, WI	
		(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	-----		
		(FA.A8) 08-24-98	900 Hansen Road Ashwaubenon, WI	
		(FA.A9) 08-24-98	2521 S. Greenbay Road Racine, WI	
		(FA.A10) 08-24-98	6950 75th Street Kenosha, WI	
		(FA.A11) 08-24-98	1700 S. Koeller Road Oshkosh, WI	
		(FA.A12) 08-24-98	2420 W. Mason Street Green Bay, WI	
		(FA.A13) 08-24-98	4435 Calumet Avenue Manitowoc, WI	
		(FA.A14) 08-24-98	841 W. Johnson Street Fond Du Lac, WI	
		(FA.A15) 08-24-98	2510 W. Washington West Bend, WI	
		(FA.A16) 08-24-98	3040 E. College Avenue East Appleton, WI	
		(FA.A17) 08-24-98	526 S. Taylor Drive Sheboygan, WI	
		(FA.A18) 08-24-98	W 180 N 9469 Premier Lane	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
			Menomonee Falls, WI	
		(FA.A19) 08-24-98	1267 Capital Drive Pewaukee, WI	
		(FA.A20) 01-03-00	7135 S. 13th Street Oak Creek, WI	
		(FA.A21) 07-31-00	15505 W. Rock Ridge Road New Berlin, WI	
		(FA.A22) 12-06-00	2410 Roosevelt Road Marinette, WI	
		(FA.A23) 12-10-01	9080 N. Green Bay Road Brown Deer, WI	
		(FA.A24) 06-18-02	129 N. Madison Avenue Sturgeon Bay, WI	
		(FA.A25) 11-06-02	2865 S. 108th Street West Allis, WI	
		(FA.A26) 03-26-03	275 W. Wisconsin Ave., #1040 Milwaukee, WI	
		(FA.A27) 04-21-03	340 Highway 13 Wisconsin Dells, WI	
		(FA.A28) 12-20-04	5708 W. Capital Drive Milwaukee, WI	
		(FA.A29) 02-01-05	4311 Eighth Street South Wisconsin Rapids, WI	
		(FA.A30) 05-09-05	1512 S. Church St. Watertown, WI	
		(FA.A31) 05-09-05	1738 North Spring St. Beaver Dam, WI	
		(FA.A32) 10-10-05	3100 Golf Road Delafield, WI	
		(FA.A33) 03-13-06	270 W. Holt Avenue Milwaukee, WI	
		(FA.A34) 05-15-06	8313 Murphy Drive Middleton, WI	
		(FA.A35) 05-29-06	6750 W. State Wauwatosa, WI	
		(FA.A36) 10-16-06	1111 Westowne Drive Neenah, WI	
WOODLAND GROUP, INC. 105 Westwood Place Suite 125 Brentwood, TN 37027	Martin Johnson* Theresa Johnson*	(DA.A) 12-01-06	KY, TN	25/10-31-10
		(FA.A1) 12-01-06	335 Harding Place Nashville, TN	
		(FA.A2) 12-01-06	718 Thompson Lane Nashville, TN	
		(FA.A3) 12-01-06	7645 U.S. Hwy. 70 South Nashville, TN	
		(FA.A4) 12-01-06	5270 Hickory Hollow Pkwy. Antioch, TN	
		(FA.A5) 12-01-06	170 Old Fort Parkway Murfreesboro, TN	
		(FA.A6) 12-01-06	5055 Old Hickory Blvd. Hermitage, TN	

(1) DEVELOPER NAME AND ADDRESS	(2) PRINCIPALS	(3) DATE OF DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT	(4) TERRITORY (all or part of the states/countries listed) OR LOCATION	(5) DEVELOPMENT SCHEDULE (total restaurants/ deadline)
		(FA.A7) 12-01-06	1420 Interstate Drive Cookeville, TN	
		(FA.A8) 12-01-06	2545 Scottsville Road Bowling Green, KY	
		(FA.A9) 12-01-06	230 E. Main Street Hendersonville, TN	
		(FA.A10) 12-01-06	1957 N. Jackson Street Tullahoma, TN	
		(FA.A11) 12-01-06	3066 Wilma Rudolph Blvd. Clarksville, TN	
		(FA.A12) 12-01-06	1557 N. Gallatin Pike Madison, TN	
		(FA.A13) 12-01-06	705 S. James Campbell Blvd. Columbia, TN	
		(FA.A14) 12-01-06	4089 Fort Campbell Blvd. Hopkinsville, KY	
		(FA.A15) 12-01-06	609 N. Cumberland Lebanon, TN	
		(FA.A16) 12-01-06	15545 Old Hickory Blvd. Nashville, TN	
		(FA.A17) 12-01-06	1311 Smithville Highway McMinneville, TN	
		(FA.A18) 12-01-06	2401 Music Valley Drive Nashville, TN	
		(FA.A19) 12-01-06	3534 Tom Austin Highway Springfield, TN	
		(FA.A20) 12-01-06	543-A Highway 46 South Dickson, TN	
		(FA.A21) 11-01-06	2896 S. Rutherford Blvd. Murfreesboro, TN	
		(FA.A22) 12-01-06	4937 Columbia Pike Spring Hill, TN	
* Acquired Company Stock 12/01/06				
3057649 NOVA SCOTIA COMPANY 95 King Street East Suite 301 Toronto, Ontario M5C 1G4 Canada	Kroy International Inc. Paul D. Damp Ian A. Mackay	(FA.A1) 09-14-03	326 Bayfield Street Barrie, Ontario, Canada	

</TABLE>

CURRNET FORM OF CHANGE IN CONTROL

Michael Czinege

Philip R. Crimmins, Sr.

Carol DiRaimo

Matt Drennan

Beverly O. Elving

Miguel Fernandez

Tom Finocchiaro

Kurt Hankins

Nancy Keil-Culbertson

Mark Killeen

John Mallon

Larry Miller

David R. Parsley

Sam Rothschild

Rohan St. George

Carin Stutz

Stanley M. Sword

Rebecca R. Tilden

Douglas D. Waltman

Scott White

SCHEDULE OF PARTIES RECEIVING INDEMNIFICATION AGREEMENTS

Erline Belton
Gina Boswell
Doug Conant
Philip R. Crimmins Sr.
Nancy Culbertson
D. Patrick Curran
Michael Czinege
Carol DiRaimo
Beverly O. Elving
Tom Finocchiaro
David L. Goebel
Kurt Hankins
Eric L. Hansen
Jack P. Helms
Lloyd L. Hill
Steven K. Lumpkin
Larry Miller
David R. Parsley
Rogelio Rrbolledo
Sam Rothschild
Burton M. Sack
Rohan St. George
Carin L. Stutz
Stanley M. Sword
Rebecca R. Tilden
Michael Volkema
Douglas D. Waltman
Scott White

Director Compensation Policy

1. Non-employee directors will receive an annual cash retainer of \$35,000 for service on the board and participation on the three standing committees. Pursuant to Section 9 of the Amended and Restated Equity Incentive Plan, as amended (the "1995 Plan"), non-employee directors may elect to receive all or a portion of this retainer in stock options. Committee and sub-committee Chairs receive an additional cash retainer of \$10,000.
2. Non-employee directors will receive a specified amount for each special committee served on, as specified from time to time by the Board of Directors or relevant committee of the Board of Directors.
3. Pursuant to Section 9 of the 1995 Plan, non-employee directors will receive an annual grant of stock options and restricted stock, the value and mix of which is determined each year by the Board of Directors, based on providing overall compensation in the range of the 75th percentile for a selected peer group of companies. The value for fiscal 2007 is \$136,000. The directors can elect to take the restricted stock in the form of stock options at a ratio of 3-to-1.
4. Employee directors receive no additional compensation for their service on the Board.
5. Mr. Hill, as non-executive chairman, receives annual compensation of \$340,000.

SUBSIDIARIES OF APPLEBEE'S INTERNATIONAL, INC.

NAME OF SUBSIDIARY	TYPE OF COMPANY
ACME, INC.	Virginia Corporation
AFSS, INC.	Kansas Corporation
AII EURO Services (Holland) B.V.	Holland Limited Liability
AII Services, Inc.	Kansas Corporation
AII Services - Europe, Limited	U.K. Limited
Anne Arundel Apple Holding Corporation	Maryland Corporation
Apple American Limited Partnership of Minnesota	Minnesota Limited Partnership
Apple Vermont Restaurants, Inc.	Vermont Corporation
Applebee's Beverage, Inc.	Texas Corporation
Applebee's Brazil, LLC	Kansas Limited Liability Co.
Applebee's Canada Corp.	Canada Corporation
Applebee's Investments, LLC	Kansas Limited Liability Co.
Applebee's Michigan Services, LLC	Michigan Limited Liability Company
Applebee's Neighborhood Grill & Bar of Georgia, Inc.	Georgia Corporation
Applebee's Northeast, Inc.	Massachusetts Corporation
Applebee's of Calvert County, Inc.	Maryland Corporation
Applebee's of Maryland, Inc.	Maryland Corporation
Applebee's of Michigan, Inc.	Michigan Corporation

Applebee's of Minnesota, Inc.	Minnesota Corporation
Applebee's of Nevada, Inc.	Nevada Corporation
Applebee's of New Mexico, Inc.	New Mexico Corporation
Applebee's of New York, Inc.	New York Corporation
Applebee's of St. Mary's County, Inc.	Maryland Corporation
Applebee's of Texas, Inc.	Texas Corporation
Applebee's of Virginia, Inc.	Virginia Corporation
Applebee's UK, LLC	Kansas Limited Liability Co.
Gourmet Beverage of Kansas, Inc.	Kansas Corporation
Gourmet Systems of Arizona, Inc.	Arizona Corporation
Gourmet Systems of Brazil, LLC	Kansas Limited Liability Co.
Gourmet Systems Beverage, Inc.	Texas Corporation
Gourmet Systems of California, Inc.	California Corporation
Gourmet Systems of Georgia, Inc.	Georgia Corporation
Gourmet Systems of Kansas, Inc.	Kansas Corporation

Gourmet Systems of Minnesota, Inc.	Minnesota Corporation
Gourmet Systems of Nevada, Inc.	Nevada Corporation
Gourmet Systems of Pennsylvania, Inc.	Pennsylvania Corporation
Gourmet Systems of Tennessee, Inc.	Tennessee Corporation
Gourmet Systems of Texas, Inc.	Texas Corporation
Gourmet Systems, Inc.	Missouri Corporation

GourmetWest of Nevada, Limited Liability Company	Nevada Limited Liability Company
Innovative Restaurant Concepts, Inc.	Georgia Corporation
IRC Kansas, Inc.	Kansas Corporation
Neighborhood Insurance, Inc.	Vermont Corporation
RB International, Inc.	Kansas Corporation
Rio Bravo Restaurant, Inc.	New York Corporation
Rio Bravo Services, Inc.	Kansas Corporation
Summit Restaurants, Inc.	Georgia Corporation
Applebee's Canada Corp.	Nova Scotia Unlimited Liability Company
Applebee's Restaurantes de Mexico S.de R.L. de C.V.	Mexican Limited Liability Co. With Variable Capital
Applebee's Restaurantes Brasil, Ltda.	Brazil Limited Liability Co.
Shanghai Applebee's Restaurant Management Co., Ltd.	Shanghai, China Wholly Foreign Owned Enterprise
The Heidi Fund, Inc.	Kansas Non-profit Corporation

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement Nos. 333-105380, 333-95705, 333-01969, 333-17823, 333-17825, 333-70656, 333-87890, 333-115677, and 333-124967 on Form S-8 of our reports dated February 28, 2007, relating to the financial statements of Applebee's International, Inc. and subsidiaries and management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of Applebee's International, Inc. and subsidiaries for the fiscal year ended December 25, 2005.

DELOITTE & TOUCHE LLP

Kansas City, Missouri
February 28, 2007

CERTIFICATION

I, David L. Goebel, certify that:

1. I have reviewed this annual report on Form 10-K of Applebee's International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are

- reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007

By: /s/ David L. Goebel

David L. Goebel
Chief Executive Officer and President
(principal executive officer)

CERTIFICATION

I, Steven K. Lumpkin, certify that:

1. I have reviewed this annual report on Form 10-K of Applebee's International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are

- reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007

By: /s/ Steven K. Lumpkin

Steven K. Lumpkin
Executive Vice President and
Chief Financial Officer
(principal financial officer)

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Applebee's International, Inc. (the "Company") on Form 10-K for the annual period ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and dates indicated below, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2007

By: /s/ David L. Goebel

David L. Goebel
Chief Executive Officer and President

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Applebee's International, Inc. (the "Company") on Form 10-K for the annual period ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and dates indicated below, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2007

By: /s/ Steven K. Lumpkin

Steven K. Lumpkin
Chief Financial Officer

