

NPC RESTAURANT HOLDINGS, LLC

FORM 10-Q (Quarterly Report)

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| | |
|-------------|---|
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| SIC Code | 5812 - Eating Places |
| Industry | Restaurants |
| Sector | Services |
| Fiscal Year | 12/25 |

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

Form 10-Q

(Mark one)

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

For the quarterly period ended **June 28, 2016**

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 **333-180524-04**

NPC RESTAURANT HOLDINGS, LLC

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

20-4509045

(I.R.S. employer
identification number)

**7300 W. 129th Street
Overland Park, KS**

(Address of principal executive offices)

66213

(Zip Code)

Telephone: (913) 327-5555

(Registrant's telephone number, including area code)

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

(Note: As a voluntary filer, not subject to the filing requirements, the registrant filed all reports required under Section 13 or 15(d) of the Exchange Act during the preceding 12 months.)

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large Accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There is no market for the Registrant's equity. As of August 12, 2016, there were 1,000 units of membership interests outstanding.

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PART I**PART 1. FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements (unaudited)**

NPC RESTAURANT HOLDINGS, LLC
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except share data)

| | June 28, 2016 | December 29, 2015 |
|---|------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 55,480 | \$ 32,717 |
| Accounts and other receivables | 4,764 | 7,278 |
| Inventories | 9,710 | 10,067 |
| Prepaid expenses and other current assets | 6,239 | 7,133 |
| Assets held for sale | 2,257 | 2,904 |
| Income taxes receivable | 498 | 3,016 |
| Total current assets | 78,948 | 63,115 |
| Facilities and equipment, less accumulated depreciation of \$180,905 and \$163,993, respectively | 206,410 | 203,468 |
| Franchise rights, less accumulated amortization of \$77,633 and \$68,307, respectively | 611,878 | 620,518 |
| Goodwill | 294,626 | 294,626 |
| Other assets, net | 28,001 | 28,969 |
| Total assets | \$ 1,219,863 | \$ 1,210,696 |
| Liabilities and member's equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 34,433 | \$ 34,926 |
| Accrued liabilities | 48,876 | 44,847 |
| Accrued interest | 12,186 | 11,436 |
| Current portion of insurance reserves | 13,116 | 12,829 |
| Current portion of debt | 1,911 | 4,158 |
| Total current liabilities | 110,522 | 108,196 |
| Long-term debt | 576,503 | 577,011 |
| Other deferred items | 42,186 | 40,834 |
| Insurance reserves | 21,903 | 21,203 |
| Deferred income taxes | 186,130 | 189,763 |
| Total long-term liabilities | 826,722 | 828,811 |
| Commitments and contingencies | | |
| Member's equity: | | |
| Membership interests (1,000 units authorized, issued and outstanding as of June 28, 2016 and December 29, 2015) | — | — |
| Member's capital | 282,619 | 273,689 |
| Total member's equity | 282,619 | 273,689 |
| Total liabilities and member's equity | \$ 1,219,863 | \$ 1,210,696 |

See accompanying notes to the unaudited consolidated financial statements.

NPC RESTAURANT HOLDINGS, LLC
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands)

| | 13 Weeks Ended | | 26 Weeks Ended | |
|--|------------------|------------------|------------------|------------------|
| | June 28, 2016 | June 30, 2015 | June 28, 2016 | June 30, 2015 |
| Sales: | | | | |
| Net product sales | \$ 290,109 | \$ 292,951 | \$ 595,251 | \$ 588,522 |
| Fees and other income | 13,876 | 13,285 | 28,268 | 26,922 |
| Total sales | 303,985 | 306,236 | 623,519 | 615,444 |
| Costs and expenses: | | | | |
| Cost of sales | 82,755 | 84,605 | 170,236 | 170,330 |
| Direct labor | 85,286 | 88,363 | 176,263 | 177,008 |
| Other restaurant operating expenses | 97,060 | 97,158 | 196,415 | 192,875 |
| General and administrative expenses | 18,665 | 17,412 | 37,114 | 34,114 |
| Corporate depreciation and amortization of intangibles | 5,312 | 5,262 | 10,589 | 10,509 |
| Net facility impairment and closure costs | 2,253 | 3,730 | 2,574 | 4,677 |
| Other | (96) | 355 | (189) | 393 |
| Total costs and expenses | 291,235 | 296,885 | 593,002 | 589,906 |
| Operating income | 12,750 | 9,351 | 30,517 | 25,538 |
| Interest expense | 11,205 | 10,492 | 22,542 | 20,957 |
| Income (loss) before income taxes | 1,545 | (1,141) | 7,975 | 4,581 |
| Income tax expense (benefit) | 274 | (1,213) | (955) | (466) |
| Net income | \$ 1,271 | \$ 72 | \$ 8,930 | \$ 5,047 |

See accompanying notes to the unaudited consolidated financial statements.

NPC RESTAURANT HOLDINGS, LLC
CONSOLIDATED STATEMENT OF MEMBER'S EQUITY
(Unaudited)
(in thousands)

| | Member's equity |
|------------------------------|----------------------------|
| Balance at December 29, 2015 | \$ 273,689 |
| Net income | 8,930 |
| Balance at June 28, 2016 | <u>\$ 282,619</u> |

See accompanying notes to the unaudited consolidated financial statements.

NPC RESTAURANT HOLDINGS, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

| | 26 weeks ended | |
|---|------------------|------------------|
| | June 28, 2016 | June 30, 2015 |
| Operating activities | | |
| Net income | \$ 8,930 | \$ 5,047 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 33,753 | 31,079 |
| Amortization of debt issuance costs | 2,178 | 1,961 |
| Deferred income taxes | (3,633) | (4,989) |
| Net facility impairment and closure costs | 2,574 | 4,677 |
| Other | (258) | 473 |
| Changes in assets and liabilities, excluding the effect of acquisitions: | | |
| Accounts receivable | 2,664 | 3,291 |
| Inventories | 396 | 159 |
| Prepaid expenses and other current assets | 895 | 1,844 |
| Accounts payable | (493) | 1,435 |
| Income taxes | 2,518 | 3,180 |
| Accrued interest | 750 | (1,654) |
| Accrued liabilities | 2,510 | 1,365 |
| Insurance reserves | 987 | 1,256 |
| Other deferred items | (1,290) | 47 |
| Other assets | (138) | (122) |
| Net cash provided by operating activities | 52,343 | 49,049 |
| Investing activities | | |
| Capital expenditures | (25,393) | (26,466) |
| Acquisition of Wendy's business, net of cash acquired | (7,963) | — |
| Proceeds from sale-leaseback transactions | 7,155 | 1,408 |
| Proceeds from sale or disposition of assets | 947 | 548 |
| Net cash used in investing activities | (25,254) | (24,510) |
| Financing activities | | |
| Borrowings under revolving credit facility | — | 59,000 |
| Payments under revolving credit facility | — | (59,000) |
| Payments on term bank facilities | (4,326) | (3,119) |
| Net cash used in financing activities | (4,326) | (3,119) |
| Net change in cash and cash equivalents | 22,763 | 21,420 |
| Beginning cash and cash equivalents | 32,717 | 12,063 |
| Ending cash and cash equivalents | \$ 55,480 | \$ 33,483 |
| Supplemental disclosures of cash flow information: | | |
| Net cash paid for interest | \$ 19,601 | \$ 20,571 |
| Net cash paid for income taxes | \$ 145 | \$ 1,345 |
| Non-cash investing activities: | | |
| Accrued capital expenditures | \$ 4,900 | \$ 3,229 |

See accompanying notes to the unaudited consolidated financial statements.

NPC RESTAURANT HOLDINGS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Basis of Presentation, Interim Financial Statements and Accounting Policies

NPC Restaurant Holdings, LLC is referred to herein as “Holdings.” Holdings and its subsidiaries are referred to herein as the “Company.” Holdings’ wholly-owned subsidiary, NPC International, Inc., is referred to herein as “NPC.” NPC’s wholly-owned subsidiary, NPC Quality Burgers, Inc., is referred to herein as “NPCQB.” On December 28, 2011, all of the outstanding membership interests of Holdings were acquired by NPC International Holdings, Inc. (“NPC Holdings” or “Parent”), an entity controlled by Olympus Growth Fund V, L.P. and certain of its affiliated entities (“Olympus” or “Sponsor”), herein referred to as the “Transactions”.

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for reporting on Form 10-Q. Accordingly, certain information and disclosures required by accounting principles generally accepted in the United States (“GAAP”) for complete consolidated financial statements are not included herein.

The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s latest Annual Report on Form 10-K.

The results of operations of any interim period are not necessarily indicative of the results of operations for the full year. The Company believes the accompanying unaudited interim consolidated financial statements include all adjustments (consisting of normal recurring adjustments and accruals) necessary to fairly present the Company’s consolidated results of operations, financial position and cash flows as of the dates and for the periods presented.

The preparation of the unaudited interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions about future events relating to the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim consolidated financial statements and the reported amount of sales and expenses during the reporting periods. Estimates are revised when facts and circumstances change. As such, actual results could differ materially from those estimates.

As further reflected in Note 4 to the unaudited interim consolidated financial statements, the Company adopted Accounting Standards Update (“ASU”) No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30)* (“ASU 2015-03”) during the first quarter of 2016, which simplifies the presentation of debt issuance costs. As shown in the table below, pursuant to the guidance in ASU 2015-03 the Company reclassified unamortized debt issuance costs associated with its term loan and senior note obligations in its previously reported consolidated balance sheet as of December 29, 2015 as follows (in thousands):

| | As presented December 29, 2015 | Reclassifications | As adjusted December 29, 2015 |
|----------------|-----------------------------------|-------------------|----------------------------------|
| Other assets | \$ 39,063 | \$ (10,094) | \$ 28,969 |
| Long-term debt | \$ 587,105 | \$ (10,094) | \$ 577,011 |

In March 2016, Financial Accounting Standards Board (“FASB”) issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718)*, amending the accounting for stock-based compensation and requiring excess tax benefits and deficiencies to be recognized as a component of income tax expense rather than equity. This guidance also requires excess tax benefits to be presented as an operating activity on the statement of cash flows and allows an entity to make an accounting policy election to either estimate expected forfeitures or to account for them as they occur. The ASU is effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the effect of this standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize a lease liability and a right of use asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The ASU also expands the required quantitative and qualitative disclosures surrounding leases. This ASU is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with earlier application permitted. This ASU will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company is currently evaluating the effect of this standard on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of the effective date of the new revenue recognition standard which will become effective for the Company beginning with the first quarter of fiscal 2018. The standard can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. Under the proposal, early application would be permitted, but not before the original effective date. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Note 2 – Business Combination

In January 2016, NPCQB acquired three Wendy’s restaurants, including fee-owned properties, from a Wendy’s franchisee for approximately \$8.0 million, consisting principally of facilities and equipment of \$6.7 million and franchise rights of \$1.2 million. This asset acquisition was funded with cash on hand. During the second quarter of fiscal 2016, the Company sold one of the fee-owned properties for \$1.4 million and leased it back and plans to sell and lease back the remaining two fee-owned properties.

Note 3 – Goodwill and Other Intangible Assets

There were no changes in goodwill for the 26 weeks ended June 28, 2016.

The carrying value of the Company’s goodwill is included in the Pizza Hut and Wendy’s reporting units. The Company assesses goodwill, which is not subject to amortization, for impairment annually in its second quarter, and also at any other date when events or changes in circumstances indicate that the carrying value of these assets may exceed their fair value. The Company performed qualitative assessments on both of its reporting units. As a result of the Company’s annual impairment testing in the second quarter, the Company determined that goodwill was not impaired.

Amortizable other intangible assets consist of franchise rights and leasehold interests. These intangible assets are amortized on a straight-line basis over the lesser of their economic lives or the remaining life of the applicable agreement. Intangible assets subject to amortization are summarized below (*in thousands*):

| | June 28, 2016 | | |
|---------------------------------|-----------------------|--------------------------|-------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| Amortizable intangible assets: | | | |
| Franchise rights | \$ 689,511 | \$ (77,633) | \$ 611,878 |
| Favorable leasehold interests | 13,172 | (4,284) | 8,888 |
| Unfavorable leasehold interests | (16,873) | 8,898 | (7,975) |
| | <u>\$ 685,810</u> | <u>\$ (73,019)</u> | <u>\$ 612,791</u> |

| | December 29, 2015 | | |
|---------------------------------|-----------------------|--------------------------|-------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| Amortizable intangible assets: | | | |
| Franchise rights | \$ 688,825 | \$ (68,307) | \$ 620,518 |
| Favorable leasehold interests | 13,850 | (4,354) | 9,496 |
| Unfavorable leasehold interests | (17,105) | 8,139 | (8,966) |
| | <u>\$ 685,570</u> | <u>\$ (64,522)</u> | <u>\$ 621,048</u> |

Amortization expense on intangible assets was \$4.5 million and \$4.6 million for the 13-week periods ended June 28, 2016 and June 30, 2015, respectively and \$9.0 million for each of the 26-week periods ended June 28, 2016 and June 30, 2015.

Note 4 – Debt

The Company’s debt consisted of the following (*in thousands*):

| | June 28, 2016 | December 29, 2015 |
|--|-------------------|----------------------|
| Term Loan | \$ 396,936 | \$ 401,263 |
| Unamortized debt issuance costs | (6,317) | (7,581) |
| Term Loan notes less unamortized debt issuance costs | 390,619 | 393,682 |
| Senior Notes | 190,000 | 190,000 |
| Unamortized debt issuance costs | (2,205) | (2,513) |
| Senior Notes less unamortized debt issuance costs | 187,795 | 187,487 |
| Revolving Facility (\$110 million) ⁽¹⁾ | — | — |
| | 578,414 | 581,169 |
| Less current portion | 1,911 | 4,158 |
| | <u>\$ 576,503</u> | <u>\$ 577,011</u> |

⁽¹⁾ At June 28, 2016, the Company had \$80.4 million of borrowing capacity available under its revolving credit facility ("Revolving Facility"), net of \$29.6 million of outstanding letters of credit. At December 29, 2015, the Company had \$80.9 million of borrowing capacity available under its Revolving Facility, net of \$29.1 million of outstanding letters of credit.

The Company's debt facilities contain restrictions on additional borrowings, certain asset sales, dividend payments, certain investments and related-party transactions, as well as requirements to maintain various financial ratios. At June 28, 2016, the Company was in compliance with all of its financial covenants.

Based upon the amount of excess cash flow generated during the fiscal year and the Company's leverage at fiscal year end, each of which is defined in the credit agreement governing the term loan, the Company may be required to make an excess cash flow mandatory prepayment. The excess cash flow mandatory prepayment is an annual requirement under the credit agreement and is due 95 days after the end of each fiscal year. The Company made a mandatory prepayment of \$3.3 million on March 31, 2016 based on its fiscal 2015 results. The Company currently expects that it will not be required to make a mandatory prepayment in fiscal 2017. However, because this is a preliminary estimate, it is possible that an excess cash flow mandatory prepayment could ultimately be required.

Note 5 – Fair Value Measurements

Fair value disclosures enable the reader of the financial statements to assess the inputs used to develop those fair value measurements using a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Company classifies and discloses assets and liabilities carried at fair value in one of the following three categories:

Level 1: Unadjusted quoted prices available in active markets for identical assets or liabilities.

Level 2: Pricing inputs, other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are not corroborated by market data, which requires the Company to develop its own assumptions. These inputs are frequently utilized in pricing models, discounted cash flow techniques and other widely accepted valuation methodologies.

The following tables summarize the carrying amounts and fair values of certain assets at June 28, 2016 and December 29, 2015, (*in thousands*):

| June 28, 2016 | | | | |
|----------------------------------|-----------------|----------------|----------------|----------------|
| | Carrying Amount | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| Equities ⁽¹⁾ | \$ 9,918 | \$ 9,918 | \$ — | \$ — |
| Fixed income ⁽¹⁾ | 4,970 | — | 4,970 | — |
| Money market fund ⁽²⁾ | 51,895 | — | 51,895 | — |

| December 29, 2015 | | | | |
|----------------------------------|-----------------|----------------|----------------|----------------|
| | Carrying Amount | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| Equities ⁽¹⁾ | \$ 10,385 | \$ 10,385 | \$ — | \$ — |
| Fixed income ⁽¹⁾ | 3,748 | — | 3,748 | — |
| Money market fund ⁽²⁾ | 29,584 | — | 29,584 | — |

- (1) These investments relate to the Deferred Compensation Plan and the POWR Plan and are located in the other assets line item on the Consolidated Balance Sheets. The investments categorized as Level 2 in the fair value hierarchy are valued by using available market information which includes quoted market prices for identical or similar assets in non-active markets.
- (2) At June 28, 2016 and December 29, 2015, \$0.9 million and \$1.5 million, respectively, of the balances in the money market fund related to the Deferred Compensation and POWR Plans and were located in the other assets line item on the Consolidated Balance Sheets. The remaining balances in the money market fund were short-term in nature and were classified in cash and cash equivalents on the Consolidated Balance Sheets. Money market funds are valued at amortized cost which reflects the market-based fair value.

The estimated fair value of the Company's outstanding borrowings was as follows (*in thousands*):

| | June 28, 2016 | December 29, 2015 |
|--------------------|-------------------|-------------------|
| Term Loan | \$ 388,635 | \$ 389,670 |
| Senior Notes | 197,294 | 195,087 |
| Revolving Facility | — | — |
| | <u>\$ 585,929</u> | <u>\$ 584,757</u> |
| Carrying value | \$ 578,414 | \$ 581,169 |

The Company measures the fair value of its debt facilities under a Level 2 observable input which consists of quotes from non-active markets. However, the fair value estimates presented herein are not necessarily indicative of the amount that the Company's debtholders could realize in a current market exchange. Cash and cash equivalents (excluding the money market fund), accounts and other receivables and accounts payable are carried at cost which approximates fair value because of the short-term nature of these instruments.

The Company reviews long-lived assets related to each unit semi-annually in the second and fourth quarters for indicators of impairment and at any other date when events or changes in circumstances indicate that the carrying value of these assets may exceed their fair value and the carrying amount of a unit's leasehold improvements and equipment may not be recoverable. Based on the best information available, impaired leasehold improvements and certain personal property are written down to estimated fair market value, which becomes the new cost basis. Additionally, when a commitment is made to close a unit beyond the quarter, any remaining leasehold improvements and all personal property are reviewed for impairment and depreciable lives are adjusted.

The table below summarizes restaurant-level impairment (Level 3) for the periods presented (*in thousands*):

| | 13 Weeks Ended | | 26 Weeks Ended | |
|--------------------------------------|----------------|---------------|----------------|---------------|
| | June 28, 2016 | June 30, 2015 | June 28, 2016 | June 30, 2015 |
| Total asset impairments and closures | \$ 2,253 | \$ 3,730 | \$ 2,574 | \$ 4,677 |

The remaining net book value of the above assets measured on a non-recurring basis at fair value as of June 28, 2016, subsequent to the impairments, was \$0.8 million.

Note 6 – Income Taxes

For the 26 weeks ended June 28, 2016, the Company recorded an income tax benefit of \$1.0 million compared to an income tax benefit of \$0.5 million for the same period of the prior year. These tax benefits for both periods were primarily due to general business tax credits in relation to projected taxable income.

The Company files a consolidated US federal tax return with its parent company, NPC Holdings. The Company allocates taxes between it and the Parent utilizing the separate return method.

The liability for uncertain tax positions was \$2.6 million at June 28, 2016 and December 29, 2015.

Note 7 – Accrued Liabilities

Accrued liabilities consist of the following (*in thousands*):

| | June 28, 2016 | December 29, 2015 |
|----------------------|------------------|-------------------|
| Payroll and vacation | \$ 19,254 | \$ 19,279 |
| Sales tax payable | 5,224 | 5,648 |
| Other | 24,398 | 19,920 |
| | <u>\$ 48,876</u> | <u>\$ 44,847</u> |

Note 8 – Commitments and Contingencies

On April 12, 2016, the Company entered into an Amendment to its Franchise Agreement with Pizza Hut, Inc. which sets forth the terms of the Asset Partner Plan which governs the future asset upgrade requirements of the Company including remodel scope and timing of such actions, and supersedes the previous agreements relating to such upgrade requirements. The terms of the Asset Partner Plan included in the Amendment to Franchise Agreement are similar in scope to the description of the proposed plan included in Note 10, Commitments and Contingencies of the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2015.

From time to time, the Company is involved in litigation, most of which is incidental to its business. In the Company's opinion, no litigation to which the Company currently is a party is likely to have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

Note 9 – Transactions with Sponsor

Olympus Advisory Agreement. On December 28, 2011, the Company entered into a management advisory agreement with the Sponsor pursuant to which the Sponsor or its affiliates provide financial, investment banking, management advisory and other services on the Company's behalf for an annual fee of \$1.0 million, paid in quarterly installments in arrears on the last day of each calendar quarter. The Company accrues the fee ratably to general and administrative expenses. The Sponsor also receives reimbursement for out-of-pocket expenses incurred in connection with services provided pursuant to the agreement.

Note 10 – Condensed Consolidating Financial Statements

NPC's obligations under the 10 1/2% Senior Notes due 2020 and its senior secured credit facilities are fully guaranteed by Holdings. As of the date hereof, Holdings' only material asset is 100% of the stock of NPC. The remaining co-issuers with NPC, NPCQB and NPC Operating Company B, Inc. ("NPC Op Co B") are 100% owned by NPC. NPC Op Co B does not have any assets or operations as of June 28, 2016 and has not had any revenues, expenses or cash flows during its existence. The Holdings and subsidiary guarantees are joint and several, full and unconditional. The following summarizes the Company's condensed consolidating information as of June 28, 2016 and December 29, 2015, and for each of the 13-week and 26-week periods ended June 28, 2016 and June 30, 2015, respectively (*in thousands*):

Condensed Consolidating Statements of Income

13 Weeks Ended June 28, 2016

| | Parent | Subsidiary | Subsidiary | Subsidiary | Eliminations | Consolidated |
|------------------------------------|------------------------|----------------|---------------------|------------------------------|--------------|--------------|
| | Guarantor: Holdings | Issuer: NPC | Co-Issuer: NPCQB | Co-Issuer: NPC Op Co B | | |
| Total sales | \$ — | \$ 250,388 | \$ 53,597 | \$ — | \$ — | \$ 303,985 |
| Total costs and expenses | — | 241,750 | 49,485 | — | — | 291,235 |
| Operating income | — | 8,638 | 4,112 | — | — | 12,750 |
| Interest expense | — | 11,205 | — | — | — | 11,205 |
| Equity in net income of subsidiary | 1,271 | 4,367 | — | — | (5,638) | — |
| Income before income taxes | 1,271 | 1,800 | 4,112 | — | (5,638) | 1,545 |
| Income tax expense (benefit) | — | 529 | (255) | — | — | 274 |
| Net income | \$ 1,271 | \$ 1,271 | \$ 4,367 | \$ — | \$ (5,638) | \$ 1,271 |

13 Weeks Ended June 30, 2015

| | Parent | Subsidiary | Subsidiary | Subsidiary | Eliminations | Consolidated |
|------------------------------------|------------------------|----------------|---------------------|------------------------------|--------------|--------------|
| | Guarantor: Holdings | Issuer: NPC | Co-Issuer: NPCQB | Co-Issuer: NPC Op Co B | | |
| Total sales | \$ — | \$ 253,911 | \$ 52,325 | \$ — | \$ — | \$ 306,236 |
| Total costs and expenses | — | 247,557 | 49,328 | — | — | 296,885 |
| Operating income | — | 6,354 | 2,997 | — | — | 9,351 |
| Interest expense | — | 10,492 | — | — | — | 10,492 |
| Equity in net income of subsidiary | 72 | 3,643 | — | — | (3,715) | — |
| (Loss) income before income taxes | 72 | (495) | 2,997 | — | (3,715) | (1,141) |
| Income tax benefit | — | (567) | (646) | — | — | (1,213) |
| Net income | \$ 72 | \$ 72 | \$ 3,643 | \$ — | \$ (3,715) | \$ 72 |

26 Weeks Ended June 28, 2016

| | Parent | Subsidiary | Subsidiary | Subsidiary | Eliminations | Consolidated |
|------------------------------------|------------------------|----------------|---------------------|------------------------------|--------------|--------------|
| | Guarantor: Holdings | Issuer: NPC | Co-Issuer: NPCQB | Co-Issuer: NPC Op Co B | | |
| Total sales | \$ — | \$ 518,982 | \$ 104,537 | \$ — | \$ — | \$ 623,519 |
| Total costs and expenses | — | 495,107 | 97,895 | — | — | 593,002 |
| Operating income | — | 23,875 | 6,642 | — | — | 30,517 |
| Interest expense | — | 22,542 | — | — | — | 22,542 |
| Equity in net income of subsidiary | 8,930 | 7,332 | — | — | (16,262) | — |
| Income before income taxes | 8,930 | 8,665 | 6,642 | — | (16,262) | 7,975 |
| Income tax benefit | — | (265) | (690) | — | — | (955) |
| Net income | \$ 8,930 | \$ 8,930 | \$ 7,332 | \$ — | \$ (16,262) | \$ 8,930 |

26 Weeks Ended June 30, 2015

| | Parent | Subsidiary | Subsidiary | Subsidiary | | |
|------------------------------------|------------------------|----------------|---------------------|------------------------------|--------------|--------------|
| | Guarantor: Holdings | Issuer: NPC | Co-Issuer: NPCQB | Co-Issuer: NPC Op Co B | Eliminations | Consolidated |
| Total sales | \$ — | \$ 514,478 | \$ 100,966 | \$ — | \$ — | \$ 615,444 |
| Total costs and expenses | — | 493,409 | 96,497 | — | — | 589,906 |
| Operating income | — | 21,069 | 4,469 | — | — | 25,538 |
| Interest expense | — | 20,957 | — | — | — | 20,957 |
| Equity in net income of subsidiary | 5,047 | 4,923 | — | — | (9,970) | — |
| Income before income taxes | 5,047 | 5,035 | 4,469 | — | (9,970) | 4,581 |
| Income tax benefit | — | (12) | (454) | — | — | (466) |
| Net income | \$ 5,047 | \$ 5,047 | \$ 4,923 | \$ — | \$ (9,970) | \$ 5,047 |

Condensed Consolidating Balance Sheet

| | June 28, 2016 | | | | | |
|--|------------------------|---------------------|---------------------|------------------------------|---------------------|---------------------|
| | Parent | Subsidiary | Subsidiary | Subsidiary | | |
| | Guarantor: Holdings | Issuer: NPC | Co-Issuer: NPCQB | Co-Issuer: NPC Op Co B | Eliminations | Consolidated |
| Assets: | | | | | | |
| Current assets | \$ — | \$ 77,028 | \$ 1,920 | \$ — | \$ — | \$ 78,948 |
| Facilities and equipment, net | — | 154,064 | 52,346 | — | — | 206,410 |
| Franchise rights, net | — | 569,079 | 42,799 | — | — | 611,878 |
| Goodwill | — | 290,502 | 4,124 | — | — | 294,626 |
| Investment in subsidiary | 282,619 | 78,073 | — | — | (360,692) | — |
| Other assets, net | — | 26,433 | 1,568 | — | — | 28,001 |
| Total assets | \$ 282,619 | \$ 1,195,179 | \$ 102,757 | \$ — | \$ (360,692) | \$ 1,219,863 |
| Liabilities and member's equity: | | | | | | |
| Current liabilities | \$ — | \$ 93,951 | \$ 16,571 | \$ — | \$ — | \$ 110,522 |
| Long-term debt | — | 576,503 | — | — | — | 576,503 |
| Other liabilities and deferred items | — | 54,857 | 9,232 | — | — | 64,089 |
| Deferred income taxes | — | 187,249 | (1,119) | — | — | 186,130 |
| Member's equity | 282,619 | 282,619 | 78,073 | — | (360,692) | 282,619 |
| Total liabilities and member's equity | \$ 282,619 | \$ 1,195,179 | \$ 102,757 | \$ — | \$ (360,692) | \$ 1,219,863 |

| | December 29, 2015 | | | | | |
|--|------------------------|---------------------|---------------------|------------------------------|---------------------|---------------------|
| | Parent | Subsidiary | Subsidiary | Subsidiary | | |
| | Guarantor: Holdings | Issuer: NPC | Co-Issuer: NPCQB | Co-Issuer: NPC Op Co B | Eliminations | Consolidated |
| Assets: | | | | | | |
| Current assets | \$ — | \$ 58,620 | \$ 4,495 | \$ — | \$ — | \$ 63,115 |
| Facilities and equipment, net | — | 155,501 | 47,967 | — | — | 203,468 |
| Franchise rights, net | — | 577,097 | 43,421 | — | — | 620,518 |
| Goodwill | — | 290,502 | 4,124 | — | — | 294,626 |
| Investment in subsidiary | 273,689 | 76,784 | — | — | (350,473) | — |
| Other assets, net | — | 27,233 | 1,736 | — | — | 28,969 |
| Total assets | \$ 273,689 | \$ 1,185,737 | \$ 101,743 | \$ — | \$ (350,473) | \$ 1,210,696 |
| Liabilities and member's equity: | | | | | | |
| Current liabilities | \$ — | \$ 91,472 | \$ 16,724 | \$ — | \$ — | \$ 108,196 |
| Long-term debt | — | 577,011 | — | — | — | 577,011 |
| Other liabilities and deferred items | — | 55,589 | 6,448 | — | — | 62,037 |
| Deferred income taxes | — | 187,976 | 1,787 | — | — | 189,763 |
| Member's equity | 273,689 | 273,689 | 76,784 | — | (350,473) | 273,689 |
| Total liabilities and member's equity | \$ 273,689 | \$ 1,185,737 | \$ 101,743 | \$ — | \$ (350,473) | \$ 1,210,696 |

Condensed Consolidating Statements of Cash Flows

| | 26 Weeks Ended June 28, 2016 | | | | | |
|---|------------------------------|----------------|---------------------|------------------------------|--------------|--------------|
| | Parent | Subsidiary | Subsidiary | Subsidiary | Eliminations | Consolidated |
| | Guarantor: Holdings | Issuer: NPC | Co-Issuer: NPCQB | Co-Issuer: NPC Op Co B | | |
| Operating activities: | | | | | | |
| Net cash flows provided by operating activities | \$ — | \$ 38,283 | \$ 14,060 | \$ — | \$ — | \$ 52,343 |
| Investing activities: | | | | | | |
| Capital expenditures | — | (18,948) | (6,445) | — | — | (25,393) |
| Return of investment in subsidiary | — | 6,043 | — | — | (6,043) | — |
| Acquisition of Wendy's business, net of cash acquired | — | — | (7,963) | — | — | (7,963) |
| Proceeds from sale-leaseback transactions | — | 828 | 6,327 | — | — | 7,155 |
| Proceeds from sale or disposition of assets | — | 887 | 60 | — | — | 947 |
| Net cash flows used in investing activities | — | (11,190) | (8,021) | — | (6,043) | (25,254) |
| Financing activities: | | | | | | |
| Net payments on debt | — | (4,326) | — | — | — | (4,326) |
| Distribution to parent | — | — | (6,043) | — | 6,043 | — |
| Net cash flows used in financing activities | — | (4,326) | (6,043) | — | 6,043 | (4,326) |
| Net change in cash and cash equivalents | — | 22,767 | (4) | — | — | 22,763 |
| Beginning cash and cash equivalents | — | 31,918 | 799 | — | — | 32,717 |
| Ending cash and cash equivalents | \$ — | \$ 54,685 | \$ 795 | \$ — | \$ — | \$ 55,480 |

| | 26 Weeks Ended June 30, 2015 | | | | | | |
|---|------------------------------|----------------|---------------------|------------------------------|--------------|--|--------------|
| | Parent | Subsidiary | Subsidiary | Subsidiary | | | |
| | Guarantor: Holdings | Issuer: NPC | Co-Issuer: NPCQB | Co-Issuer: NPC Op Co B | Eliminations | | Consolidated |
| Operating activities: | | | | | | | |
| Net cash flows provided by operating activities | \$ — | \$ 37,079 | \$ 11,970 | \$ — | \$ — | | \$ 49,049 |
| Investing activities: | | | | | | | |
| Capital expenditures | — | (20,214) | (6,252) | — | — | | (26,466) |
| Return of investment in subsidiary | — | 5,713 | — | — | (5,713) | | — |
| Proceeds from sale-leaseback transactions | — | 1,408 | — | — | — | | 1,408 |
| Proceeds from sale or disposition of assets | — | 499 | 49 | — | — | | 548 |
| Net cash flows used in investing activities | — | (12,594) | (6,203) | — | (5,713) | | (24,510) |
| Financing activities: | | | | | | | |
| Net payments on debt | — | (3,119) | — | — | — | | (3,119) |
| Distribution to parent | — | — | (5,713) | — | 5,713 | | — |
| Net cash flows used in financing activities | — | (3,119) | (5,713) | — | 5,713 | | (3,119) |
| Net change in cash and cash equivalents | — | 21,366 | 54 | — | — | | 21,420 |
| Beginning cash and cash equivalents | — | 11,278 | 785 | — | — | | 12,063 |
| Ending cash and cash equivalents | \$ — | \$ 32,644 | \$ 839 | \$ — | \$ — | | \$ 33,483 |

Note 11 – Subsequent Event

On July 25, 2016, NPCQB completed the acquisition of 39 Wendy’s restaurants, including four restaurants that were recently constructed, from a subsidiary of The Wendy’s Company (“Wendy’s”) for approximately \$36.2 million, plus amounts for working capital. This asset acquisition was funded with cash on hand. The units are located in the Raleigh-Durham, North Carolina metropolitan area. According to information provided to the Company, 35 of the units acquired generated approximately \$59.0 million in net product sales during the 52 weeks ended January 3, 2016.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

As used in this report, NPC Restaurant Holdings, LLC is referred to herein as “Holdings.” Holdings and its subsidiaries are referred to as the “Company,” “we” “us,” and “our.” Holdings’ wholly-owned subsidiary, NPC International, Inc., is referred to as “NPC.” NPC’s wholly-owned subsidiary, NPC Quality Burgers, Inc., is referred to herein as “NPCQB.”

Trademarks and Trade Names

The trade name “Pizza Hut” and all other trade names, trademarks, service marks, symbols, slogans, emblems, logos and designs used in the Pizza Hut system and appearing in this Form 10-Q are owned by Pizza Hut, Inc. (“PHI”) and are licensed to us for use with respect to the operation and promotion of our Pizza Hut restaurants. The “WingStreet” name is a trademark of WingStreet, LLC, an entity controlled by Yum! Brands, Inc. (“Yum!”). The trade name “Wendy’s” and all other trade names, trademarks, service marks, symbols, slogans, emblems, logos and designs used in the Wendy’s system and appearing in this Form 10-Q are owned by The Wendy’s Company and its subsidiaries (“Wendy’s”) and are licensed to us for use with respect to the operation and promotion of our Wendy’s restaurants. All other trademarks or trade names appearing in this Form 10-Q are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this Form 10-Q may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and trade names.

Market and Industry Data

In this Form 10-Q, we refer to information regarding the U.S. restaurant industry and the quick service restaurant sector from publicly available market research reports and other publicly available information. Unless otherwise indicated, corporate information regarding PHI in this Form 10-Q has been made publicly available by Yum! and corporate information regarding Wendy’s has been made publicly available by Wendy’s. We have not independently verified such data and we make no representations as to the accuracy of such information. None of the reports referred to in this Form 10-Q were prepared for use in, or in connection with, this Form 10-Q.

Non-GAAP Financial Measures

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). This Item 2 includes various financial measures that have not been calculated in accordance with GAAP, commonly referred to as “Non-GAAP Financial Measures”. These Non-GAAP Financial Measures include Adjusted EBITDA and Covenant EBITDA, which is in accordance with our Senior Secured Credit Facilities credit agreement.

These measures are not in accordance with, or an alternative to GAAP, and may be different from Non-GAAP Financial Measures used by other companies. These measures have important limitations as analytical tools and should not be considered in isolation, nor as a substitute for, or superior to, analysis of our results as reported under GAAP. We recommend that investors view these measures in conjunction with the GAAP measures included in this report and we have provided reconciliations of reported GAAP amounts to the Non-GAAP amounts. Also, in the applicable sections of this Item 2, we explain the ways in which management uses these Non-GAAP Financial Measures to evaluate our business and the reasons why management believes that these Non-GAAP Financial Measures provide useful information to investors.

Cautionary Statement Regarding Forward Looking Information

This report includes forward-looking statements regarding, among other things, our plans, strategies, and prospects, both business and financial. All statements contained in this document other than historical information are forward-looking statements. Forward-looking statements include, but are not limited to, statements that represent our beliefs concerning future operations, strategies, financial results or other developments, and may contain words and phrases such as “may,” “expect,” “should,” “anticipate,” “intend,” or similar expressions. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are

subject to change, actual results could be materially different. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, there can be no assurance we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from our forward-looking statements, expectations and historical trends include, but are not limited to, the following:

- competitive conditions;
- general economic and market conditions;
- effectiveness of franchisor advertising programs and the overall success of our franchisors;
- increases in commodity, labor, fuel and other costs;
- effectiveness of the hedging program for cheese prices directed by Restaurant Supply Chain Solutions, LLC (“RSCS”) for the Pizza Hut system;
- significant disruptions in service or supply by any of our suppliers or distributors;
- changes in consumer tastes, geographic concentration and demographic patterns;
- consumer concerns about health and nutrition;
- our ability to manage our growth and successfully implement our business strategy;
- the risks associated with the expansion of our business, including risks relating to the integration of the Wendy’s restaurants acquired by us;
- the effect of disruptions to our computer and information systems or cyber attacks;
- the effect of local conditions, events and natural disasters;
- general risks associated with the restaurant industry;
- the outcome of pending or yet-to-be instituted legal proceedings;
- regulatory factors, including changing laws and regulations related to healthcare coverage, employee matters (including compensation) and menu labeling, which may adversely affect our business and results of operations;
- the loss of our executive officers and certain key personnel;
- our ability to service our substantial indebtedness and to comply with the related financial covenants;
- restrictions contained in our debt agreements;
- availability, terms and deployment of capital;
- our ability to obtain debt or equity financing on reasonable terms or at costs similar to that of our current credit facilities; and
- various other factors beyond our control.

Any forward-looking statements made in this report speak only as of the date of this report. Consequently, such forward-looking statements should be regarded solely as our current plans, estimates and beliefs. We do not intend, and do not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements, except as may be required by applicable law. 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 our Annual Report on Form 10-K for the fiscal year ended December 29, 2015 (“2015 Form 10-K”) as well as our unaudited interim consolidated financial statements, related notes, and other financial information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission (“SEC”), which are available on the SEC’s website at www.sec.gov.

Overview

NPC was founded in 1962, is the largest franchisee of any restaurant concept in the United States (U.S.), based on unit count, according to the 2015 “Top 200 Restaurant Franchisees” by the *Restaurant Finance Monitor*, and is the eighth largest restaurant unit operator, based on unit count, in the U.S.

Our Pizza Hut operations. We are the largest Pizza Hut franchisee and as of June 28, 2016 we operated 1,234 Pizza Hut units in 27 states with significant presence in the Midwest, South and Southeast. As of June 28, 2016, our Pizza Hut operations represented approximately 20% of the domestic Pizza Hut restaurant system and 21% of the domestic Pizza Hut franchised restaurant system as measured by number of units, excluding licensed units which operate with a limited menu and no delivery in certain of our markets.

Our Wendy’s operations. As of June 28, 2016, we operated 145 Wendy’s units in 5 states. Effective July 25, 2016 we acquired an additional 39 Wendy’s units primarily located in the Raleigh-Durham, North Carolina area from Wendy’s, bringing our total to 184 units. We desire to expand our Wendy’s operations through the opportunistic acquisitions of restaurants in additional markets and organic growth by developing new restaurants that meet our investment objectives. All of the Wendy’s restaurants are owned and operated by NPCQB and are primarily located in and around the Salt Lake City, Greensboro-Winston Salem, Raleigh-Durham and Kansas City metropolitan areas.

Our Fiscal Year. We operate on a 52- or 53-week fiscal year ending on the last Tuesday in December. Fiscal years 2016 and 2015 each contain 52 weeks. Each quarterly period in fiscal years 2016 and 2015 has 13 weeks.

Our Sales

Net Product Sales. Net product sales are comprised of sales of food and beverages from our restaurants, net of discounts. For the 26 weeks ended June 28, 2016, pizza sales accounted for approximately 73% of our Pizza Hut net product sales. Hamburger and chicken sandwiches accounted for approximately 50% of our Wendy's net product sales. Various factors influence sales at a given unit, including customer recognition of the Pizza Hut and Wendy's brands, our level of service and operational effectiveness, pricing, marketing and promotional efforts and local competition. Several factors affect our sales in any period, including the number of units in operation, comparable store sales and seasonality. "Comparable store sales" refer to period-over-period net product sales comparisons for units under our operation for at least 12 months.

Fees and Other Income. Fees and other income for our Pizza Hut operations are comprised primarily of delivery fees charged to customers, vending receipts and other fee income and are not included in our comparable store sales metric.

Seasonality. Our Pizza Hut business is moderately seasonal in nature with net product sales typically being higher in the first half of the fiscal year. Our Wendy's business is also moderately seasonal in nature with net product sales typically being higher in the spring and summer months. As a result of these seasonal fluctuations, our operating results may vary between fiscal quarters. Further, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

Restaurants and Formats. We operate our Pizza Hut restaurants through three different formats to cater to the needs of our customers in each respective market. Delivery units, or "Delcos," are typically located in strip centers and provide delivery and carryout, with a greater proportion being located in more densely populated areas. Red Roof units, or "RRs," are traditional free-standing, dine-in restaurants which offer on-location dining room service as well as carryout service. Restaurant-Based Delivery units, or "RBDs," conduct delivery, dine-in, and carryout operations from the same free-standing location.

Our Wendy's restaurants are generally free-standing and include a pick-up window in addition to a dining room with counter service.

The following table sets forth certain information at the end of each year-to-date fiscal period:

| | 26 Weeks Ended | |
|--|----------------|---------------|
| | June 28, 2016 | June 30, 2015 |
| Number of restaurants open at the end of the period: | | |
| Pizza Hut | | |
| Delco | 609 | 602 |
| RR | 130 | 155 |
| RBD | 495 | 505 |
| Total Pizza Hut units | 1,234 | 1,262 |
| Wendy's units | 145 | 143 |
| Total units | 1,379 | 1,405 |

Our Costs

Our operating costs and expenses are comprised of cost of sales, direct labor, other restaurant operating expenses, general and administrative expenses and facility impairment and closure costs. Our cost structure is highly variable with approximately 70% of operating costs variable to sales and volume of transactions.

Cost of Sales. Cost of sales includes the cost of food and beverage products sold, less rebates from suppliers, as well as paper and packaging, and is primarily influenced by fluctuation in commodity prices. Historically, our Pizza Hut cost of sales has primarily been comprised of the following: cheese: 30-35%; dough: 16-20%; meat: 16-20%; and packaging: 8-10%. These costs can fluctuate from year-to-year given the commodity nature of the cost category, but are constant across regions. We are a member of the RSCS, a cooperative designed to operate as a central procurement service for the operators of Yum! restaurants, and participate in various cheese hedging and procurement programs that are directed by the RSCS for cheese, meat and certain other commodities to help reduce the price volatility of those commodities from period-to-period. Based on information provided by the RSCS, the RSCS typically hedges approximately 30% to 50% of the Pizza Hut system's anticipated cheese purchases through a combination of derivatives taken under the direction of the RSCS. Additionally, the RSCS has entered into contractual pricing arrangements with the supplier to restaurants in the Pizza Hut system on cheese purchases that may cause the prices paid by us to exceed or be less than the current block cheese price.

Our Wendy's cost of sales is primarily comprised of the following: beef and chicken: 40-42%; packaging: 11-13%; potatoes: 8-10%; and dairy: 8-10%. These costs can fluctuate from year-to-year given the commodity nature of the cost category, but are constant across regions. Wendy's and its franchisees have established Quality Supply Chain Co-op, Inc. to manage contracts for the purchase and distribution of food, proprietary paper, operating supplies and equipment under national contracts with pricing based upon total system volume for the Wendy's system in the United States and Canada.

Direct Labor. Direct labor includes the salary, payroll taxes, fringe benefit costs and workers' compensation expense associated with restaurant based personnel. Direct labor is highly dependent on federal and state minimum wage rate legislation and local minimum wage rate initiatives given that the vast majority of our workers are hourly employees. To control labor costs, we are focused on proper scheduling and adequate training of our store employees, as well as retention of existing employees.

Other Restaurant Operating Expenses. Other restaurant operating expenses ("OROE") include all other costs directly associated with operating a restaurant facility, which primarily represents royalties, advertising, occupancy costs (rent, utilities, repairs and other facility-related expenses), depreciation (facilities and equipment), delivery expenses (for our Pizza Hut operations), supplies, insurance (excluding workers' compensation) and other restaurant-related costs.

Our blended average Pizza Hut royalty rate as a percentage of total Pizza Hut sales was 4.9% for both of the 26 week periods ended June 28, 2016 and June 30, 2015. Our blended average Wendy's royalty rate as a percentage of total Wendy's sales was 3.8% and 3.9% for the 26 week periods ended June 28, 2016 and June 30, 2015, respectively.

General and Administrative Expenses. General and administrative expenses include field supervision and personnel costs and the corporate and administrative functions that support our restaurants, including employee wages and benefits, travel, information systems, recruiting and training costs, credit card transaction fees, professional fees, supplies and insurance.

Facility Impairment and Closure Costs. Facility impairment and closure costs include any impairment of long-lived assets, including franchise rights associated with units or designated marketing areas, a unit's leasehold improvements and equipment where the carrying amount of the asset is not recoverable and may exceed its fair value. When a unit is closed, the associated lease and other costs related to the unit are included in closure costs.

Trends and Uncertainties Affecting Our Business

We believe that as a franchisee of such a large number of Pizza Hut and Wendy's restaurants, our financial success is driven less by variable factors that affect regional restaurants and their markets, and more by trends affecting the food purchase industry – specifically the Quick Service Restaurants or "QSR" industry. The following discussion describes certain key factors that may affect our future performance.

General Economic Conditions and Consumer Spending

Changes in general economic conditions can have a significant impact on consumer spending. Wage stagnation, higher healthcare costs and economic uncertainty, as partially mitigated by lower fuel prices and lower unemployment, appear to have negatively impacted consumer spending in some segments of the restaurant industry, including the segment in which we compete. Specifically, we believe pressures on low and lower-middle income customers continue to be significant, and we believe that these customers are particularly interested in receiving value at a reasonable price in the current environment.

Competition

The restaurant business is highly competitive. The QSR industry is a fragmented market, and includes well-established competitors.

Our Pizza Hut restaurants face competition from national and regional chains, as well as independent operators, which affects pricing strategies and margins. Additionally, frozen pizzas and take-and-bake pizzas are competitive alternatives in the pizza segment. In addition to more established competitors, we also face competition from new competitors and concepts such as fast casual pizza concepts. Limited product variability within our segment can make differentiation among competitors difficult. Thus, companies in the pizza segment continuously promote and market new product introductions, price discounts and bundled deals, and rely heavily on effective marketing and advertising to drive sales. The price charged for each menu item may vary from market to market (and within markets) depending on competitive pricing and the local cost structure.

Our Wendy's restaurants face competition from other food service operations within the same geographical area. Wendy's restaurants compete with other restaurant companies and food outlets, primarily through the quality, variety, convenience, price, and value perception of food products offered. The location of units, quality and speed of service, attractiveness of facilities, effectiveness of marketing and new product development by Wendy's and its competitors are also important factors. The price

charged for each menu item may vary from market to market (and within markets) depending on competitive pricing and the local cost structure.

Commodity Prices

For our Pizza Hut operations, commodity prices of packaging products (liner board) and ingredients such as cheese, dough (wheat), and meat, can vary. The prices of these commodities can fluctuate throughout the year due to changes in supply and demand. Our costs can also fluctuate as a result of changes in ingredients or packaging instituted by PHI. For the second quarter of fiscal 2016, the block cheese price averaged \$1.41 per pound, a decrease of \$0.23 or approximately 14% versus the average price for the second quarter of fiscal 2015. Additionally, meat prices decreased \$0.07 per pound or approximately 4% versus the average price for the second quarter of fiscal 2015.

Based upon current market conditions, for fiscal 2016 we currently expect overall commodity deflation for our Pizza Hut operations of approximately 2% to 3% and deflation of approximately 5% to 6% for our Wendy's operations as compared to fiscal 2015.

Labor Cost

The restaurant industry is labor intensive and known for having a high level of employee turnover given low hourly wages and the part-time composition of the workforce. To the extent that our Pizza Hut delivery sales mix increases due to changes in occasion mix or the acquisition or relocation of units, our labor costs would be expected to increase due to the more labor intensive nature of the delivery transaction. Direct labor is highly dependent on federal and state minimum wage rate legislation and local minimum wage rate initiatives given the vast majority of workers are hourly employees whose compensation is either determined or influenced by the minimum wage rate. Certain states' minimum wage rates are adjusted annually for inflation. These increases in state minimum wage rates are currently expected to increase direct labor expense by approximately \$0.6 million in fiscal 2016. However, there are currently a number of federal, state and local initiatives and proposals to further increase minimum wage rates, which could be material to our operations.

On May 18, 2016, the Department of Labor ("DOL") released its final rule increasing the minimum salary that employees must be paid to qualify as exempt from the overtime requirements under the Fair Labor Standards Act ("FLSA"). The new rule increases the salary threshold for the overtime exemption from \$455 per week to \$913 per week. On an annual basis, this increases the salary threshold from \$23,660 to \$47,476 per year. These regulations become effective December 1, 2016. The DOL will automatically update the standard salary and compensation levels every three years going forward. The DOL has set the total annual compensation for exempt highly compensated employees at \$134,004, up from \$100,000. Employers will be able to count non-discretionary bonuses, incentive payments, and commissions towards as much as 10 percent of the salary threshold beginning December 1, 2016. In order to count, these payments must be made on a quarterly or more frequent basis. We are evaluating the effects on our business of this final ruling. Based upon our current evaluation, without taking mitigating steps we currently expect that the FLSA overtime exemption requirements will likely increase our future costs and could have a material adverse effect on our business, results of operations and financial condition, but we are currently unable to quantify the amount of the impact with any degree of certainty.

Additionally, changes in federal labor laws and regulations and governmental agency determinations relating to union organizing rights and activities could result in portions of our workforce being subjected to greater organized labor influence, thereby potentially increasing our labor costs, and could have a material adverse effect on our business, results of operations and financial condition.

Inflation and Deflation

Inflationary factors, such as increases in food and labor costs, directly affect our operations. Because most of our employees are paid on an hourly basis, changes in rates related to federal and state minimum wage rate and tip credit laws and local minimum wage rate initiatives will affect our labor costs.

Significant increases in average gasoline prices in the regions in which we operate could increase our delivery driver reimbursement costs. We estimate that every \$0.25 per gallon change in average gas prices in our markets impacts our annual operating results by approximately \$0.8 million. However, as gas prices increase, the impact upon our operations is somewhat mitigated for price increases by a transfer of sales from the delivery occasion to the carryout access mode, which is perceived as a higher value by consumers and benefits us with lower labor costs for the carryout transaction.

If the economy experiences deflation, which is a persistent decline in the general price level of goods and services, we may suffer a decline in revenues as a result of the falling prices. In that event, given our fixed costs and minimum wage rate requirements, it is unlikely that we would be able to reduce our costs at the same pace as any declines in revenues. Consequently, a period of

prolonged or significant deflation would likely have a material adverse effect on our business, results of operations and financial condition. Similarly, if we reduce the prices we charge for our products as a result of declines in comparable store sales or competitive pressures, we may suffer decreased revenues, margins, income and cash flow from operations.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our unaudited interim consolidated financial statements. The preparation of these financial statements requires estimation and judgment that affect the reported amounts of revenues, expenses, assets, and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. If these estimates differ materially from actual results, the impact on the unaudited interim consolidated financial statements may be material. Our critical accounting policies are available under Item 7 of our 2015 Form 10-K filed on March 9, 2016. There have been no significant changes with respect to these policies during the 26 weeks ended June 28, 2016 .

As referenced in Item 7 of our 2015 Form 10-K, we perform our annual assessment of goodwill, which is not subject to amortization, for impairment during the second quarter. We performed qualitative assessments for our Pizza Hut and Wendy's reporting units and concluded that it was more-likely-than-not that the fair value of these reporting units were greater than their carrying value.

Results of Operations

The table below presents (i) comparable store sales indices, (ii) selected restaurant operating results as a percentage of net product sales and (iii) sales by occasion for the 13-week and 26-week periods ended June 28, 2016 and June 30, 2015 :

| <u>Consolidated</u> | <u>13 Weeks Ended</u> | | <u>26 Weeks Ended</u> | |
|---|-----------------------|----------------------|-----------------------|----------------------|
| | <u>June 28, 2016</u> | <u>June 30, 2015</u> | <u>June 28, 2016</u> | <u>June 30, 2015</u> |
| Net product sales, <i>(in thousands)</i> | \$ 290,109 | \$ 292,951 | \$ 595,251 | \$ 588,522 |
| Fees and other income, <i>(in thousands)</i> | \$ 13,876 | \$ 13,285 | \$ 28,268 | \$ 26,922 |
| Net product sales | 100 % | 100 % | 100% | 100 % |
| Direct restaurant costs and expenses ⁽²⁾ : | | | | |
| Cost of sales | 28.5 % | 28.9 % | 28.6% | 28.9 % |
| Direct labor | 29.4 % | 30.2 % | 29.6% | 30.1 % |
| Other restaurant operating expenses | 33.5 % | 33.2 % | 33.0% | 32.8 % |
| <u>Pizza Hut</u> | | | | |
| Comparable store sales ⁽¹⁾ | (0.6)% | 0.0 % | 1.8% | (1.6)% |
| Net product sales, <i>(in thousands)</i> | \$ 236,512 | \$ 240,626 | \$ 490,714 | \$ 487,556 |
| Fees and other income, <i>(in thousands)</i> | \$ 13,876 | \$ 13,285 | \$ 28,268 | \$ 26,922 |
| Net product sales | 100 % | 100 % | 100% | 100 % |
| Direct restaurant costs and expenses ⁽²⁾ : | | | | |
| Cost of sales | 28.0 % | 28.2 % | 28.1% | 28.3 % |
| Direct labor | 30.1 % | 30.9 % | 30.2% | 30.6 % |
| Other restaurant operating expenses | 34.5 % | 34.1 % | 33.8% | 33.4 % |
| <u>Wendy's</u> | | | | |
| Comparable store sales ⁽¹⁾ | (0.3)% | (0.5)% | 1.0% | 0.0 % |
| Net product sales, <i>(in thousands)</i> | \$ 53,597 | \$ 52,325 | \$ 104,537 | \$ 100,966 |
| Net product sales | 100 % | 100 % | 100% | 100 % |
| Direct restaurant costs and expenses ⁽²⁾ : | | | | |
| Cost of sales | 30.8 % | 31.8 % | 31.1% | 31.9 % |
| Direct labor | 26.5 % | 26.6 % | 27.0% | 27.7 % |
| Other restaurant operating expenses | 28.7 % | 28.9 % | 29.4% | 29.5 % |

⁽¹⁾ Comparable store sales are only reported for locations that have been operated by the Company for at least 12 months.

⁽²⁾ Stated as a percentage of net product sales.

| | <u>13 Weeks Ended</u> | | <u>26 Weeks Ended</u> | |
|-------------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | <u>June 28, 2016</u> | <u>June 30, 2015</u> | <u>June 28, 2016</u> | <u>June 30, 2015</u> |
| <u>Pizza Hut Sales by occasion:</u> | | | | |
| Delivery | 42% | 42% | 43% | 42% |
| Carryout | 46% | 45% | 46% | 45% |
| Dine-in | 12% | 13% | 11% | 13% |
| <u>Wendy's sales by occasion:</u> | | | | |
| Pick-up window | 69% | 69% | 69% | 69% |
| Counter service | 31% | 31% | 31% | 31% |

Activity with respect to unit count is set forth in the table below:

| | 26 Weeks Ended | | | | | |
|---------------------------------|----------------|---------|-----------|---------------|---------|-----------|
| | June 28, 2016 | | | June 30, 2015 | | |
| | Consolidated | Wendy's | Pizza Hut | Consolidated | Wendy's | Pizza Hut |
| Beginning of period | 1,395 | 144 | 1,251 | 1,420 | 143 | 1,277 |
| Acquired | 3 | 3 | — | — | — | — |
| Developed ⁽¹⁾ | 11 | — | 11 | 7 | — | 7 |
| Closed ⁽¹⁾ | (30) | (2) | (28) | (20) | — | (20) |
| Sold | — | — | — | (2) | — | (2) |
| End of period | 1,379 | 145 | 1,234 | 1,405 | 143 | 1,262 |
| Equivalent units ⁽²⁾ | 1,386 | 145 | 1,241 | 1,409 | 143 | 1,266 |

⁽¹⁾ Relocated Pizza Hut units are included in both the developed and closed totals above. The 26 week periods ended June 28, 2016 and June 30, 2015 include ten relocated units and five relocated units, respectively. The closed units for the 26 weeks ended June 28, 2016 and June 30, 2015 also include one unit and two units, respectively, which were in the process of relocating and will re-open upon completion.

⁽²⁾ Equivalent units represent the number of units open at the beginning of a given period, adjusted for units opened, closed, temporarily closed, acquired or sold during the period on a weighted average basis.

13 Weeks Ended June 28, 2016 Compared to the 13 Weeks Ended June 30, 2015

Our Pizza Hut Operations

Net Product Sales. Our Pizza Hut net product sales for the second quarter of fiscal 2016 compared to the same period of the prior year were \$ 236.5 million and \$240.6 million, respectively, a decrease of \$4.1 million or 1.7%, resulting largely from a comparable store sales decrease of 0.6% and a 2.0% decrease in equivalent units.

Fees and Other Income. Fees and other income for the second quarter of fiscal 2016, as compared to the same period of the prior year, were \$ 13.9 million and \$13.3 million, respectively, an increase of \$0.6 million or 4.4%, largely due to increased customer delivery fees.

Cost of Sales. Pizza Hut cost of sales for the second quarter of fiscal 2016, as compared to the same period of the prior year, was \$ 66.3 million and \$68.0 million, respectively, a decrease of \$1.7 million or 2.5%. Cost of sales decreased 0.2% as a percentage of net product sales, to 28.0%, compared to 28.2% in the prior year largely due to lower ingredient costs, primarily dough and cheese.

Direct Labor. Pizza Hut direct labor costs for the second quarter of fiscal 2016, as compared to the same period of the prior year were \$ 71.1 million and \$74.5 million, respectively, a decrease of \$3.4 million, or 4.5%. Direct labor costs were 30.1% of net product sales for the second quarter of fiscal 2016, a 0.8% decrease from the same period of the prior year. This decrease was primarily due to improved labor efficiencies which were partially offset by sales de-leveraging on fixed labor costs.

Other Restaurant Operating Expenses. OROE for our Pizza Hut units for the second quarter of fiscal 2016 were \$ 81.7 million compared to \$82.1 million for the same quarter of the prior year, a decrease of \$0.4 million, or 0.5%. OROE were 34.5% of net product sales for the second quarter of fiscal 2016 compared to 34.1% of net product sales for the prior year, an increase of 0.4%.

Significant changes in OROE as a percentage of net product sales were as follows:

| | |
|--|--------|
| OROE as a percentage of net product sales for the 13 weeks ended June 30, 2015 | 34.1 % |
| Restaurant manager bonuses | 0.2 |
| Depreciation and amortization | 0.2 |
| Utilities expense | (0.2) |
| Other | 0.2 |
| OROE as a percentage of net product sales for the 13 weeks ended June 28, 2016 | 34.5 % |

Depreciation and amortization included in OROE for our Pizza Hut operations was \$9.4 million or 4.0% of net product sales for the second quarter of fiscal 2016 compared to \$9.1 million or 3.8% of net product sales for the same period of the prior year.

Our Wendy's Operations

Net Product Sales. Wendy's net product sales for the second quarter of fiscal 2016 compared to the same period of fiscal 2015 were \$ 53.6 million and \$52.3 million , respectively, an increase of \$1.3 million or 2.4% primarily due to a 1.2% increase in equivalent units partially offset by a decrease in comparable store sales of 0.3%.

Cost of Sales. Wendy's cost of sales for the second quarter of fiscal 2016 as compared to the same period of the prior year, was \$ 16.5 million and \$16.6 million , respectively, a decrease of \$0.1 million or 0.8% . Cost of sales decreased 1.0% as a percentage of net product sales, to 30.8% , compared to 31.8% in the prior year largely due to favorable commodity costs, primarily beef.

Direct Labor. Wendy's direct labor costs for the second quarter of fiscal 2016 , as compared to the same period of the prior year, were \$ 14.2 million and \$13.9 million , respectively, an increase of \$0.3 million or 2.2% . Direct labor costs were 26.5% of net product sales for the second quarter of fiscal 2016 , a 0.1% decrease compared to the prior year largely due to improved labor efficiencies.

Other Restaurant Operating Expenses. Wendy's OROE for the second quarter of fiscal 2016 were \$ 15.4 million compared to \$15.1 million for the same period of the prior year, an increase of \$0.3 million or 1.8% . OROE was 28.7% of net product sales for the second quarter of fiscal 2016 , a decrease of 0.2% compared to the prior year.

Significant changes in OROE as a percentage of net product sales were as follows:

| | |
|--|--------|
| OROE as a percentage of net product sales for the 13 weeks ended June 30, 2015 | 28.9 % |
| Depreciation and amortization | 0.5 |
| Kids meal prizes | (0.2) |
| Advertising | (0.1) |
| Royalties | (0.1) |
| Training | (0.1) |
| Other | (0.2) |
| OROE as a percentage of net product sales for the 13 weeks ended June 28, 2016 | 28.7 % |

Depreciation and amortization included in OROE for our Wendy's operations was \$2.6 million or 4.8% of net product sales for the second quarter of fiscal 2016 compared to \$2.3 million or 4.3% of net product sales for the same period of the prior year.

Consolidated

General and Administrative Expenses. General and administrative expenses for the second quarter of fiscal 2016 were \$ 18.7 million compared to \$17.4 million for the same period of the prior year, an increase of \$1.3 million or 7.2% . This increase was largely due to higher incentive compensation as a result of improved financial performance, higher field personnel and support costs and higher credit card processing fees.

Corporate Depreciation and Amortization. Corporate depreciation and amortization expense was \$ 5.3 million for both the second quarter of fiscal 2016 and fiscal 2015.

Net Facility Impairment and Closure Costs. During the second quarter of fiscal 2016 we recorded \$ 2.3 million of expense consisting of asset impairment charges of \$1.2 million for underperforming units (\$0.8 million for our Pizza Hut operations and \$0.4 million for our Wendy's operations) and approximately \$1.1 million for Pizza Hut closure charges. We recorded \$3.7 million of expense during the same period of the prior year which consisted of asset impairment charges of \$3.5 million for underperforming units (\$3.1 million for our Pizza Hut operations and \$0.4 million for our Wendy's operations) and \$0.2 million for closure charges.

Interest Expense. Interest expense was \$ 11.2 million for the second quarter of fiscal 2016 compared to \$10.5 million for the same period of the prior year. Our cash borrowing rate increased 0.5% to 6.9% for the second quarter of fiscal 2016 as compared to the prior year, as a result of the amendment completed to the credit agreement for the term loan in the fourth quarter of fiscal 2015. Our average outstanding debt balance (excluding unamortized debt issuance costs) decreased \$6.4 million to \$587.0 million for the second quarter of fiscal 2016 as compared to the same period of the prior year. Interest expense included \$1.0 million for amortization of deferred debt issuance costs in both the second quarter of fiscal 2016 and fiscal 2015.

Income Taxes. For the second quarter of fiscal 2016 , we recorded income tax expense of \$0.3 million compared to an income tax benefit of \$1.2 million for the same period of the prior year. The tax expense and tax benefit for both periods was primarily due to general business tax credits in relation to projected taxable income.

Net Income. Net income for the second quarter of fiscal 2016 was \$1.3 million compared to \$0.1 million for the same period of the prior year, a \$1.2 million increase. The increase in net income is attributable to improved profitability from our Wendy's

and Pizza Hut operations largely due to decreases in ingredient costs, lower Pizza Hut direct labor expense and lower facility impairment and closure costs. These more than offset the impact of increased incentive compensation expenses and higher income taxes as compared to the prior year.

26 Weeks Ended June 28, 2016 Compared to the 26 Weeks Ended June 30, 2015

Our Pizza Hut Operations

Net Product Sales. Pizza Hut net product sales for the 26 weeks ended June 28, 2016 compared to the same period of the prior year were \$490.7 million and \$487.6 million, respectively, an increase of \$3.2 million or 0.6%, resulting largely from increased comparable store sales of 1.8% for the first half of fiscal 2016 which more than offset a 2.0% decrease in equivalent units.

Fees and Other Income. Fees and other income for the 26 weeks ended June 28, 2016, as compared to the same period of the prior year, were \$28.3 million and \$26.9 million, respectively, an increase of \$1.4 million or 5.0%. The increase was due to an increase in customer delivery charge income resulting from increased customer delivery fees and delivery transactions.

Cost of Sales. Pizza Hut cost of sales for the 26 weeks ended June 28, 2016, as compared to the same period of the prior year, was \$137.7 million and \$138.1 million, respectively, a decrease of \$0.4 million or 0.3%. Cost of sales decreased 0.2% as a percentage of net product sales, to 28.1%, compared to 28.3% in the prior year. This decrease was largely due to lower ingredient costs, primarily dough and meat.

Direct Labor. Pizza Hut direct labor costs for the 26 weeks ended June 28, 2016, as compared to the same period of the prior year, were \$148.1 million and \$149.0 million, respectively, a decrease of \$0.9 million, or 0.6%. Direct labor costs were 30.2% of net product sales for the 26 weeks ended June 28, 2016, a 0.4% decrease compared to the prior year. The decrease in direct labor costs as a percentage of net product sales was primarily a result of improved labor efficiencies.

Other Restaurant Operating Expenses. OROE for our Pizza Hut units for the 26 weeks ended June 28, 2016 were \$165.6 million compared to \$163.1 million for the same period of the prior year, an increase of \$2.5 million, or 1.6%. OROE were 33.8% of net product sales for the 26 weeks ended June 28, 2016 compared to 33.4% of net product sales for the prior year, an increase of 0.4%.

Significant changes in OROE as a percentage of net product sales were as follows:

| | |
|--|--------|
| OROE as a percentage of net product sales for the 26 weeks ended June 30, 2015 | 33.4 % |
| Depreciation and amortization | 0.3 |
| Restaurant manager bonuses | 0.2 |
| Utilities expense | (0.2) |
| Other | 0.1 |
| OROE as a percentage of net product sales for the 26 weeks ended June 28, 2016 | 33.8 % |

Depreciation and amortization included in OROE for our Pizza Hut operations was \$18.7 million or 3.8% of net product sales for the 26 weeks ended June 28, 2016 compared to \$17.2 million or 3.5% of net product sales for the same period of the prior year.

Our Wendy's Operations

Net Product Sales. Wendy's net product sales for the 26 weeks ended June 28, 2016 compared to the same period of the prior year were \$104.5 million and \$101.0 million, respectively, an increase of \$3.5 million or 3.5%, primarily due to a 1.7% increase in equivalent units and a 1.0% increase in comparable store sales.

Cost of Sales. Wendy's cost of sales for the 26 weeks ended June 28, 2016 as compared to the same period of the prior year, was \$32.5 million and \$32.2 million, respectively, an increase of \$0.3 million. Cost of sales decreased 0.8% as a percentage of net product sales, to 31.1%, compared to 31.9% in the prior year largely due to favorable commodity costs, primarily beef.

Direct Labor. Wendy's direct labor costs for the 26 weeks ended June 28, 2016 as compared to the same period of the prior year, were \$28.2 million and \$28.0 million, respectively, an increase of \$0.2 million or 0.7%. Direct labor costs were 27.0% of net product sales for the 26 weeks ended June 28, 2016, a 0.7% decrease compared to the prior year largely due to improved labor efficiencies.

Other Restaurant Operating Expenses. Wendy's OROE for the 26 weeks ended June 28, 2016 were \$30.8 million compared to \$29.8 million for the prior year, an increase of \$1.0 million or 3.3% . OROE decreased 0.1% as a percentage of net product sales, to 29.4% of net product sales for the 26 weeks ended June 28, 2016 , compared to 29.5% for the prior year.

Significant changes in OROE as a percentage of net product sales were as follows:

| | |
|--|--------|
| OROE as a percentage of net product sales for the 26 weeks ended June 30, 2015 | 29.5 % |
| Depreciation and amortization | 0.7 |
| Occupancy costs | (0.3) |
| Kids meal prizes | (0.2) |
| Royalties | (0.1) |
| Other | (0.2) |
| OROE as a percentage of net product sales for the 26 weeks ended June 28, 2016 | 29.4 % |

Depreciation and amortization included in OROE for our Wendy's operations was \$5.1 million or 4.8% of net product sales for the 26 weeks ended June 28, 2016 compared to \$4.2 million or 4.2% of net product sales for the same period of the prior year.

Consolidated

General and Administrative Expenses. General and administrative expenses for the 26 weeks ended June 28, 2016 were \$37.1 million compared to \$34.1 million for the same period of the prior year, an increase of \$3.0 million or 8.8% . This increase was largely due to higher incentive compensation as a result of improved financial performance, higher field personnel and support costs and higher credit card processing fees.

Corporate Depreciation and Amortization. Corporate depreciation and amortization expense for the 26 weeks ended June 28, 2016 was \$10.6 million compared to \$10.5 million for the same period of the prior year, an increase of \$0.1 million.

Net Facility Impairment and Closure Costs. During the 26 weeks ended June 28, 2016 we recorded \$2.6 million of expense compared to \$4.7 million of expense for the same period of the prior year. The 26 weeks ended June 28, 2016 included Pizza Hut closure charges of approximately \$1.4 million and asset impairment charges of \$1.2 million for underperforming units (\$0.8 million for our Pizza Hut operations and \$0.4 million for our Wendy's operations). The 26 weeks ended June 30, 2015 included asset impairment charges of \$4.2 million for underperforming units (\$3.7 million for our Pizza Hut operations and \$0.4 million for our Wendy's operations) and \$0.5 million for closure charges.

Interest Expense. Interest expense was \$22.5 million for the 26 weeks ended June 28, 2016 compared to \$21.0 million for the same period of the prior year, an increase of \$1.5 million. Our cash borrowing rate increased 0.5% to 6.8% for the 26 weeks ended June 28, 2016 as compared to the prior year as a result of the amendment completed to the credit agreement for the term loan in the fourth quarter of fiscal 2015. Our average outstanding debt balance (excluding unamortized debt issuance costs) decreased \$8.8 million to \$588.6 million for the 26 weeks ended June 28, 2016 as compared to the prior year. Interest expense included \$2.2 million and \$2.0 million for amortization of deferred debt issuance costs for the first half of fiscal 2016 and fiscal 2015, respectively.

Income Taxes. For the 26 weeks ended June 28, 2016 , we recorded an income tax benefit of \$1.0 million compared to an income tax benefit of \$0.5 million for the same period of the prior year. The tax benefit for both periods was primarily due to higher general business tax credits in relation to projected taxable income.

Net Income. Net income for the 26 weeks ended June 28, 2016 was \$8.9 million compared to \$5.0 million for the same period of the prior year, an increase of \$3.9 million. The increase in net income is attributable to improved profitability from our Wendy's and Pizza Hut operations largely due to positive comparable store sales, improved labor efficiencies for our Pizza Hut operations, decreases in ingredient costs and lower facility impairment and closure costs which more than offset the impact of increased incentive compensation and field expenses as compared to the same period of the prior year.

Liquidity and Sources of Capital

Our short-term and long-term liquidity needs will arise primarily from: (1) interest and principal payments related to our senior secured credit facilities ("Senior Secured Credit Facilities") and 10 1/2% Senior Notes due 2020; (2) capital expenditures, including new unit development, asset refurbishment and maintenance capital expenditures; (3) opportunistic acquisitions of Pizza Hut and Wendy's restaurants or other acquisition opportunities; and (4) working capital requirements as may be needed to support

our business. We intend to fund our operations, interest expense, capital expenditures, acquisitions and working capital requirements principally from cash from operations, cash reserves and borrowings on our revolving credit facility (“Revolving Facility”). Future acquisitions, depending on the size, or new capital expenditure requirements may require borrowings beyond those available on our existing Revolving Facility and therefore may require further utilization of the additional remaining term loan borrowing capacity under our Senior Secured Credit Facilities described below as well as other sources of debt or additional equity capital. Under our franchise agreements with PHI and Wendy’s, our franchisors have the right to institute asset standards which may be material to our business and could require significant capital outlay.

Our working capital position was a deficit of \$31.6 million at June 28, 2016 . Like many other restaurant companies, we are able to operate and generally do operate with a working capital deficit because (i) restaurant revenues are received primarily in cash or by credit card with a low level of accounts receivable; (ii) rapid turnover results in a limited investment in inventories; and (iii) cash from sales is usually received before related liabilities for food, supplies and payroll become due. Because we are able to operate with minimal working capital or a deficit, we have historically utilized excess cash flow from operations and our Revolving Facility for debt reduction, capital expenditures and acquisitions, and to provide liquidity for our working capital needs. At June 28, 2016 , we had \$80.4 million of borrowing capacity available under our Revolving Facility net of \$29.6 million of outstanding letters of credit.

Cash flows from operating activities

Cash from operations is our primary source of funds. Changes in earnings and working capital levels are the two key factors that generally have the greatest impact on cash from operations. Cash provided by operating activities for the 26 weeks ended June 28, 2016 was \$52.3 million compared to \$49.0 million for the same period of the prior year or a \$3.3 million increase. This increase was primarily due to (i) a \$3.9 million increase in our net income, (ii) a \$1.4 million positive change in our non-cash items, primarily depreciation and amortization expense and (iii) a \$2.0 million negative net change in our assets and liabilities, including changes in accounts receivable and accounts payable.

Cash flows from investing activities

Cash flows used in investing activities were \$25.3 million for the 26 weeks ended June 28, 2016 comprised of \$25.4 million for capital expenditures and \$8.0 million for the acquisition of three Wendy’s units which was partially offset by \$7.2 million of proceeds from sale-leaseback transactions and \$0.9 million of proceeds from the disposition of assets. The Wendy’s acquisition included three fee-owned properties. During the second quarter of fiscal 2016, we sold one of these properties for \$1.4 million and leased it back and we plan to sell and lease back the remaining two fee-owned properties.

Cash flows used in investing activities were \$24.5 million for the 26 weeks ended June 30, 2015 due to \$26.5 million of investments in capital expenditures partially offset by \$1.4 million of proceeds from sale-leaseback transactions and approximately \$0.6 million of proceeds from the disposition of assets.

We currently expect our capital expenditure investment to be approximately \$60.0 million to \$66.0 million in fiscal 2016, consisting of approximately \$47.0 million in our Pizza Hut operations and approximately \$16.0 million in our Wendy’s operations.

Cash flows from financing activities

Net financing outflows were \$4.3 million for the 26 weeks ended June 28, 2016 and \$3.1 million for the 26 weeks ended June 30, 2015 due to principal payments on the term loan.

Based upon the amount of excess cash flow generated during the fiscal year and our leverage at fiscal year end, each of which is defined in the credit agreement governing the term loan, we may be required to make an excess cash flow mandatory prepayment. The excess cash flow mandatory prepayment is an annual requirement under the credit agreement and is due 95 days after the end of each fiscal year. We made a mandatory prepayment of \$3.3 million on March 31, 2016 based on our fiscal 2015 results. We currently anticipate that we will not be required to make a mandatory prepayment in fiscal 2017. However, because this is a preliminary estimate, it is possible that an excess cash flow mandatory prepayment could ultimately be required.

Adjusted EBITDA

Adjusted EBITDA is a Non-GAAP Financial Measure. We define Adjusted EBITDA as consolidated net income plus interest, income taxes, depreciation and amortization, facility impairment and closure costs, pre-opening expenses and certain other items of a non-operational nature. Adjusted EBITDA may not be similar to EBITDA measures of other companies. We have included Adjusted EBITDA as a supplemental disclosure because we believe that Adjusted EBITDA provides investors a helpful measure for comparing our operating performance with the performance of other companies that have different financing and capital structures or tax rates. We believe the elimination of interest expense, depreciation and amortization, as well as income taxes and certain other items of a non-operational nature as noted in the table below, give investors and management useful information to compare the performance of our core operations over different periods.

The following is a reconciliation of net income to Adjusted EBITDA (*in thousand s*):

| | 13 Weeks Ended | | 26 Weeks Ended | | Four Most Recent Fiscal Quarters Ended |
|---|----------------|---------------|----------------|---------------|--|
| | June 28, 2016 | June 30, 2015 | June 28, 2016 | June 30, 2015 | June 28, 2016 |
| Net income (GAAP) | \$ 1,271 | \$ 72 | \$ 8,930 | \$ 5,047 | \$ 10,595 |
| Adjustments: | | | | | |
| Interest expense | 11,205 | 10,492 | 22,542 | 20,957 | 43,369 |
| Income tax expense (benefit) | 274 | (1,213) | (955) | (466) | (6,257) |
| Depreciation and amortization | 16,929 | 16,146 | 33,753 | 31,079 | 66,842 |
| Net facility impairment and closure costs | 2,253 | 3,730 | 2,574 | 4,677 | 5,366 |
| Pre-opening expenses and other | 190 | 269 | 302 | 478 | 791 |
| Adjusted EBITDA (Non-GAAP) | \$ 32,122 | \$ 29,496 | \$ 67,146 | \$ 61,772 | \$ 120,706 |

Senior Secured Credit Facility Covenant Compliance

Amendment No. 5 to the Credit Agreement for our Senior Secured Credit Facilities (the "Credit Agreement") defines "Leverage Ratio" as the ratio of Consolidated Debt for Borrowed Money to Consolidated EBITDA, as defined below, (for the most recent four fiscal quarters). "Consolidated Interest Coverage Ratio" is defined as the ratio of (x) Consolidated EBITDA plus Rent Expense to (y) Consolidated Interest Expense plus Rent Expense. All of the foregoing capitalized terms are defined in the Credit Agreement, which was filed by the Company with the SEC on March 9, 2016 as Exhibit 10.31 to the Company's Form 10-K for the fiscal year ended December 29, 2015. The calculation of Consolidated Debt for Borrowed Money includes a reduction for cash on hand in excess of \$3.0 million, with such reduction not to exceed \$50.0 million. "Consolidated EBITDA" is defined as Adjusted EBITDA (as defined above) further adjusted to exclude non-cash items, extraordinary, unusual or non-recurring items, Sponsor advisory fees and other adjustment items permitted in calculating Consolidated EBITDA under the Credit Agreement, including the pro forma effect of acquisitions and divestitures on a full year basis among other pro forma adjustments ("Covenant EBITDA"). We believe that the inclusion of supplementary adjustments to Adjusted EBITDA applied in presenting Covenant EBITDA is appropriate to provide additional information to investors regarding our compliance with the financial covenants in the Credit Agreement, which could affect our liquidity. Management considers Covenant EBITDA in evaluating our business operations and financial results and their potential effects on covenant compliance and future liquidity.

The following table reconciles our Adjusted EBITDA to Covenant EBITDA for the four most recent fiscal quarters ended June 28, 2016 (*in thousand s*):

| | Four Most Recent Fiscal Quarters Ended June 28, 2016 |
|---------------------------------------|---|
| Adjusted EBITDA (Non-GAAP) | \$ 120,706 |
| Adjustments: | |
| Pro forma cost savings ⁽¹⁾ | 2,753 |
| Sponsor fee ⁽²⁾ | 1,007 |
| Non-recurring charges ⁽³⁾ | 651 |
| Other ⁽⁴⁾ | 1,039 |
| Covenant EBITDA (Non-GAAP) | <u>\$ 126,156</u> |

- (1) Reflects prospective savings calculated in accordance with the Credit Agreement; specifically, the amount of cost savings expected to be realized from operating expense reductions and other operating improvements as a result of specified actions taken or initiated during the four most recent quarters ended June 28, 2016.
- (2) Reflects the exclusion of the management fees and expenses incurred by the Company under the Olympus Advisory Agreement.
- (3) Reflects non-recurring charges, severance and integration costs, costs related to closure/consolidation of Restaurants and other facilities, and Pizza Hut development incentives.
- (4) Reflects pro forma adjustments related to "Acquired EBITDA", sale-leaseback rent obligations, losses from discontinued operations, and gains or losses recorded in the ordinary course of business. Pro forma Acquired EBITDA includes adjustments to seller annual EBITDA for tangible operational changes achievable within one year of the acquisition as well as other operational or contractual differences post acquisition including royalties, rent obligations, and field and administrative support costs among others for periods prior to the acquisition date.

As of June 28, 2016, we were in compliance with all of the financial covenants under our Senior Secured Credit Facilities as defined above. Our ratios under the foregoing financial covenants in our Credit Agreement as of June 28, 2016 were as follows:

| | <u>Actual</u> | | <u>Covenant requirement</u> | | |
|--|---------------|---------------|-----------------------------|-------------|-------------|
| | | | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Maximum leverage ratio | 4.35x | Not more than | 6.00x | 5.75x | 5.25x |
| Minimum consolidated interest coverage ratio | 1.82x | Not less than | 1.40x | 1.40x | 1.40x |

Based upon current operations and our internal financial forecasts, we believe that our cash flows from operations, together with borrowings that are available under our Revolving Facility, will be adequate to meet our anticipated requirements for working capital, capital expenditures, and scheduled principal and interest payments through the next 12 months. At June 28, 2016, we had \$80.4 million of borrowing capacity available under our Revolving Facility net of \$29.6 million of outstanding letters of credit. We will consider additional sources of financing to fund our long-term growth if necessary, including the \$75.0 million of incremental term loan capacity that is potentially available under our Senior Secured Credit Facilities, subject to the terms of our Credit Agreement. Any additional debt incurred, beyond the parameters established in our Credit Agreement, or refinancing of any of our existing indebtedness may result in increased borrowing costs that are in excess of our current borrowing costs based on current credit market conditions. A further discussion of the terms of the Credit Agreement is set forth under "Liquidity and Capital Resources" in Item 7 of our 2015 Form 10-K.

Letters of Credit

As of June 28, 2016, we had letters of credit of \$29.6 million issued under our existing credit facility largely in support of self-insured risks.

Contractual Obligations and Off Balance Sheet Arrangements

As of June 28, 2016, there have been no material changes outside the ordinary course of business from the disclosures relating to contractual obligations contained under "Contractual Obligations and Off-Balance Sheet Arrangements" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in our 2015 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks. Market risk is the potential loss arising from adverse changes in market prices and rates. We do not enter into derivative or other financial instruments for trading or speculative purposes.

Interest Rate Risk. Our primary market risk exposure is interest rate risk. All of our borrowings under our Senior Secured Credit Facilities bear interest at a floating rate. As of June 28, 2016, we had \$396.9 million in funded floating rate debt outstanding under our Senior Secured Credit Facilities. A 100 basis point increase in the floating rate would increase annual interest expense by approximately \$4.0 million. Under our Senior Secured Credit Facilities, we have a LIBOR floor of 1.0% as of June 28, 2016 on our LIBOR Term Loan borrowings. Therefore, current market rates would have to exceed 1.0% before we would realize variability on our interest expense.

Commodity Prices. Commodity prices can vary significantly. The price of commodities can change throughout the year due to changes in supply and demand. Cheese has historically represented approximately 30-35% of our cost of sales. We are a member of RSCS, and participate in cheese hedging programs for our Pizza Hut operations that are directed by RSCS to help reduce the volatility of this commodity from period-to-period. Based on information provided by RSCS, RSCS expects to hedge approximately 30% to 50% of the Pizza Hut system's anticipated cheese purchases through a combination of derivatives taken under the direction of RSCS. Additionally, the RSCS has entered into contractual pricing arrangements with the supplier to restaurants in the Pizza Hut system on certain volumes of cheese purchases that may cause the prices paid by us to exceed or be less than the current block cheese price.

The estimated increase in our consolidated food costs from a hypothetical 10% adverse change in the average cheese block price per pound would have been approximately \$3.0 million for the 26 weeks ended June 28, 2016 without giving effect to the RSCS directed hedging programs.

Proteins, which primarily include beef, chicken and pork, represent approximately 18-22% of our consolidated cost of sales. The estimated increase in our food costs from a hypothetical 10% adverse change in the average price per pound for proteins would have been approximately \$2.8 million for the 26 weeks ended June 28, 2016.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15e and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting.

There has been no change in our internal control over financial reporting that occurred during our second quarter of fiscal 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, the Company is involved in litigation which is incidental to its business. In the Company's opinion, no litigation to which the Company is currently a party is likely to have a material adverse effect on the Company's consolidated financial condition, results of operations, or cash flows.

Item 1A. Risk Factors.

Except as otherwise described herein, there have been no material changes in our risk factors from those disclosed in our 2015 Form 10-K.

Potential increases in our costs as a result of a rule change adopted by the Department of Labor could adversely affect our business, results of operations and financial condition.

On May 18, 2016, the Department of Labor (DOL) released its final rule increasing the minimum salary that employees must be paid to qualify as exempt from the overtime requirements under the Fair Labor Standards Act (FLSA). The new rule increases the salary threshold for the overtime exemption from \$455 per week to \$913 per week. On an annual basis, this increases the salary threshold from \$23,660 to \$47,476 per year. These regulations become effective December 1, 2016. The DOL will automatically update the standard salary and compensation levels every three years going forward. The DOL has set the total annual compensation for exempt highly compensated employees at \$134,004, up from \$100,000. Employers will be able to count non-discretionary bonuses, incentive payments, and commissions towards as much as 10 percent of the salary threshold beginning December 1, 2016. In order to count, these payments must be made on a quarterly or more frequent basis. We are evaluating the effects on our business of this final ruling. Based upon our current evaluation, without taking mitigating steps we currently expect that the FLSA overtime exemption requirements will likely increase our future costs and could have a material adverse effect on our business, results of operations and financial condition, but we are currently unable to quantify the amount of the impact with any degree of certainty.

Item 6. Exhibits

Pursuant to the rules and regulations of the SEC, we have filed, furnished or incorporated herein by reference the documents referenced below as exhibits to this Form 10-Q. The documents include certain agreements to which the Company is a party or has a beneficial interest. The agreements have been filed to provide investors with information regarding their respective terms. The agreements are not intended to provide any other factual information about the Company or its business or operations. In particular, the assertions embodied in any representations, warranties and covenants contained in the agreements may be subject to qualifications with respect to knowledge and materiality different from those applicable to investors and may be qualified by information in confidential disclosure schedules not included with the exhibits. These disclosure schedules may contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants set forth in the agreements. Moreover, certain representations, warranties and covenants in the agreements may have been used for the purpose of allocating risk between the parties, rather than establishing matters as facts. In addition, information concerning the subject matter of the representations, warranties and covenants may have changed after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company’s public disclosures. Accordingly, investors should not rely on the representations, warranties and covenants in the agreements as characterizations of the actual state of facts about the Company or its business or operations on the date hereof.

The exhibits that are required to be filed, furnished or incorporated by reference herein are listed in the Exhibit Index below (following the signatures page of this report).

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, on August 12, 2016 .

NPC RESTAURANT HOLDINGS, LLC

| | |
|--------|--|
| By: | <u>/s/ Troy D. Cook</u> |
| Name: | Troy D. Cook |
| Title: | Executive Vice President—Finance, Chief Financial Officer and Secretary (Principal Financial Officer) |

| | |
|--------|--|
| By: | <u>/s/ Jason P. Poenitske</u> |
| Name: | Jason P. Poenitske |
| Title: | Chief Accounting Officer (Principal Accounting Officer) |

Exhibit Index

| <u>Exhibit No.</u> | <u>Description</u> |
|---------------------------|--|
| 2.01* | Purchase and Sale Agreement, dated as of November 6, 2011, by and between NPC Acquisition Holdings, LLC (n/k/a NPC Restaurant Holdings, LLC), NPC International Holdings, Inc., and Merrill Lynch Global Private Equity, Inc. and the other sellers listed therein. |
| 2.02* | Amendment to Purchase and Sale Agreement, dated as of December 28, 2011, by and between Merrill Lynch Global Private Equity, Inc. and NPC International Holdings, Inc. |
| 2.03 | Asset Purchase Agreement dated as of November 19, 2013 among NPC International, Inc., NPC Quality Burgers, Inc. and Wendy's Old Fashioned Hamburgers of New York, Inc. (incorporated herein by reference to Exhibit 2.1 to Holdings' Current Report on Form 8-K (File No. 333-180524-04) filed with the SEC on December 9, 2013). |
| 2.04 | First Amendment to Asset Purchase Agreement dated as of November 20, 2013 among NPC International, Inc., NPC Quality Burgers, Inc. and Wendy's Old Fashioned Hamburgers of New York, Inc. (incorporated herein by reference to Exhibit 2.2 to Holdings' Current Report on Form 8-K (File No. 333-180524-04) filed with the SEC on December 9, 2013). |
| 2.05 | Asset Purchase Agreement dated as of June 11, 2014, by and among Wendelta, Inc., Wendelta Property Holdings, LLC, Carlisle VANC, LLC, Realty VANC, LLC, Carlisle Corporation and NPC Quality Burgers, Inc. (incorporated herein by reference to Exhibit 2.05 to Holdings' Quarterly Report on Form 10-Q (File No. 333-180524-04) filed with the SEC on August 15, 2014). |
| 3.01 | Certificate of Formation, as amended, of NPC Restaurant Holdings, LLC (incorporated herein by reference to Exhibit 3.1 to Holdings' Current Report on Form 8-K (File No. 333-180524-04) filed with the SEC on September 12, 2012). |
| 3.02 | Restated Limited Liability Company Agreement of NPC Restaurant Holdings, LLC (incorporated herein by reference to Exhibit 3.2 to Holdings' Current Report on Form 8-K (File No. 333-180524-04) filed on September 12, 2012). |
| 4.01* | Indenture, dated as of December 28, 2011, by and between NPC International, Inc., NPC Operating Company A, Inc. and NPC Operating Company B, Inc., as issuers, NPC Acquisition Holdings, LLC (n/k/a NPC Restaurant Holdings, LLC), as guarantor, and Wells Fargo Bank, National Association, as trustee. |
| 4.02* | Form of 10 1/2% Senior Note due 2020 (included in Exhibit 4.01). |
| 4.03* | Registration Rights Agreement, dated as of December 28, 2011, by and between NPC International, Inc., NPC Operating Company A, Inc. and NPC Operating Company B, Inc., as issuers, NPC Acquisition Holdings, LLC (n/k/a NPC Restaurant Holdings, LLC), as guarantor, and Goldman, Sachs & Co. and Barclays Capital Inc., as initial purchasers. |
| 10.01 | NPC International, Inc. Deferred Compensation and Retirement Plan as amended and restated effective July 1, 2013 (incorporated herein by reference to Exhibit 10.01 to Holdings' Quarterly Report on Form 10-Q (File No. 333-180524-04) filed with the SEC on August 2, 2013). |
| 10.02 | NPC International, Inc. POWR Plan for Key Employees as amended and restated effective July 1, 2013 (incorporated herein by reference to Exhibit 10.02 to Holdings' Quarterly Report on Form 10-Q (File No. 333-180524-04) filed with the SEC on August 2, 2013). |
| 10.03 | Form of Location Franchise Agreement, dated as of January 1, 2003, by and between Pizza Hut, Inc. and NPC Management, Inc. (incorporated herein by reference to Exhibit 10.9 to NPC's Registration Statement on Form S-4 (File No. 333-138338) filed on October 31, 2006). |
| 10.04 | Form of Territory Franchise Agreement, dated as of January 1, 2003, by and between Pizza Hut, Inc. and NPC Management, Inc. (incorporated herein by reference to Exhibit 10.10 to NPC's Registration Statement on Form S-4 (File No. 333-138338) filed on October 31, 2006). |
| 10.05 | Pizza Hut National Purchasing Coop, Inc. Membership Subscription and Commitment Agreement, dated as of February 9, 1999, by and between NPC Management, Inc. and Pizza Hut National Purchasing Coop (incorporated herein by reference to Exhibit 10.32 to NPC's Annual Report on Form 10-K (File No. 0-13007) filed with the SEC on May 28, 1999). |
| 10.06 | Amendment to Franchise Agreement dated as of December 25, 2007, by and between Pizza Hut, Inc. and NPC International, Inc. (incorporated herein by reference to Exhibit 10.16 to NPC's Annual Report on Form 10-K (File No. 333-138338) filed March 14, 2008). |
| 10.07 | Master Distribution Agreement between Unified Foodservice Purchasing Co-op, LLC, for and on behalf of itself as well as the Participants, as defined therein (including certain subsidiaries of Yum! Brands, Inc.) and McLane Foodservice, Inc., effective as of January 1, 2011 and Participant Distribution Joinder Agreement with McLane Foodservice, Inc. dated August 11, 2010** (incorporated herein by reference to Exhibit 10.23 to NPC's Quarterly Report on Form 10-Q (File No. 333-138338) filed with the SEC on November 8, 2010). |
| 10.08* | Amended and Restated Employment Agreement, dated as of November 4, 2011, by and between NPC International, Inc., NPC Acquisition Holdings, LLC (n/k/a NPC Restaurant Holdings, LLC), NPC International Holdings, Inc. and James K. Schwartz. |

- 10.09* Amended and Restated Employment Agreement, dated as of November 4, 2011, by and between NPC International, Inc., NPC Acquisition Holdings, LLC (n/k/a NPC Restaurant Holdings, LLC), NPC International Holdings, Inc. and Troy D. Cook
- 10.10* Stockholders Agreement, dated as of November 6, 2011, by and between NPC International Holdings, Inc., Olympus Growth Fund V, L.P., Olympus Executive Fund II, L.P., Olympus-1133 West Co-Investment Fund, L.P., and the other persons party thereto.
- 10.11* Amended and Restated Credit Agreement, dated as of March 28, 2012, by and between NPC International, Inc., NPC Operating Company A, Inc., NPC Operating Company B, Inc., NPC Acquisition Holdings, LLC (n/k/a NPC Restaurant Holdings, LLC), Barclays Bank plc and the other lenders party thereto.
- 10.12* Amendment No. 1 to Credit Agreement, dated as of March 28, 2012, by and between NPC International, Inc., NPC Operating Company A, Inc., NPC Operating Company B, Inc., NPC Acquisition Holdings, LLC (n/k/a NPC Restaurant Holdings, LLC) and Barclays Bank plc.
- 10.13* Security Agreement, dated as of December 28, 2011, by and between NPC International, Inc., the other pledgors party thereto and Barclays Bank plc.
- 10.14* Investment Agreement, dated as of December 28, 2011, by and between NPC International Holdings, Inc., Olympus Growth Fund V, L.P., Olympus Executive Fund II, L.P., Olympus-1133 West Co-Investment Fund, L.P., and the other persons party thereto.
- 10.15* Advisory Services Agreement, dated as of December 28, 2011, by and between NPC International Holdings, Inc., NPC International, Inc. and Olympus Advisors V, LLC.
- 10.16* Escrow Agreement, dated as of December 28, 2011, by and between NPC International Holdings, Inc., Merrill Lynch Global Private Equity, Inc. and Wells Fargo Bank, N.A.
- 10.17* NPC International Holdings, Inc. 2011 Stock Option Plan.
- 10.18* Form of NPC International Holdings, Inc. Stock Option Agreement.
- 10.19* ISDA Master Agreement, dated as of February 23, 2012, between Coöperative Centrale Raiffeisen-Boerenleenbank B.A. and NPC International, Inc.
- 10.20 Amendment No. 2 to Credit Agreement, dated as of May 16, 2012, by and between NPC International, Inc., NPC Operating Company A, Inc., NPC Operating Company B, Inc., NPC Acquisition Holdings, LLC (n/k/a NPC Restaurant Holdings, LLC) and Barclays Bank plc. (incorporated herein by reference to Exhibit 10.20 to Holdings' Annual Report on Form 10-K (File No. 333-180524-04) filed March 8, 2013).
- 10.21 Amendment No. 3 to Credit Agreement, dated as of November 21, 2012, by and between NPC International, Inc., NPC Operating Company A, Inc., NPC Operating Company B, Inc., NPC Restaurant Holdings, LLC and Barclays Bank plc. (incorporated herein by reference to Exhibit 10.21 to Holdings' Annual Report on Form 10-K (File No. 333-180524-04) filed March 8, 2013).
- 10.22 Quality Is Our Recipe, LLC (f/k/a Wendy's International, Inc.) unit franchise agreement dated as of July 22, 2013. (incorporated herein by reference to Exhibit 10.22 to Holdings' Quarterly Report on Form 10-Q (File No. 333-180524-04) filed with the SEC on November 7, 2013).
- 10.23 Amendment to Employment Agreement, dated as of July 22, 2013 by and among NPC International, Inc., NPC Restaurant Holdings, LLC, NPC International Holdings, Inc. and James K. Schwartz (incorporated herein by reference to Exhibit 10.8 to Holdings' Quarterly Report on Form 10-Q (File No. 333-180524-04) filed with the SEC on August 2, 2013).
- 10.24 Amendment to Employment Agreement, dated as of July 22, 2013, by and among NPC International, Inc., NPC Restaurant Holdings, LLC, NPC International Holdings, Inc. and Troy D. Cook (incorporated herein by reference to Exhibit 10.9 to Holdings' Quarterly Report on Form 10-Q (File No. 333-180524-04) filed with the SEC on August 2, 2013).
- 10.25 Amendment No. 4 to Credit Agreement, dated as of December 16, 2013, by and between NPC International, Inc., NPC Quality Burgers, Inc., NPC Operating Company B, Inc., NPC Restaurant Holdings, LLC and Barclays Bank plc. (incorporated herein by reference to Exhibit 10.26 to Holdings' Annual Report on Form 10-K (File No. 333-180524-04) filed with the SEC on March 7, 2014).
- 10.26 Employment Agreement, dated as of June 16, 2014, by and between NPC International, Inc., NPC International Holdings, Inc. and John Hedrick. (incorporated herein by reference to Exhibit 10.26 to Holdings' Quarterly Report on Form 10-Q (File No. 333-180524-04) filed with the SEC on August 15, 2014).
- 10.27 Incremental Term Loan Amendment, dated as of June 19, 2014, by and between NPC International, Inc., NPC Quality Burgers, Inc., NPC Operating Company B, Inc., NPC Restaurant Holdings, LLC and Barclays Bank plc. (incorporated herein by reference to Exhibit 10.27 to Holdings' Quarterly Report on Form 10-Q (File No. 333-180524-04) filed with the SEC on August 15, 2014).
- 10.28 Amendment to Employment Agreement, dated as of October 20, 2015, by and among NPC International, Inc., NPC International Holdings, Inc. and John Hedrick. (incorporated herein by reference to Exhibit 10.28 to NPC's Quarterly Report on Form 10-Q (File No. 333-180524-04) filed with the SEC on November 13, 2015).

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| 10.29 | Letter Agreement re: Bonus and Options, dated as of October 20, 2015, by and among NPC International, Inc., NPC International Holdings, Inc. and John Hedrick. (incorporated herein by reference to Exhibit 10.29 to NPC's Quarterly Report on Form 10-Q (File No. 333-180524-04) filed with the SEC on November 13, 2015). |
| 10.30 | Amendment No. 5 to Credit Agreement, dated as of December 10, 2015, by and between NPC International, Inc., NPC Quality Burgers, Inc., NPC Operating Company B, Inc., NPC Restaurant Holdings, LLC and Barclays Bank plc. (incorporated herein by reference to Exhibit 10.31 to NPC's Annual Report on Form 10-K (File No. 333-180524-04) filed with the SEC on March 9, 2016). |
| 10.31 | Letter Agreement re: Bonus Eligibility; Position and Duties, dated as of February 17, 2016, by and among NPC International, Inc., NPC International Holdings, Inc. and James K. Schwartz. (incorporated herein by reference to Exhibit 10.32 to Holdings' Annual Report on Form 10-K (File No. 333-180524-04) filed with the SEC on March 9, 2016). |
| 10.32 | Letter Agreement re: Bonus Eligibility; Position and Duties, dated as of February 17, 2016, by and among NPC International, Inc., NPC International Holdings, Inc. and Troy D. Cook. (incorporated herein by reference to Exhibit 10.33 to Holdings' Annual Report on Form 10-K (File No. 333-180524-04) filed with the SEC on March 9, 2016). |
| 10.33 | Letter Agreement re: Bonus Eligibility; Position and Duties, dated as of February 17, 2016, by and among NPC International, Inc., NPC International Holdings, Inc. and John Hedrick. (incorporated herein by reference to Exhibit 10.34 to Holdings' Annual Report on Form 10-K (File No. 333-180524-04) filed with the SEC on March 9, 2016). |
| 10.34 | Separation Agreement and Release dated as of November 18, 2015, by and among NPC International, Inc. and Blayne Vaughn. (incorporated herein by reference to Exhibit 10.35 to Holdings' Annual Report on Form 10-K (File No. 333-180524-04) filed with the SEC on March 9, 2016). |
| 10.35*** | Pizza Hut, Inc. Amended Franchise Agreement dated as of April 12, 2016. |
| 14.1 | NPC Restaurant Holdings, LLC Code of Business Conduct and Ethics, dated August 22, 2014 (incorporated herein by reference to Exhibit 14.1 to Holdings' Current Report on Form 8-K (File No. 333-180524-04) filed with the SEC on August 25, 2014) |
| 21.01 | Subsidiaries of NPC Restaurant Holdings, LLC (incorporated herein by reference to Exhibit 21.01 to Holdings' Annual Report on Form 10-K (File No. 333-180524-04) filed with the SEC on March 27, 2015). |
| 31.1*** | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2*** | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1*** | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2*** | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | Financial statements from the quarterly report on Form 10-Q of NPC Restaurant Holdings, LLC for the 13 and 26 week periods ended June 28, 2016, filed on August 12, 2016, formatted in XBRL: (i) the Consolidated Statements of Income (unaudited) for the 13 and 26 week periods ended June 28, 2016 and June 30, 2015, (ii) the Consolidated Balance Sheets (unaudited) at June 28, 2016 and December 29, 2015, (iii) the Consolidated Statement of Member's Equity (unaudited) for the 26 weeks ended June 28, 2016, (iv) the Consolidated Statements of Cash Flows (unaudited) for the 26 weeks ended June 28, 2016 and June 30, 2015, and (v) the Notes to the Unaudited Consolidated Financial Statements. |

* Filed as an exhibit with corresponding number to the registration statement on Form S-4 (File No 333-180524) of Holdings and NPC and incorporated herein by reference.

** Portions of these documents have been omitted and are subject to an order granting confidential treatment under the Securities Exchange Act of 1934, as amended (File No. 0-13007 - CF#25955). Omitted portions of these documents are indicated with an asterisk.

*** Filed or furnished herewith

AMENDMENT TO FRANCHISE AGREEMENT

PIZZA HUT, INC. ("PHI") and NPC INTERNATIONAL, INC. ("Operator") enter into this Amendment to Franchise Agreement (this "Amendment"), which shall be effective on the date executed by PHI (the "Effective Date").

WHEREAS, PHI and Operator are parties to one or more Pizza Hut, Inc. Franchise Agreements (each a "Pizza Hut Franchise Agreement") each of which, as applicable, is denominated a "2003 Territory Franchise Agreement" and grants to Operator the right to develop, open and operate Pizza Hut System Restaurants within a specifically described "Territory" (a "2003 Territory Franchise Agreement"); or, in the alternative, is denominated a "2003 Location Franchise Agreement" and grants to Operator the right to operate one or more Pizza Hut System Restaurants at one or more specified Locations (a "2003 Location Franchise Agreement"); or, in the alternative, is another form of Franchise Agreement ("Going Forward Franchise Agreement") which grants to Operator the right to operate one or more Pizza Hut System Restaurants at one or more specified Locations;

WHEREAS, the Pizza Hut Franchise Agreement provides that PHI may require that Operator undertake upgrades, remodels and other asset actions on each of its System Restaurants in accordance with PHI's standards throughout the Term of the Pizza Hut Franchise Agreement, subject to specified time and cost limitations, all as more fully set forth in the Pizza Hut Franchise Agreement;

WHEREAS, PHI has developed an asset plan (the "2016 Asset Partner Plan") that provides substantial benefits to Operator with respect to the timing and scope of required asset upgrades;

WHEREAS, PHI agrees to make the 2016 Asset Partner Plan available to Operator in exchange for Operator's commitment to timely complete specified asset upgrades on an agreed schedule and subject to Operator's continued qualification compliance, as set forth below;

WHEREAS, Operator desires to participate in the 2016 Asset Partner Plan; and

WHEREAS, PHI is willing to allow Operator's participation in the 2016 Asset Partner Plan, subject to Operator's agreement to comply with all of the terms and conditions specified herein.

NOW, THEREFORE, for good and valuable consideration, including the mutual promises and agreements contained in this Amendment, the receipt and sufficiency of which is hereby acknowledged, the parties agree to amend the Pizza Hut Franchise Agreement as follows:

1. Definitions. For purposes of this Amendment and notwithstanding anything to the contrary contained within the Pizza Hut Franchise Agreement, the following terms have the following meanings:
 - (a) Minor Remodel. A "Minor Remodel" is a minor renovation of an existing System Restaurant completed in accordance with PHI's then-current published specifications.
 - (b) Major Remodel. A "Major Remodel" is a substantial renovation of an existing System Restaurant completed in accordance with PHI's then current published specifications.
 - (c) Rebuild. A "Rebuild" is a complete rebuilding of an existing System Restaurant at the same location completed in accordance with PHI's then current published specifications.
-

(d) Relocation. A "Relocation" is a relocation of an existing System Restaurant to a new location, but serving the same trade area, completed in accordance with PHI's then current published specifications.

(e) New Build. A "New Build" is a newly built System Restaurant completed in accordance with PHI's then current published specifications.

2. Asset Upgrade Costs. The following costs are estimated and are based on 1.0 market index for achieving the specifications of a particular asset action, as set out below, and do not include deferred maintenance such as replacing electrical, plumbing, or HVAC systems, replacing/rebuilding parking lots, meeting local codes, or other major defects considered overdue maintenance ("Scope of Work Costs"). Costs will vary based on location, size of asset, and condition of asset.

Series 30/35

Minor remodel

Level 1, Major Remodel Level 2, Major Remodel Level 3, Major Remodel

\$75,000-\$100,000

\$150,000-\$175,000

\$225,000-\$275,000

\$350,000-\$400,000

Series 39 and Other Post-1980 Assets

Minor remodel \$75,000-\$100,000

Level I. Major Remodel \$150,000-\$175,000

Level 2, Major Remodel \$225,000-\$250,000

Level 3, Major Remodel \$325,000-\$375,000

Main Path/R2K2/Free Standing Delco

Minor Remodel \$75,000-\$100,000

Major Remodel \$150,000-\$250,000

In-Line or End Cap Delco/RBD Minor Remodel

Major Remodel

\$25,000-\$75,000

\$50,000-\$150,000

PHI agrees that it will not modify the specifications for a Minor or Major Remodel in a manner that materially increases the cost of completing such an asset action (as adjusted to reflect changes in the Construction Cost Index, as published in the "Engineering News-Record").

PHI, in cooperation with the I.P.H.F.H.A., Inc. Asset Committee (the "Asset Committee"), will employ commercially reasonable validation methodologies, at PHI's cost, to confirm the estimated Scope of Work Costs ranges set forth above ("Validation"). PHI will complete the Validation as to each type of asset action within thirty (30) days of the date on which twenty five (25) of each of the subject asset actions have been completed within the System. The Validation relies on Operator's submitting asset action cost data to PHI on a timely basis. If the Validation (using normalized costs as described, above, for the market index and scope of work data) demonstrates that in the majority of the asset actions performed for a particular asset action, the Scope of Work Costs exceeds the ranges set forth above, PHI will modify, within ninety (90) days, the specifications for that type

of asset action sufficiently to bring the actual, average Scope of Work Costs within the ranges set forth above. In connection with a Validation, PHI may also request, and the Aet Committee will reasonably consider, that the computation of average costs takes into account future, ongoing equipment savings negotiated by the RSCS.

3. Secondary Upgrade Schedule. Notwithstanding Section H of Schedule B of the 2003 Territory Franchise Agreement, Section H of Appendix I of the 2003 Location Franchise Agreement and Section 6.3 of the Going Forward Franchise Agreement, PHI and Operator agree that Operator will complete the specific asset actions on its System Restaurants in accordance with Exhibit A attached hereto (the "Secondary Upgrade Schedule"). Operator understands and agrees that this Amendment does not authorize Operator to close any System Restaurant, and that the parties' rights and obligations regarding closure of System Restaurants shall be governed by the applicable Pizza Hut Franchise Agreement.
4. Recurring Upgrade Obligation. The Secondary Upgrade Schedule specifies the type and timing, subject to the provisions of Paragraph 6, of the next required asset action for each of Operator's System Restaurants. After each such asset action is completed under the Secondary Upgrade Schedule, and through the balance of the Term of the Pizza Hut Franchise Agreement, Operator acknowledges and agrees to perform subsequent asset actions on each of Operator's System Restaurants in accordance with the following schedule ("Recurring Upgrade Schedule"):
 - (a) Following the Minor Remodel of a System Restaurant, Operator shall perform a Major Remodel, a Relocation or a Rebuild on such System Restaurant within seven (7) years following the Minor Remodel; and
 - (b) Following a Major Remodel, a Relocation, a Rebuild, or a New Build of a System Restaurant, Operator shall perform a Minor Remodel on such System Restaurant within ten (10) years following the Major Remodel, Relocation, Rebuild or New Build.

For example, if a New Build is constructed during the Secondary Upgrade Schedule, a Minor Remodel will be required ten (10) years from the open date. The next asset action will be a Major Remodel, a Relocation or a Rebuild due seventeen (17) years from the open date of the System Restaurant, followed by a Minor Remodel twenty-seven (27) years from the open date of the System Restaurant. Likewise, if a System Restaurant completes a Minor Remodel during the Secondary Upgrade Schedule, a Major Remodel, a Relocation or a Rebuild will be required seven (7) years from the date of the Minor Remodel. The next asset action will be a Minor Remodel due ten (10) years from the date of the Major Remodel, Relocation or Rebuild, followed by a Major Remodel, a Relocation or a Rebuild due seven (7) years later.

5. Checkpoint Dates. Subject to the remainder of this paragraph, Operator and PHI agree that PHI shall determine Operator's compliance with the Secondary Upgrade Schedule and the Recurring Upgrade Schedule on December 31 of each year (the "Checkpoint Dates"). If, however, Operator completes at least 75% of the asset actions required to be completed during calendar year 2016 by December 31, 2016, Operator will be granted an additional ninety (90) days to complete the remaining required asset actions for 2016. If 100% of the 2016 required asset actions are not completed by March 31, 2017, Operator will be issued a written notice of default and will have ninety (90) days to cure such default by completing all asset actions required for 2016. Should Operator meet all asset action requirements for 2016 and 2017 without triggering a default, as described above, then PHI will thereafter determine Operator's compliance with the Secondary Upgrade Schedule and the Recurring Upgrade Schedule every two (2) years with the next Checkpoint Date being December 31, 2019.
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If Operator fails to complete the total number of asset actions that are required to be completed by any Checkpoint Date, that non-compliance shall constitute a default with respect to the unit or units as to which the required asset actions were not timely completed. If PHI issues a notice of default for such failure and Operator fails timely to cure, Pill may exercise a right to terminate Operator's rights with respect to the unit or units in question and any and all of its rights under the applicable Pizza Hut Franchise Agreement for an uncured default with respect to such units, but, except as provided below, such a default and failure to cure will not give PHI the right to terminate the applicable Pizza Hut Franchise Agreement with respect to any of Operator's other units.

If, however, Operator's total number of missed asset actions that Operator has not timely cured on any particular Checkpoint Date exceeds 20% of its cumulative required asset actions under the Secondary Upgrade Schedule through that Checkpoint Date (rounded up to the nearest whole number), then Pill may exercise a right to terminate Operator's Pizza Hut Franchise Agreement(s) covering the units in question and any and all of its rights under the applicable Pizza Hut Franchise Agreement(s). Example: "rounding up" means that if an Operator has nine (9) required cumulative asset actions on a Checkpoint Date, the number of missed asset actions for PHI to exercise these rights of default would be $(20\%) \times (9) = 1.8$, which, rounded up to the nearest whole number, would yield two (2) asset actions. Therefore, if Operator's total number of missed asset actions is more than two (2), then PHI would have such rights of default. PHI shall have the same rights as set out in this subparagraph, if, on any Checkpoint Date, Operator's total number of missed asset actions that Operator has not timely cured exceeds 10% of the total number of Operator's required asset actions under the Secondary Upgrade Schedule (rounded up to the nearest whole number). Example: "rounding up" means that if an Operator has eighty-five (85) total required asset actions, the number of missed asset actions for PHI to exercise these rights of default would be $(10\%) \times (85) = 8.5$ which, rounded up to the nearest whole number, would yield nine (9) asset actions. Therefore, if Operator's total number of missed asset actions is more than nine (9), then Pill would have such rights of default.

6. Substitution. Notwithstanding language to the contrary, PHI agrees that if Operator has complied with the Secondary Upgrade Schedule related to all "D" assets, Operator may request approval from Pill to substitute certain "B" and "C" assets on the Secondary Upgrade Schedule for other "B" and "C" assets respectively, so long as the required number of "B" and "C" assets are completed by the applicable checkpoint dates. Operator will communicate revisions to the Secondary Upgrade Schedule to PHI biannually on January 15th and June 15th. Pill will not unreasonably withhold approval of such revisions.
 7. Continued Participation. Operator understands and agrees that Operator's continued participation in the 2016 Asset Partner Plan is conditioned on Operator remaining (i) current on Monthly Service Fees owed to Pill and advertising contributions owed to the International Pizza Hut Franchise Holders Association (the "IPHFHA"), (ii) in compliance with PHI Brand Standards, and (iii) a participant in System-approved national media shifts. Operator's failure to remain in compliance with the foregoing criteria on an ongoing basis shall constitute a default under this Amendment and if Operator fails to remedy such default upon sixty (60) days written notice from Pill then, in PHI's discretion, Operator's eligibility to participate in the 2016 Asset Partner Plan shall be forfeited and this Amendment shall be rescinded and of no further effect. In such event, Operator shall complete such asset upgrades within such times as PHI shall designate under the terms of the Pizza Hut Franchise Agreement.
 8. Exceptions and Changes. PHI acknowledges that, unforeseen and excessive costs may arise in connection with completing the asset action specified in Exhibit A on a particular System Restaurant as a result of unusual permitting issues or other unforeseen circumstances beyond
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Operator's control. If such a situation should arise, Operator may request an exception to completing the required asset action by submitting a written explanation of the facts that demonstrate that the costs were unforeseen and are excessive. PHI will consider any such request on a case-by-case basis and will approve or deny the request (or propose an alternative asset action), in its discretion, within thirty (30) days after receipt of Operator's written request. If Operator and PHI cannot reach a solution agreeable to both parties, the dispute may be submitted to mediation as described in paragraph 9.

9. Mediation. All disputes involving an imminent or issued Notice of Default arising out of this Amendment may be submitted by Operator to mediation under the National Franchise Mediation Program administered by CPR (or, if that program is discontinued, any successor program or the nearest available substitute). This paragraph 9 applies only to disputes that are specific to Operator and not to issues that affect PHI's franchisees generally. Operator's obligations to perform upgrades, and PHI's rights, under this Amendment will not be deferred during any such mediation. PHI and Operator will participate in the mediation in good faith and consider the non-binding recommendations of the mediator. In order to facilitate the timely and orderly administration of the mediation process, PHI and IPHFHA shall cooperate in identifying a mediator who shall sit by designation for such disputes. PHI and the Operator shall share 50/50 the responsibility for paying the mediator's fees. Notwithstanding the foregoing, PHI shall not issue a Notice of Default or Termination with respect solely to the dispute at issue in such mediation within the thirty (30) day period commencing on the date of Operator's written notice to PHI requesting the scheduling of the mediation; provided further, that such thirty (30) day period shall commence no later than ten (10) days following the date upon which PHI has issued a Notice of Default arising in whole or part out of such dispute.
10. Amendment Controlling. Operator and PHI agree that this Amendment shall control Operator's upgrade obligations on and after the date hereof through the end of the Term of the Pizza Hut Franchise Agreement; that this Amendment shall constitute an amendment to each of Operator's Pizza Hut Franchise Agreements and shall control over any inconsistent provision thereof; and that, except as modified by this Amendment, each of Operator's Pizza Hut Franchise Agreements is confirmed in its entirety.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment as of the Effective Date.

SIGNATURES APPEAR ON FOLLOWING PAGE

PIZZA HUT, INC.
"PHI"

By: _____

John J. Murphy, Vice President -Law

Date: _____

James K. Schwartz, by executing below, represents and warrants that he/she is the authorized representative of the Operator under each of the Pizza Hut, Inc. Franchise Agreements listed on the attached Exhibit B and has full authority to execute this Amendment for and on behalf of the Operator under each such Pizza Hut, Inc. Franchise Agreement.

NPC INTERNATIONAL, INC.

"Operator"

By: _____
James K. Schwartz

Date: _____

CERTIFICATIONS

I, James K. Schwartz, certify that:

1. I have reviewed the quarterly report on Form 10-Q of NPC Restaurant Holdings, LLC (the “registrant”) for the period ended June 28, 2016 ;
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: August 12, 2016

/s/ James K. Schwartz

James K. Schwartz

Chairman, President and Chief Executive Officer

CERTIFICATIONS

I, Troy D. Cook, certify that:

1. I have reviewed the quarterly report on Form 10-Q of NPC Restaurant Holdings, LLC (the “registrant”) for the period ended June 28, 2016 ;
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: August 12, 2016

/s/ Troy D. Cook

Troy D. Cook

**Executive Vice President—Finance,
Chief Financial Officer and Secretary**

Certification of the Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NPC Restaurant Holdings, LLC (the “Company”) on Form 10-Q for the period ended June 28, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James K. Schwartz, Chairman, President, Chief Executive Officer and Chief Operating Officer of NPC Restaurant Holdings, LLC, certify, pursuant to 18 U.S.C. § 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; 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: August 12, 2016

/s/ James K. Schwartz

James K. Schwartz

Chairman, President and Chief Executive Officer

Certification of the Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NPC Restaurant Holdings, LLC (the “Company”) on Form 10-Q for the period ended June 28, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Troy D. Cook, Executive Vice-President - Finance, Chief Financial Officer and Secretary of NPC Restaurant Holdings, LLC, certify, pursuant to 18 U.S.C. § 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; 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: August 12, 2016

/s/ Troy D. Cook

Troy D. Cook

**Executive Vice President—Finance,
Chief Financial Officer and Secretary**