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

FORM 10-K

[✓] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 29, 2007

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 1-13163

YUM! BRANDS, INC.
(Exact name of registrant as specified in its charter)

North Carolina	13-3951308
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1441 Gardiner Lane, Louisville, Kentucky	40213
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (502) 874-8300

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, no par value	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in the Rule 405 of the Securities Act. Yes _√_ No __

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ___ No _√_

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _√_ No __

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer or smaller reporting company. See definition of "accelerated filer, large accelerated filer and smaller reporting company" in Rule 12-b of the Exchange Act (Check one): Large accelerated filer: [√] Accelerated filer: [ ] Non-accelerated filer: [ ] Smaller reporting company: [ ]

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

The aggregate market value of the voting stock (which consists solely of shares of Common Stock) held by non-affiliates of the registrant as of June 16, 2007 computed by reference to the closing price of the registrant's Common Stock on the New York Stock Exchange Composite Tape on such date was $17,730,290,814. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant. The number of shares outstanding of the registrant's Common Stock as of February 18, 2008 was 475,493,520 shares.

Documents Incorporated by Reference

Portions of the definitive proxy statement furnished to shareholders of the registrant in connection with the annual meeting of shareholders to be held on May 15, 2008 are incorporated by reference into Part III.

PART I

Item 1. Business .

YUM! Brands, Inc. (referred to herein as "YUM" or the "Company"), was incorporated under the laws of the state of North Carolina in 1997. The principal executive offices of YUM are located at 1441 Gardiner Lane, Louisville, Kentucky 40213, and the telephone number at that location is (502) 874-8300.

YUM, the registrant, together with its subsidiaries, is referred to in this Form 10-K annual report ("Form 10-K") as the Company. The terms "we," "us" and "our" are also used in the Form 10-K to refer to the Company. Throughout this Form 10-K, the terms "restaurants," "stores" and "units" are used interchangeably.

This Form 10-K should be read in conjunction with the Cautionary Statements on pages 47 through 48.

(a) General Development of Business

In January 1997, PepsiCo announced its decision to spin-off its restaurant businesses to shareholders as an independent public company (the "Spin-off"). Effective October 6, 1997, PepsiCo disposed of its restaurant businesses by distributing all of the outstanding shares of Common Stock of YUM to its shareholders.

On May 7, 2002, YUM completed the acquisition of Yorkshire Global Restaurants, Inc. ("YGR"), the parent company and operator of Long John Silver's ("LJS") and A&W All-American Food Restaurants ("A&W"). On May 16, 2002, following receipt of shareholder approval, the Company changed its name from TRICON Global Restaurants, Inc. to YUM! Brands, Inc.

(b) Financial Information about Operating Segments

YUM consists of six operating segments: KFC-U.S., Pizza Hut-U.S., Taco Bell-U.S., LJS/A&W-U.S., YUM Restaurants International ("YRI" or "International Division") and YUM Restaurants China ("China Division"). For financial reporting purposes, management considers the four U.S. operating segments to be similar and, therefore, has aggregated them into a single reportable operating segment. The China Division includes mainland China ("China"), Thailand and KFC Taiwan, and the International Division includes the remainder of our international operations.

Operating segment information for the years ended December 29, 2007, December 30, 2006 and December 31, 2005 for the Company is included in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in Part II, Item 7, pages 21 through 48 and in the related Consolidated Financial Statements and footnotes in Part II, Item 8, pages 49 through 101.

(c) Narrative Description of Business

General

YUM is the world's largest quick service restaurant ("QSR") company based on number of system units, with more than 35,000 units in more than 100 countries and territories. Through the five concepts of KFC, Pizza Hut, Taco Bell, LJS and A&W (the "Concepts"), the Company develops, operates, franchises and licenses a worldwide system of restaurants which prepare, package and sell a menu of competitively priced food items. In all five of its Concepts, the Company either operates units or they are operated by independent franchisees or licensees under the terms of franchise or license agreements. Franchisees can range in size from individuals owning just one unit to large publicly traded companies. In addition, the Company owns non-controlling interests in Unconsolidated Affiliates who operate similar to franchisees.

At year end 2007, we had approximately 20,000 system restaurants in the U.S. which generated revenues of $5.2 billion and operating profit of $739 million during 2007. The International Division, based in Dallas, Texas, comprises more than 12,000 system restaurants, primarily KFCs and Pizza Huts, operating in over 100 countries outside the U.S. In 2007, YRI achieved revenues of $3.1 billion and operating profit of $480 million. The China Division, based in Shanghai, China, comprises more than 3,000 system restaurants, predominately KFCs. In 2007, the China Division achieved revenues of $2.1 billion and operating profit of $375 million.

Restaurant Concepts

Most restaurants in each Concept offer consumers the ability to dine in and/or carry out food. In addition, Taco Bell, KFC, LJS and A&W offer a drive-thru option in many stores. Pizza Hut offers a drive-thru option on a much more limited basis. Pizza Hut and, on a much more limited basis, KFC offer delivery service.

Each Concept has proprietary menu items and emphasizes the preparation of food with high quality ingredients, as well as unique recipes and special seasonings to provide appealing, tasty and attractive food at competitive prices.

The franchise program of the Company is designed to assure consistency and quality, and the Company is selective in granting franchises. Under standard franchise agreements, franchisees supply capital – initially by paying a franchise fee to YUM, purchasing or leasing the land, building and equipment and purchasing signs, seating, inventories and supplies and, over the longer term, by reinvesting in the business. Franchisees then contribute to the Company's revenues through the payment of royalties based on a percentage of sales.

The Company believes that it is important to maintain strong and open relationships with its franchisees and their representatives. To this end, the Company invests a significant amount of time working with the franchisee community and their representative organizations on all aspects of the business, including products, equipment, operational improvements and standards and management techniques.

The Company and its franchisees also operate multibrand units, primarily in the U.S., where two or more of the Concepts are operated in a single unit. At year end 2007, there were 3,989 multibranded units in the worldwide system, of which 3,699 were in the U.S. These units were comprised of 2,703 units offering food products from two of the Concepts, 47 units offering food products from three of the Concepts and 1,216 units offering food products from Pizza Hut and WingStreet, a flavored chicken wings concept. YUM has 23 units offering food products from KFC and Wing Works, another flavored chicken wings concept developed by YUM.

Following is a brief description of each concept:

KFC

- KFC was founded in Corbin, Kentucky by Colonel Harland D. Sanders, an early developer of the quick service food business and a pioneer of the restaurant franchise concept. The Colonel perfected his secret blend of 11 herbs and spices for Kentucky Fried Chicken in 1939 and signed up his first franchisee in 1952. KFC is based in Louisville, Kentucky.

- As of year end 2007, KFC was the leader in the U.S. chicken QSR segment among companies featuring chicken-on-the-bone as their primary product offering, with a 45 percent market share (Source: The NPD Group, Inc.; NPD Foodworld; CREST) in that segment, which is nearly four times that of its closest national competitor.

- KFC operates in 105 countries and territories throughout the world. As of year end 2007, KFC had 5,358 units in the U.S. and 9,534 units outside the U.S., including 2,140 units in mainland China. Approximately 18 percent of the U.S. units and 25 percent of the non-U.S. units are operated by the Company.

- Traditional KFC restaurants in the U.S. offer fried chicken-on-the-bone products, primarily marketed under the names Original Recipe and Extra Tasty Crispy. Other principal entree items include chicken sandwiches (including the Snacker and the Twister), KFC Famous Bowls, Colonel's Crispy Strips, Wings, Popcorn Chicken and seasonally, Chunky Chicken Pot Pies. KFC restaurants in the U.S. also offer a variety of side items, such as biscuits, mashed potatoes and gravy, coleslaw, corn, and potato wedges, as well as desserts. While many of these products are offered outside of the U.S., international menus are more focused on chicken sandwiches and Colonel's Crispy Strips, and include side items that are suited to local preferences and tastes. Restaurant decor throughout the world is characterized by the image of the Colonel.

Pizza Hut

- The first Pizza Hut restaurant was opened in 1958 in Wichita, Kansas, and within a year, the first franchise unit was opened. Today, Pizza Hut is the largest restaurant chain in the world specializing in the sale of ready-to-eat pizza products. Pizza Hut is based in Dallas, Texas.

- As of year end 2007, Pizza Hut was the leader in the U.S. pizza QSR segment, with a 15 percent market share (Source: The NPD Group, Inc.; NPD Foodworld; CREST) in that segment.

- Pizza Hut operates in 97 countries and territories throughout the world. As of year end 2007, Pizza Hut had 7,515 units in the U.S., and 5,362 units outside of the U.S. Approximately 17 percent of the U.S. units and 25 percent of the non-U.S. units are operated by the Company.

- Pizza Hut features a variety of pizzas, which may include Pan Pizza, Thin 'n Crispy, Hand Tossed, Sicilian, Stuffed Crust, Twisted Crust, Sicilian Lasagna Pizza, Cheesy Bites Pizza, The Big New Yorker, The Insider, The Chicago Dish and 4forALL. Each of these pizzas is offered with a variety of different toppings. In some restaurants, Pizza Hut also offers chicken wings, breadsticks, pasta, salads and sandwiches. Menu items outside of the U.S. are generally similar to those offered in the U.S., though pizza toppings are often suited to local preferences and tastes.

Taco Bell

- The first Taco Bell restaurant was opened in 1962 by Glen Bell in Downey, California, and in 1964, the first Taco Bell franchise was sold. Taco Bell is based in Irvine, California.

- As of year end 2007, Taco Bell was the leader in the U.S. Mexican QSR segment, with a 54 percent market share (Source: The NPD Group, Inc.; NPD Foodworld; CREST) in that segment.

- Taco Bell operates in 15 countries and territories throughout the world. As of year end 2007, there were 5,580 Taco Bell units in the U.S., and 240 units outside of the U.S. Approximately 23 percent of the U.S. units and 1 percent of the non-U.S. units are operated by the Company.

- Taco Bell specializes in Mexican-style food products, including various types of tacos, burritos, gorditas, chalupas, quesadillas, taquitos, salads, nachos and other related items. Additionally, proprietary entrée items include Grilled Stuft Burritos and Border Bowls. Taco Bell units feature a distinctive bell logo on their signage.

LJS

- The first LJS restaurant opened in 1969 and the first LJS franchise unit opened later the same year. LJS is based in Louisville, Kentucky.

- As of year end 2007, LJS was the leader in the U.S. seafood QSR segment, with a 32 percent market share (Source: The NPD Group, Inc.; NPD Foodworld; CREST) in that segment.

- LJS operates in 7 countries and territories throughout the world. As of year end 2007, there were 1,081 LJS units in the U.S., and 38 units outside the U.S. Approximately 30 percent of the U.S. units are operated by the Company. All non-U.S. units are operated by franchisees or licensees.

- LJS features a variety of seafood and chicken items, including meals featuring batter-dipped fish, chicken, shrimp, hushpuppies and portable snack items. LJS units typically feature a distinctive seaside/nautical theme.

A&W

- A&W was founded in Lodi, California by Roy Allen in 1919 and the first A&W franchise unit opened in 1925. A&W is based in Louisville, Kentucky.

- A&W operates in 11 countries and territories throughout the world. As of year end 2007, there were 371 A&W units in the U.S., and 254 units outside the U.S. Approximately 1 percent of the U.S. units are operated by the Company. All non-U.S. units are operated by franchisees.

- A&W serves A&W draft Root Beer and a signature A&W Root Beer float, as well as hot dogs and hamburgers.

Restaurant Operations

Through its Concepts, YUM develops, operates, franchises and licenses a worldwide system of both traditional and non-traditional QSR restaurants. Traditional units feature dine-in, carryout and, in some instances, drive-thru or delivery services. Non-traditional units, which are typically licensed outlets, include express units and kiosks which have a more limited menu and operate in non-traditional locations like malls, airports, gasoline service stations, convenience stores, stadiums, amusement parks and colleges, where a full-scale traditional outlet would not be practical or efficient.

The Company's restaurant management structure varies by Concept and unit size. Generally, each Company restaurant is led by a restaurant general manager ("RGM"), together with one or more assistant managers, depending on the operating complexity and sales volume of the restaurant. In the U.S., the average restaurant has 25 to 30 employees, while internationally this figure can be significantly higher depending on the location and sales volume of the restaurant. Most of the employees work on a part-time basis. We issue detailed manuals, which may then be customized to meet local regulations and customs, covering all aspects of restaurant operations, including food handling and product preparation procedures, safety and quality issues, equipment maintenance, facility standards and accounting control procedures. The restaurant management teams are responsible for the day-to-day operation of each unit and for ensuring compliance with operating standards. CHAMPS – which stands for Cleanliness, Hospitality, Accuracy, Maintenance, Product Quality and Speed of Service – is our proprietary core systemwide program for training, measuring and rewarding employee performance against key customer measures. CHAMPS is intended to align the operating processes of our entire system around one set of standards. RGMs' efforts, including CHAMPS performance measures, are monitored by Area Coaches. Area Coaches typically work with approximately six to twelve restaurants. Various senior operators visit the Company's restaurants from time to time to help ensure adherence to system standards and mentor restaurant team members.

Supply and Distribution

The Company is a substantial purchaser of a number of food and paper products, equipment and other restaurant supplies. The principal items purchased include chicken, cheese, beef and pork products, seafood, paper and packaging materials.

U.S. Division. The Company, along with the representatives of the Company's KFC, Pizza Hut, Taco Bell, LJS and A&W franchisee groups, are members in the Unified FoodService Purchasing Co-op, LLC (the "Unified Co-op") which was created for the purpose of purchasing certain restaurant products and equipment in the U.S. The core mission of the Unified Co-op is to provide the lowest possible sustainable store-delivered prices for restaurant products and equipment while ensuring compliance with certain quality and safety standards. This arrangement combines the purchasing power of the Company and franchisee restaurants in the U.S. which the Company believes leverages the system's scale to drive cost savings and effectiveness in the purchasing function. The Company also believes that the Unified Co-op has resulted, and should continue to result, in closer alignment of interests and a stronger relationship with its franchisee community.

The Company is committed to conducting its business in an ethical, legal and socially responsible manner. To encourage compliance with all legal requirements and ethical business practices, YUM has a supplier code of conduct for all U.S. suppliers to our business. To ensure the quality and safety of food products, suppliers and distributors are required to meet strict quality control standards. Long-term contracts and long-term vendor relationships are used to ensure availability of products. The Company has not experienced any significant continuous shortages of supplies, and alternative sources for most of these products are generally available. Prices paid for these supplies fluctuate. When prices increase, the Company may be able to pass on such increases to its customers, although there is no assurance that this can be done practically.

Most food products, paper and packaging supplies, and equipment used in the operation of the Company's restaurants are distributed to individual restaurant units by third party distribution companies. McLane Company, Inc. ("McLane") is the exclusive distributor for Company-operated KFCs, Pizza Huts, Taco Bells and Long John Silvers in the U.S. and for a substantial number of franchisee and licensee stores. McLane became the distributor when it assumed all distribution responsibilities under an existing agreement between Ameriserve Food Distribution, Inc. ("AmeriServe") and the Company. This agreement extends through October 31, 2010 and generally prohibits Company-operated KFC, Pizza Hut and Taco Bell restaurants from using alternative distributors in the U.S. The Company stores within the LJS and A&W systems are covered under a separate agreement with McLane.

International and China Divisions. Outside of the U.S. we and our franchisees use decentralized sourcing and distribution systems involving many different global, regional, and local suppliers and distributors. In certain countries, we own all or a portion of the distribution system, including mainland China where we own the entire distribution system.

Trademarks and Patents

The Company and its Concepts own numerous registered trademarks and service marks. The Company believes that many of these marks, including its Kentucky Fried Chicken®, KFC®, Pizza Hut®, Taco Bell® and Long John Silver's® marks, have significant value and are materially important to its business. The Company's policy is to pursue registration of its important marks whenever feasible and to oppose vigorously any infringement of its marks. The Company also licenses certain A&W trademarks and service marks (the "A&W Marks"), which are owned by A&W Concentrate Company (formerly A&W Brands, Inc.). A&W Concentrate Company, which is not affiliated with the Company, has granted the Company an exclusive, worldwide (excluding Canada), perpetual, royalty-free license (with the right to sublicense) to use the A&W Marks for restaurant services.

The use of these marks by franchisees and licensees has been authorized in KFC, Pizza Hut, Taco Bell, LJS and A&W franchise and license agreements. Under current law and with proper use, the Company's rights in its marks can generally last indefinitely. The Company also has certain patents on restaurant equipment which, while valuable, are not material to its business.

Working Capital

Information about the Company's working capital is included in MD&A in Part II, Item 7, pages 21 through 48 and the Consolidated Statements of Cash Flows in Part II, Item 8, page 53.

Customers

The Company's business is not dependent upon a single customer or small group of customers.

Seasonal Operations

The Company does not consider its operations to be seasonal to any material degree.

Backlog Orders

Company restaurants have no backlog orders.

Government Contracts

No material portion of the Company's business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the U.S. government.

Competition

The retail food industry, in which the Company competes, is made up of supermarkets, supercenters, warehouse stores, convenience stores, coffee shops, snack bars, delicatessens and restaurants (including the QSR segment), and is intensely competitive with respect to food quality, price, service, convenience, location and concept. The industry is often affected by changes in consumer tastes; national, regional or local economic conditions; currency fluctuations; demographic trends; traffic patterns; the type, number and location of competing food retailers and products; and disposable purchasing power. Each of the Concepts compete with international, national and regional restaurant chains as well as locally-owned restaurants, not only for customers, but also for management and hourly personnel, suitable real estate sites and qualified franchisees. In 2007, the restaurant business in the U.S. consisted of about 935,000 restaurants representing approximately $535 billion in annual sales. The Company's Concepts accounted for about 2% of those restaurants and about 3% of those sales. There is currently no way to reasonably estimate the size of the competitive market outside the U.S.

Research and Development ("R&D")

The Company operates R&D facilities in Louisville, Kentucky; Dallas, Texas; and Irvine, California and in several locations outside the U.S., including Shanghai, China. The Company expensed $39 million, $33 million and $33 million in 2007, 2006 and 2005, respectively, for R&D activities. From time to time, independent suppliers also conduct research and development activities for the benefit of the YUM system.

Environmental Matters

The Company is not aware of any federal, state or local environmental laws or regulations that will materially affect its earnings or competitive position, or result in material capital expenditures. However, the Company cannot predict the effect on its operations of possible future environmental legislation or regulations. During 2007, there were no material capital expenditures for environmental control facilities and no such material expenditures are anticipated.

Government Regulation

U.S. Division. The Company and its U.S. Division are subject to various federal, state and local laws affecting its business. Each of the Company's restaurants in the U.S. must comply with licensing and regulation by a number of governmental authorities, which include health, sanitation, safety and fire agencies in the state or municipality in which

the restaurant is located. In addition, the Company must comply with various state laws that regulate the franchisor/franchisee relationship. To date, the Company has not been significantly affected by any difficulty, delay or failure to obtain required licenses or approvals.

The Company is also subject to federal and state laws governing such matters as employment and pay practices, overtime, tip credits and working conditions. The bulk of the Company's employees are paid on an hourly basis at rates related to the federal and state minimum wages.

The Company is also subject to federal and state child labor laws which, among other things, prohibit the use of certain "hazardous equipment" by employees younger than 18 years of age. The Company has not been materially adversely affected by such laws to date.

The Company continues to monitor its facilities for compliance with the Americans with Disabilities Act ("ADA") in order to conform to its requirements. Under the ADA, the Company could be required to expend funds to modify its restaurants to better provide service to, or make reasonable accommodation for the employment of, disabled persons. We believe that expenditures, if required, would not have a material adverse effect on the Company's results of operations or cash flows.

International and China Divisions . The Company's restaurants outside the U.S. are subject to national and local laws and regulations which are similar to those affecting the Company's U.S. restaurants, including laws and regulations concerning labor, health, sanitation and safety. The restaurants outside the U.S. are also subject to tariffs and regulations on imported commodities and equipment and laws regulating foreign investment. International compliance with environmental requirements has not had a material adverse effect on the Company's results of operations, capital expenditures or competitive position.

Employees

As of year end 2007, the Company employed approximately 301,000 persons, approximately 84 percent of whom were part-time. Approximately 34 percent of the Company's employees are employed in the U.S. The Company believes that it provides working conditions and compensation that compare favorably with those of its principal competitors. Most Company employees are paid on an hourly basis. Some of the Company's non-U.S. employees are subject to labor council relationships that vary due to the diverse cultures in which the Company operates. The Company considers its employee relations to be good.

(d) Financial Information about Geographic Areas

Financial information about our significant geographic areas (U.S., International Division and China Division) is incorporated herein by reference from Selected Financial Data in Part II, Item 6, page 19; Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in Part II, Item 7, pages 21 through 48; and in the related Consolidated Financial Statements and footnotes in Part II, Item 8, pages 49 through 101.

(e) Available Information

The Company makes available through the Investor Relations section of its internet website at www.yum.com its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15 (d) of the Exchange Act, as soon as reasonably practicable after electronically filing such material with the Securities and Exchange Commission. Our Corporate Governance Principles and our Code of Conduct are also located within this section of the website. The reference to the Company's website address does not constitute incorporation by reference of the information contained on the website and should not be considered part of this document. These documents, as well as our SEC filings, are available in print to any shareholder who requests a copy from our Investor Relations Department.

Item 1A. Risk Factors.

Our business and industry face a variety of risks, including operational, legal, regulatory and product risks. The following are some of the more significant factors that could affect our business and our results of operations. Other factors may exist that we cannot anticipate or that we do not consider significant based on currently available information.

Food safety and food-borne illness concerns may have an adverse effect on our business.

We consider food safety a top priority and dedicate substantial resources to ensure that our customers enjoy safe, quality food products. However, food-borne illnesses (such as E. coli, hepatitis A, trichinosis or salmonella) and food safety issues have occurred in the past (see Note 22, Guarantees, Commitments and Contingencies, to the Consolidated Financial Statements included in Part II, Item 8 of this report for a discussion of litigation arising from an E. coli outbreak allegedly linked to a number of Taco Bell restaurants in the Northeast U.S. during November/December 2006), and could occur in the future. If such instances of food-borne illness or other food safety issues were to occur, whether at our restaurants or those of our competitors, negative publicity could result which could adversely affect sales and profitability. If our customers become ill from food-borne illnesses, we could also be forced to temporarily close some restaurants. Additionally, the occurrence of food-borne illnesses or food safety issues could adversely affect the price and availability of affected ingredients. Finally, like other companies in the restaurant industry, some of our products may contain genetically engineered food products, and our U.S. suppliers are currently not required to label their products as such. Increased regulation of and opposition to genetically engineered food products have on occasion and may in the future force us to use alternative sources at increased costs.

Our China operations subject us to risks that could negatively affect our business.

A significant and growing portion of our restaurants are located in China. As a result, our financial results are increasingly dependent on our results in China, and our business is increasingly exposed to risks there. These risks include changes in economic conditions (including inflation, consumer spending and unemployment levels), tax rates and laws and consumer preferences, as well as changes in the regulatory environment. In addition, our results of operations in China and the value of our Chinese assets are affected by fluctuations in currency exchange rates, which may favorably or adversely affect reported earnings. There can be no assurance as to the future effect of any such changes on our results of operations, financial condition or cash flows.

In addition, any significant or prolonged deterioration in U.S.-China relations could adversely affect our China business. Many of the risks and uncertainties of doing business in China are solely within the control of the Chinese government. China's government regulates the scope of our foreign investments and business conducted within China. Although management believes it has structured our China operations to comply with local laws, there are uncertainties regarding the interpretation and application of laws and regulations and the enforceability of intellectual property and contract rights in China. If we were unable to enforce our intellectual property and contract rights in China, our business would be adversely impacted.

Our other foreign operations subject us to risks that could negatively affect our business.

A significant portion of our restaurants are operated in foreign countries and territories outside of the U.S. and China, and we intend to continue expansion of our international operations. As a result, our business is increasingly exposed to risks inherent in foreign operations. These risks, which can vary substantially by market, include political instability, social and ethnic unrest, changes in economic conditions (including inflation, consumer spending and unemployment levels), the regulatory environment, tax rates and laws and consumer preferences as well as changes in the laws and policies that govern foreign investment in countries where our restaurants are operated. In addition, our results of operations and the value of our foreign assets are affected by fluctuations in foreign currency exchange rates, which may favorably or adversely affect reported earnings. There can be no assurance as to the future effect of any such changes on our results of operations, financial condition or cash flows.

Changes in commodity and other operating costs or supply chain and business disruptions could adversely affect our results of operations.

While we take measures to anticipate and react to changes in food, energy and supply costs, any increase in certain commodity prices could adversely affect our operating results. Because we provide moderately priced food, our ability to pass along commodity price increases to our customers may be limited. Additionally, significant increases in gasoline prices could result in a decrease of customer traffic at our restaurants or the imposition of fuel surcharges by our distributors, each of which could adversely affect our business. We rely on third party distribution companies to deliver food and supplies to our stores. Interruption of distribution services due to financial distress or other issues could impact our operations. Our operating expenses also include employee benefits and insurance costs (including workers' compensation, general liability, property and health) which may increase over time. Finally, our industry is susceptible to natural disasters which could result in restaurant closures and supply chain and business disruptions.

Health concerns arising from outbreaks of Avian Flu may have an adverse effect on our business.

Asian and European countries have experienced outbreaks of Avian Flu, and some commentators have hypothesized that further outbreaks could occur and reach pandemic levels. While fully-cooked chicken has been determined to be safe for consumption, and while we have taken and continue to take measures to anticipate and minimize the effect of these outbreaks on our business, future outbreaks could adversely affect the price and availability of poultry and cause customers to shift their preferences. In addition, outbreaks on a widespread basis could also affect our ability to attract and retain employees.

Our operating results are closely tied to the success of our Concepts' franchisees.

As a result of our franchising programs, our operating results are dependent upon the sales volumes and viability of our franchisees. Any significant inability of our franchisees to operate successfully could adversely affect our operating results. We have limited control over our franchisees and the quality of franchise restaurant operations may be impacted by factors that are not in our control. Franchisees may not have access to the financial or management resources that they need to open or continue operating the restaurants contemplated by their franchise agreements with us, or be able to find suitable sites on which to develop them. In addition, franchisees may not be able to negotiate acceptable lease or purchase terms for the sites, obtain the necessary permits and government approvals or meet construction schedules. Our franchisees generally depend upon financing from banks and other financial institutions in order to construct and open new restaurants. In some instances, financing has been difficult to obtain for some operators. Any of these problems could slow our planned growth.

Our results and financial condition could be affected by the success of our refranchising program.

We are in the process of a refranchising program, which could reduce the percentage of company ownership in the U.S., excluding licensees, from approximately 22% at the end of 2007 to potentially less than 10% by the end of 2010. Our ability to execute this plan will depend on, among other things, whether we can find viable and appropriate buyers for our restaurants, how quickly we can agree to terms with potential buyers and the availability of financing to potential buyers. The success of the refranchising program once executed will depend on, among other things, our selection of buyers who can effectively operate our restaurants, our ability to limit our exposure to contingent liabilities in connection with the sale of our restaurants, and whether the resulting ownership mix of Company-operated and franchisee-operated restaurants allows us to meet our financial objectives. In addition, refranchising activity could vary significantly from quarter-to-quarter and year-to-year and that volatility could impact our reported earnings.

We could be party to litigation that could adversely affect us by increasing our expenses or subjecting us to material money damages and other remedies.

Like others in the restaurant industry, we are susceptible to claims filed by customers alleging that we are responsible for an illness or injury they suffered at or after a visit to our restaurants. Regardless of whether any claims against us are

valid, or whether we are ultimately held liable, such litigation may be expensive to defend and may divert time and money away from our operations and hurt our performance. A judgment for significant monetary damages in excess of any insurance coverage could adversely affect our financial condition or results of operations. Any adverse publicity resulting from these allegations may also adversely affect our reputation, which in turn could adversely affect our results.

In addition, the restaurant industry has been subject to claims that relate to the nutritional content of food products, as well as claims that the menus and practices of restaurant chains have led to the obesity of some customers. We may also be subject to this type of claim in the future and, even if we are not, publicity about these matters (particularly directed at the quick service and fast-casual segments of the industry) may harm our reputation and adversely affect our results.

Changes in governmental regulations may adversely affect our business operations.

We and our franchisees are subject to various federal, state and local regulations. Each of our restaurants is subject to state and local licensing and regulation by health, sanitation, food and workplace safety and other agencies. Requirements of local authorities with respect to zoning, land use, licensing, permitting and environmental factors could delay or prevent development of new restaurants in particular locations. In addition, we face risks arising from compliance with and enforcement of increasingly complex federal and state immigration laws and regulations.

We are subject to the Americans with Disabilities Act and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas. The expenses associated with any facilities modifications required by these laws could be material. Our operations are also subject to the U.S. Fair Labor Standards Act, which governs such matters as minimum wages, overtime and other working conditions, family leave mandates and a variety of similar state laws that govern these and other employment law matters. The compliance costs associated with these laws and evolving regulations could be substantial.

We also face risks from new or changing laws and regulations relating to nutritional content, nutritional labeling, product safety and menu labeling regulation. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings. In addition, we are subject to laws relating to information security, privacy, cashless payments and consumer credit, protection and fraud, and any failure or perceived failure to comply with those laws could harm our reputation or lead to litigation, which could adversely affect our financial condition.

We may not attain our target development goals.

We are pursuing a disciplined growth strategy, which, to be successful, will depend in large part on our ability and the ability of our franchisees to upgrade existing restaurants and open new restaurants, and to operate these restaurants on a profitable basis. We cannot guarantee that we, or our franchisees, will be able to achieve our expansion goals or that new, upgraded or converted restaurants will be operated profitably. Further, there is no assurance that any restaurant we open or convert will obtain operating results similar to those of our existing restaurants. The success of our planned expansion will depend upon numerous factors, many of which are beyond our control.

Our growth strategy depends in large part on our ability to increase our net restaurant count in our international markets. Risks which could impact our ability to increase our net restaurant count include prevailing economic conditions and our, or our franchisees', ability to obtain suitable restaurant locations, obtain required permits and approvals and hire and train qualified personnel.

The retail food industry in which we operate is highly competitive.

The retail food industry in which we operate is highly competitive with respect to price and quality of food products, new product development, price, advertising levels and promotional initiatives, customer service, reputation, restaurant location, and attractiveness and maintenance of properties. If consumer preferences change, or our restaurants are unable to compete successfully with other retail food outlets in new and existing markets, our business could be adversely

affected. In the retail food industry, labor is a primary operating cost component. Competition for qualified employees could also require us to pay higher wages to attract a sufficient number of employees. In addition, our success depends to a significant extent on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could harm our results of operations.

Item 1B. Unresolved Staff Comments.

The Company has received no written comments regarding its periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of its 2007 fiscal year and that remain unresolved.

Item 2. Properties.

As of year end 2007, the Company owned more than 1,600 units and leased land, building or both in more than 6,000 units worldwide. These units are further detailed as follows:

- The Company owned more than 1,300 units and leased land, building or both in more than 2,500 units in the U.S.
- The International Division owned more than 200 units and leased land, building or both in more than 1,300 units.
- The China Division leased land, building or both in more than 2,000 units.

Company restaurants in the U.S. which are not owned are generally leased for initial terms of 15 or 20 years and generally have renewal options; however, Pizza Hut delivery/carryout units in the U.S. generally are leased for significantly shorter initial terms with short renewal options. Company restaurants in the International Division which are not owned have initial lease terms and renewal options that vary by country. Company restaurants in the China Division are generally leased for initial terms of 10 to 15 years and generally do not have renewal options. Historically, the Company has either been able to renew its China Division leases or enter into competitive leases at replacement sites without significant impact on our operations, cash flows or capital resources. The Company generally does not lease or sub-lease units that it owns or leases to franchisees.

Pizza Hut and YRI lease their corporate headquarters and a research facility in Dallas, Texas. Taco Bell leases its corporate headquarters and research facility in Irvine, California. KFC owns its and LJS's, A&W's and YUM's corporate headquarters and a research facility in Louisville, Kentucky. In addition, YUM leases office facilities for certain support groups in Louisville, Kentucky. The China Division leases their corporate headquarters and research facilities in Shanghai, China. Additional information about the Company's properties is included in the Consolidated Financial Statements and footnotes in Part II, Item 8, pages 49 through 101.

The Company believes that its properties are generally in good operating condition and are suitable for the purposes for which they are being used.

Item 3. Legal Proceedings .

The Company is subject to various claims and contingencies related to lawsuits, real estate, environmental and other matters arising in the normal course of business. The Company believes that the ultimate liability, if any, in excess of amounts already provided for these matters in the Consolidated Financial Statements, is not likely to have a material adverse effect on the Company's annual results of operations, financial condition or cash flows. The following is a brief description of the more significant of the categories of lawsuits and other matters we face from time to time. Descriptions of specific claims and contingencies appear in Note 22, Guarantees, Commitments and Contingencies, to the Consolidated Financial Statements included in Part II, Item 8.

Franchising

A substantial number of the restaurants of each of the Concepts are franchised to independent businesses operating under arrangements with the Concepts. In the course of the franchise relationship, occasional disputes arise between the Company and its Concepts' franchisees relating to a broad range of subjects, including, without limitation, quality, service, and cleanliness issues, contentions regarding grants, transfers or terminations of franchises, territorial disputes and delinquent payments.

Suppliers

The Company, through approved distributors, purchases food, paper, equipment and other restaurant supplies from numerous independent suppliers throughout the world. These suppliers are required to meet and maintain compliance with the Company's standards and specifications. On occasion, disputes arise between the Company and its suppliers on a number of issues, including, but not limited to, compliance with product specifications and terms of procurement and service requirements.

Employees

At any given time, the Company or its affiliates employ hundreds of thousands of persons, primarily in its restaurants. In addition, each year thousands of persons seek employment with the Company and its restaurants. From time to time, disputes arise regarding employee hiring, compensation, termination and promotion practices.

Like other retail employers, the Company has been faced in a few states with allegations of purported class-wide wage and hour and other labor law violations.

Customers

The Company's restaurants serve a large and diverse cross-section of the public and in the course of serving so many people, disputes arise regarding products, service, accidents and other matters typical of large restaurant systems such as those of the Company.

Intellectual Property

The Company has registered trademarks and service marks, many of which are of material importance to the Company's business. From time to time, the Company may become involved in litigation to defend and protect its use and ownership of its registered marks.

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

No matters were submitted to a vote of shareholders during the fourth quarter of 2007.

Executive Officers of the Registrant

The executive officers of the Company as of February 18, 2008, and their ages and current positions as of that date are as follows:

David C. Novak , 55, is Chairman of the Board, Chief Executive Officer and President of YUM. He has served in this position since January 2001. From December 1999 to January 2001, Mr. Novak served as Vice Chairman of the Board, Chief Executive Officer and President of YUM. From October 1997 to December 1999, he served as Vice Chairman and President of YUM. Mr. Novak previously served as Group President and Chief Executive Officer, KFC and Pizza Hut from August 1996 to July 1997.

Richard T. Carucci , 50, is Chief Financial Officer of YUM. He has served in this position since March 2005. From October 2004 to February 2005, he served as Senior Vice President, Finance and Chief Financial Officer – Designate of YUM. From May 2003 to October 2004, he served as Executive Vice President and Chief Development Officer of YRI. From November 2002 to May 2003, he served as Senior Vice President for YRI and also assisted Pizza Hut in asset strategy development. From November 1999 to July 2002, he was Chief Financial Officer of YRI.

Peter R. Hearl , 56, is Chief Operating and Development Officer of YUM. He has served in this position since December 2006. From December 2002 to November 2006, he served as President and Chief Concept Officer of Pizza Hut. From January 2002 to November 2002, he was Chief People Officer and Executive Vice President of YUM. Mr. Hearl intends to retire from the Company at the end of March 2008.

Christian L. Campbell , 57, is Senior Vice President, General Counsel, Secretary and Chief Franchise Policy Officer of YUM. He has served as Senior Vice President, General Counsel and Secretary since September 1997. In January 2003, his title and job responsibilities were expanded to include Chief Franchise Policy Officer.

Jonathan D. Blum , 49, is Senior Vice President – Public Affairs for YUM. He has served in this position since July 1997.

Anne P. Byerlein , 49, is Chief People Officer of YUM. She has served in this position since December 2002. From October 1997 to December 2002, she was Vice President of Human Resources of YUM. From October 2000 to December 2002, she also served as KFC's Chief People Officer.

Ted F. Knopf , 56, is Senior Vice President Finance and Corporate Controller of YUM. He has served in this position since April 2005. From September 2001 to April 2005, Mr. Knopf served as Vice President of Corporate Planning and Strategy of YUM.

Emil J. Brolick , 60, is President of U.S. Brand Building. He has served in this position since December 2006. Prior to this position, he served as President and Chief Concept Officer of Taco Bell, a position he held from July 2000 to November 2006. Prior to joining Taco Bell, Mr. Brolick served as Senior Vice President of New Product Marketing, Research & Strategic Planning for Wendy's International, Inc. from August 1995 to July 2000.

Gregg R. Dedrick , 48, is President and Chief Concept Officer of KFC. He has served in this position since September 2003. From January 2002 to September 2003, Mr. Dedrick acted as a Strategic Advisor to YUM while serving as Chief Administrative Officer of his church, which is one of the ten largest churches in the United States. From July 1997 to January 2002, he served as Chief People Officer of YUM and Executive Vice President of People and Shared Services.

Scott O. Bergren , 61, is President and Chief Concept Officer of Pizza Hut. He has served in this position since November 2006. Prior to this position, he served as Chief Marketing officer of KFC and YUM from August 2003 to November 2006. From September 2002 until July 2003, he was the Executive Vice President, Marketing and Chief Concept Officer for YUM Restaurants International, Inc. From April 2002 until September 2002, he was Senior Vice President New Concepts for YUM Restaurants International, Inc. From June 1995 until 2002, he was Chief Executive Officer of Chevy's Mexican Restaurants, Inc.

Greg Creed , 50, is President and Chief Concept Officer of Taco Bell. He has served in this position since December 2006. Prior to this position, Mr. Creed served as Chief Operating Officer of YUM from December 2005 to November 2006. Mr. Creed served as Chief Marketing Officer of Taco Bell from July 2001 to October 2005.

Graham D. Allan , 52, is the President of YRI. He has served in this position since November 2003. Immediately prior to this position he served as Executive Vice President of YRI. From December 2000 to May 2003, Mr. Allan was the Managing Director of YRI.

Samuel Su , 55, is the President of YUM Restaurants China. He has served in this position since 1997. Prior to this, he was the Vice President of North Asia for both KFC and Pizza Hut. Mr. Su started his career with YUM in 1989 as KFC International's Director of Marketing for the North Pacific area.

Executive officers are elected by and serve at the discretion of the Board of Directors.

PART II

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

The Company's Common Stock trades under the symbol YUM and is listed on the New York Stock Exchange ("NYSE"). The following sets forth the high and low NYSE composite closing sale prices by quarter for the Company's Common Stock and dividends per common share. All per share and share amounts herein have been adjusted for the two-for-one stock split on June 26, 2007.

2007				
Quarter	High	Low	Dividends Declared	Dividends Paid
First	$ 31.03	$ 27.69	$ —	$ 0.075
Second	34.37	28.85	0.15	0.15
Third	34.80	29.62	—	0.15
Fourth	40.27	31.45	0.30	0.15

2006				
Quarter	High	Low	Dividends Declared	Dividends Paid
First	$ 25.59	$ 23.38	$ 0.0575	$ 0.0575
Second	26.84	23.83	0.075	0.0575
Third	25.96	22.47	—	0.075
Fourth	31.74	25.59	0.30	0.075

In 2006, the Company declared one cash dividend of $0.0575 per share of Common Stock, three cash dividends of $0.075 per share of Common Stock and one cash dividend of $0.15 per share of Common Stock. In 2007, the Company declared three cash dividends of $0.15 per share of Common Stock, one of which had a distribution date of February 1, 2008. The Company is targeting an annual dividend payout ratio of 35% to 40% of net income.

As of February 18, 2008, there were approximately 85,000 registered holders of record of the Company's Common Stock.

The Company had no sales of unregistered securities during 2007, 2006 or 2005.

Issuer Purchases of Equity Securities

The following table provides information as of December 29, 2007 with respect to shares of Common Stock repurchased by the Company during the quarter then ended:

Fiscal Periods	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs
Period 10 9/9/07 – 10/6/07	4,140,000	$ 33.56	4,140,000	$ 26,137,093
Period 11 10/7/07 – 11/3/07	5,706,777	$ 38.37	5,706,777	$ 1,057,158,754
Period 12 11/4/07 – 12/1/07	3,958,428	$ 37.87	3,958,428	$ 907,256,535
Period 13 12/2/07 – 12/29/07	2,468,063	$ 38.24	2,468,063	$ 812,876,870
Total	16,273,268	$ 37.01	16,273,268	$ 812,876,870

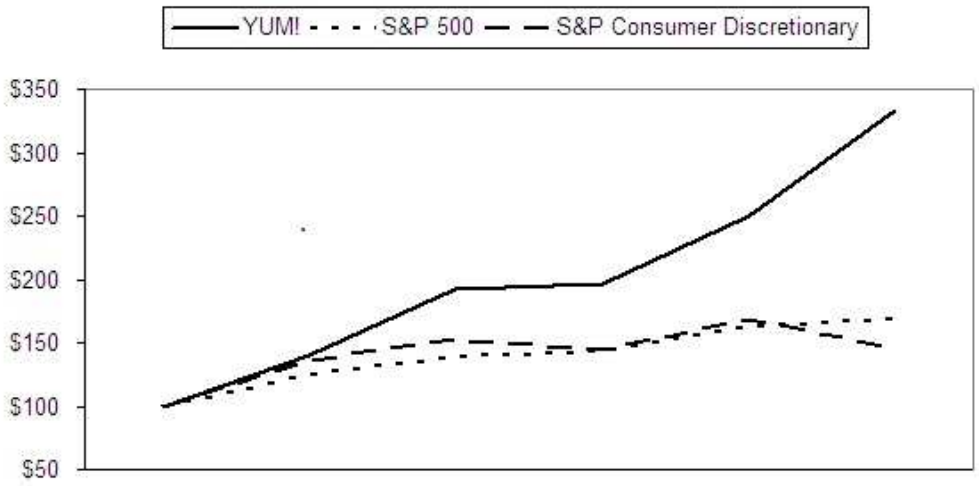
In March 2007, our Board of Directors authorized additional share repurchases, through March 2008, of up to an additional $500 million (excluding applicable transaction fees) of our outstanding Common Stock. For the quarter ended December 29, 2007, approximately 4.9 million shares were repurchased under this authorization. This authorization was completed during the quarter.

In October 2007, our Board of Directors authorized additional share repurchases, through October 2008, of up to an additional $1.25 billion (excluding applicable transaction fees) of our outstanding Common Stock. For the quarter ended December 29, 2007, approximately 11.4 million shares were repurchased under this authorization.

In January 2008, our Board of Directors authorized additional share repurchases, through January 2009, of up to an additional $1.25 billion (excluding applicable transaction fees) of our outstanding Common Stock.

Stock Performance Graph

This graph compares the cumulative total return of our Common Stock to the cumulative total return of the S&P 500 Stock Index and the S&P 500 Consumer Discretionary Sector, a peer group that includes YUM, for the period from December 27, 2002 to December 28, 2007, the last trading day of our 2007 fiscal year. The graph assumes that the value of the investment in our Common Stock and each index was $100 at December 27, 2002 and that all dividends were reinvested.



	12/27/02	12/26/03	12/23/04	12/30/05	12/29/06	12/28/07
YUM!	$ 100	$ 140	$ 193	$ 197	$ 250	$ 333
S&P 500	$ 100	$ 125	$ 138	$ 143	$ 162	$ 169
S&P Consumer Discretionary	$ 100	$ 137	$ 153	$ 144	$ 169	$ 145

Item 6. Selected Financial Data .

Selected Financial Data
YUM! Brands, Inc. and Subsidiaries
(in millions, except per share and unit amounts)

	Fiscal Year				
	2007	2006	2005	2004	2003
Summary of Operations					
Revenues					
Company sales	$ 9,100	$ 8,365	$ 8,225	$ 7,992	$ 7,441
Franchise and license fees	1,316	1,196	1,124	1,019	939
Total	10,416	9,561	9,349	9,011	8,380
Closures and impairment expenses [(a)]	(35)	(59)	(62)	(38)	(40)
Refranchising gain (loss) [(a)]	11	24	43	12	4
Operating profit [(b)]	1,357	1,262	1,153	1,155	1,059
Interest expense, net	166	154	127	129	173
Income before income taxes and cumulative effect of accounting change	1,191	1,108	1,026	1,026	886
Income before cumulative effect of accounting change	909	824	762	740	618
Cumulative effect of accounting change, net of tax [(c)]	—	—	—	—	(1)
Net income	909	824	762	740	617
Basic earnings per common share	1.74	1.51	1.33	1.27	1.05
Diluted earnings per common share	1.68	1.46	1.28	1.21	1.01
Cash Flow Data					
Provided by operating activities	$ 1,567	$ 1,299	$ 1,233	$ 1,186	$ 1,099
Capital spending, excluding acquisitions	742	614	609	645	663
Proceeds from refranchising of restaurants	117	257	145	140	92
Repurchase shares of Common Stock	1,410	983	1,056	569	278
Dividends paid on common shares	273	144	123	58	—
Balance Sheet					
Total assets	$ 7,242	$ 6,368	$ 5,797	$ 5,696	$ 5,620
Long-term debt	2,924	2,045	1,649	1,731	2,056
Total debt	3,212	2,272	1,860	1,742	2,066
Other Data					
Number of stores at year end					
Company	7,625	7,736	7,587	7,743	7,854
Unconsolidated Affiliates	1,314	1,206	1,648	1,662	1,512
Franchisees	24,297	23,516	22,666	21,858	21,471
Licensees	2,109	2,137	2,376	2,345	2,362
System	35,345	34,595	34,277	33,608	33,199
U.S. Company same store sales growth [(d)]	(3)%	—	4%	3%	—
International Division system sales growth [(e)]					
Reported	15%	7%	9%	14%	13%
Local currency [(f)]	10%	7%	6%	6%	5%
China Division system sales growth [(e)]					
Reported	31%	26%	13%	23%	23%
Local currency [(f)]	24%	23%	11%	23%	23%
Shares outstanding at year end [(g)]	499	530	556	581	583
Cash dividends declared per common share [(g)]	$ 0.45	$ 0.4325	$ 0.2225	$ 0.15	$ —
Market price per share at year end [(g)]	$ 38.54	$ 29.40	$ 23.44	$ 23.14	$ 16.82

Fiscal years 2007, 2006, 2004 and 2003 include 52 weeks and fiscal year 2005 includes 53 weeks.

Fiscal years 2007, 2006 and 2005 include the impact of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 123R (Revised 2004), "Share Based Payment," ("SFAS 123R"). This resulted in a $37 million, $39 million and $38 million decrease in net income, for 2007, 2006 and 2005, respectively. This translates to a decrease of $0.07 to both basic and diluted earnings per share for 2007 and 2006, and a decrease of $0.07 and $0.06 to basic and diluted earnings per share, respectively, for 2005. If SFAS 123R had been effective for prior years presented, both reported basic and diluted earnings per share would have decreased $0.06 for 2004 and 2003 consistent with previously disclosed pro-forma information.

The selected financial data should be read in conjunction with the Consolidated Financial Statements and the Notes thereto.

(a) See Note 5 to the Consolidated Financial Statements for a description of Closures and Impairment Expenses and Refranchising Gain (Loss) in 2007, 2006 and 2005.

(b) Fiscal years 2007, 2006, 2005, 2004 and 2003 included $11 million income, $1 million income, $4 million income, $30 million income and $16 million expense, respectively, related to Wrench litigation and AmeriServe. The Wrench litigation relates to a lawsuit against Taco Bell Corporation, which was settled in 2004, including financial recoveries from settlements with insurance carriers. Amounts related to AmeriServe are the result of cash recoveries related to the AmeriServe bankruptcy reorganization process for which we incurred significant expense in years prior to those presented here (primarily 2000). AmeriServe was formerly our primary distributor of food and paper supplies to our U.S. stores.

(c) Fiscal year 2003 includes the impact of the adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses the financial accounting and reporting for legal obligations associated with the retirement of long-lived assets and the associated asset retirement costs.

(d) U.S. Company same-store sales growth only includes the results of Company owned KFC, Pizza Hut and Taco Bell restaurants that have been open one year or more. U.S. same store sales for Long John Silver's and A&W restaurants are not included given the relative insignificance of the Company stores for these brands and the limited impact they currently have and will have in the future, on our U.S. same store sales, as well as our overall U.S. performance.

(e) International Division and China Division system sales growth includes the results of all restaurants regardless of ownership, including Company owned, franchise, unconsolidated affiliate and license restaurants. Sales of franchise, unconsolidated affiliate and license restaurants generate franchise and license fees for the Company (typically at a rate of 4% to 6% of sales). Franchise, unconsolidated affiliate and license restaurant sales are not included in Company sales we present on the Consolidated Statements of Income; however, the fees are included in the Company's revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all our revenue drivers, Company and franchise same store sales as well as net unit development. Additionally, we began reporting information for our international business in two separate operating segments (the International Division and the China Division) in 2005 as a result of changes in our management structure. Segment information for periods prior to 2005 has been restated to reflect this reporting.

(f) Local currency represents the percentage change excluding the impact of foreign currency translation. These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the foreign currency translation impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.

(g) Adjusted for the two for one stock split on June 26, 2007. See Note 3 to the Consolidated Financial Statements.

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

Introduction and Overview

The following Management's Discussion and Analysis ("MD&A"), should be read in conjunction with the Consolidated Financial Statements on pages 52 through 55 ("Financial Statements") and the Cautionary Statements on pages 47 through 48. Throughout the MD&A, YUM! Brands, Inc. ("YUM" or the "Company") makes reference to certain performance measures as described below.

- The Company provides the percentage changes excluding the impact of foreign currency translation. These amounts are derived by translating current year results at prior year average exchange rates. We also provide the percentage changes excluding the extra week that certain of our businesses had in fiscal year 2005. We believe the elimination of the foreign currency translation and the 53 rd week impact provides better year-to-year comparability without the distortion of foreign currency fluctuations or an extra week in fiscal year 2005.

- System sales growth includes the results of all restaurants regardless of ownership, including Company-owned, franchise, unconsolidated affiliate and license restaurants. Sales of franchise, unconsolidated affiliate and license restaurants generate franchise and license fees for the Company (typically at a rate of 4% to 6% of sales). Franchise, unconsolidated affiliate and license restaurant sales are not included in Company sales on the Consolidated Statements of Income; however, the franchise and license fees are included in the Company's revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all of our revenue drivers, Company and franchise same store sales as well as net unit development.

- Worldwide same store sales is the estimated growth in sales of all restaurants that have been open one year or more. U.S. Company same store sales include only KFC, Pizza Hut and Taco Bell Company owned restaurants that have been open one year or more. U.S. same store sales for Long John Silver's and A&W restaurants are not included given the relative insignificance of the Company stores for these brands and the limited impact they currently have, and will have in the future, on our U.S. same store sales as well as our overall U.S. performance.

- Company restaurant margin as a percentage of sales is defined as Company sales less expenses incurred directly by our Company restaurants in generating Company sales divided by Company sales.

All Note references herein refer to the Notes to the Financial Statements on pages 56 through 101. Tabular amounts are displayed in millions except per share and unit count amounts, or as otherwise specifically identified. All per share and share amounts herein, and in the accompanying Financial Statements and Notes to the Financial Statements have been adjusted to reflect the June 26, 2007 stock split (see Note 3).

Description of Business

YUM is the world's largest restaurant company in terms of system restaurants with over 35,000 restaurants in more than 100 countries and territories operating under the KFC, Pizza Hut, Taco Bell, Long John Silver's or A&W All-American Food Restaurants brands. Four of the Company's restaurant brands – KFC, Pizza Hut, Taco Bell and Long John Silver's – are the global leaders in the chicken, pizza, Mexican-style food and quick-service seafood categories, respectively. Of the over 35,000 restaurants, 22% are operated by the Company, 72% are operated by franchisees and unconsolidated affiliates and 6% are operated by licensees.

YUM's business consists of three reporting segments: United States, the International Division and the China Division. The China Division includes mainland China, Thailand and KFC Taiwan and the International Division includes the remainder of our international operations. The China and International Divisions have been experiencing dramatic growth and now represent over half of the Company's operating profits. The U.S. business operates in a highly competitive marketplace resulting in slower profit growth, but continues to produce strong cash flows.

Strategies

The Company continues to focus on four key strategies:

Build Leading Brands in China in Every Significant Category – The Company has developed the KFC and Pizza Hut brands into the leading quick service and casual dining restaurants, respectively, in mainland China. Additionally, the Company owns and operates the distribution system for its restaurants in mainland China which we believe provides a significant competitive advantage. Given this strong competitive position, a rapidly growing economy and a population of 1.3 billion in mainland China, the Company is rapidly adding KFC and Pizza Hut Casual Dining restaurants and testing the additional restaurant concepts of Pizza Hut Home Service (pizza delivery) and East Dawning (Chinese food). Our ongoing earnings growth model includes annual system-sales growth of 20% in mainland China driven by at least 425 new restaurants each year, which we expect to drive annual operating profit growth of 20% in the China Division.

Drive Aggressive International Expansion and Build Strong Brands Everywhere – The Company and its franchisees opened over 850 new restaurants in 2007 in the Company's International Division, representing 8 straight years of opening over 700 restaurants. The International Division generated $480 million in operating profit in 2007 up from $186 million in 1998. The Company expects to continue to experience strong growth by building out existing markets and growing in new markets including India, France, Russia, Vietnam and Africa. Our ongoing earnings growth model includes annual operating profit growth of 10% driven by 750 new restaurant openings annually for the International Division. New unit development is expected to contribute to system sales growth of at least 5% (3% to 4% unit growth and 2% to 3% same store sales growth) each year.

Dramatically Improve U.S. Brand Positions, Consistency and Returns – The Company continues to focus on improving its U.S. position through differentiated products and marketing and an improved customer experience. The Company also strives to provide industry leading new product innovation which adds sales layers and expands day parts. We are the leader in multibranding, with nearly 3,700 restaurants providing customers two or more of our brands at a single location. We continue to evaluate our returns and ownership positions with an earn the right to own philosophy on Company owned restaurants. Our ongoing earnings growth model calls for annual operating profit growth of 5% in the U.S. with same store sales growth of 2% to 3% and leverage of our General and Administrative ("G&A") infrastructure.

Drive Industry-Leading, Long-Term Shareholder and Franchisee Value – The Company is focused on delivering high returns and returning substantial cash flows to its shareholders via share repurchases and dividends. The Company has one of the highest returns on invested capital in the Quick Service Restaurants ("QSR") industry. Additionally, 2007 was the third consecutive year in which the Company returned over $1.1 billion to its shareholders through share repurchases and dividends. The Company is targeting an annual dividend payout ratio of 35% to 40% of net income.

2007 Highlights

- Diluted earnings per share of $1.68 or 15% growth.
- Worldwide system sales growth of 8% driven by new-unit growth in mainland China and the International Division.
- Worldwide same store sales growth of 3% and operating profit growth of 8%.
- Double digit operating profit growth of 30% from the China Division and 18% from the International Division, offsetting a 3% decline in the U.S.
- Effective tax rate of 23.7%.
- Payout to shareholders of $1.7 billion through share repurchases and dividends, with repurchases helping to reduce our diluted share count by a net 4%.

Significant Known Events, Trends or Uncertainties Impacting or Expected to Impact Comparisons of Reported or Future Results

The following factors impacted comparability of operating performance for the years ended December 29, 2007, December 30, 2006 and December 31, 2005 and could impact comparability with our results in 2008.

Mainland China Commodity Inflation

China Division restaurant margin as a percentage of sales declined to 20.1% during 2007 from 20.4% in 2006. This decline was driven by rising chicken costs in mainland China, which make up approximately 40% of mainland China's cost of food and paper, and higher restaurant labor costs in mainland China. Rising chicken costs are resulting from both lower than expected availability and increased demand in the market. The increased costs were partially offset in 2007 by strong same store sales growth, including the impact of menu pricing increases. In mainland China, we expect that high commodity inflation (including higher chicken costs) will continue into the first half of 2008 and moderate later in the year.

U.S. Restaurant Profit

Our resulting U.S. restaurant margin as a percentage of sales decreased 1.3 percentage points in 2007 and increased 0.8 percentage points in 2006. Our U.S. restaurant profit was impacted in 2007 and 2006 by several key events and trends. These include the negative impact on the Taco Bell business of adverse publicity related to a produce-sourcing issue in the fourth quarter of 2006 and an infestation issue in one franchise store in February 2007, fluctuations in commodity costs, and lower self-insured property and casualty insurance reserves.

Taco Bell experienced significant sales declines at both Company and franchise stores in the fourth quarter 2006 and for almost all of 2007, particularly in the northeast U.S. where both issues originated. For the full year 2007, Taco Bell's Company same store sales were down 5%. Taco Bell's Company same store sales were flat in the fourth quarter of 2007 and we believe that Taco Bell will fully recover from these issues. However, our experience has been that recoveries of this type vary in duration.

In 2007, we experienced significant increases in commodity costs resulting in approximately $44 million of commodity inflation. This inflation was primarily driven by meats and cheese products. We expect these unfavorable commodity trends to continue in 2008 resulting in commodity inflation of approximately 5% for the full year, with the majority of this impact seen in the first half of the year. In 2006, restaurant profits were positively impacted versus 2005 by a decline in commodity costs, principally meats and cheese, of approximately $45 million.

The sizeable February 2008 beef recall in the U.S. had no impact on our results though the impact, if any, on beef prices going forward is not yet known.

Self-insurance property and casualty insurance expenses were down $27 million versus the prior year in both 2007 and 2006, exclusive of the estimated reduction due to refranchising stores. The favorability in insurance expenses was the result of improved loss trends, which we believe are primarily driven by safety and claims handling procedures we implemented over time, as well as workers' compensation reforms at the state level. We anticipate that given the significant favorability in 2007, property and casualty expense in 2008 will be significantly higher in comparison. The increased expenses are currently expected to be most impactful to our second quarter of 2008.

Pizza Hut United Kingdom Acquisition

On September 12, 2006, we completed the acquisition of the remaining fifty percent ownership interest of our Pizza Hut United Kingdom ("U.K.") unconsolidated affiliate from our partner, paying approximately $178 million in cash, including transaction costs and net of $9 million of cash assumed. Additionally, we assumed the full liability, as opposed to our fifty percent share, associated with the Pizza Hut U.K.'s capital leases of $97 million and short-term borrowings of $23 million. This unconsolidated affiliate operated more than 500 restaurants in the U.K.

Prior to the acquisition, we accounted for our fifty percent ownership interest using the equity method of accounting. Thus, we reported our fifty percent share of the net income of the unconsolidated affiliate (after interest expense and income taxes) as Other (income) expense in the Consolidated Statements of Income. We also recorded a franchise fee for the royalty received from the stores owned by the unconsolidated affiliate. Since the date of the acquisition, we have reported Company sales and the associated restaurant costs, G&A expense, interest expense and income taxes associated with the restaurants previously owned by the unconsolidated affiliate in the appropriate line items of our Consolidated Statement of Income. We no longer record franchise fee income for the restaurants previously owned by the unconsolidated affiliate, nor do we report other income under the equity method of accounting. As a result of this acquisition, Company sales and restaurant profit increased $576 million and $59 million, respectively, franchise fees decreased $19 million and G&A expenses increased $33 million in the year ended December 29, 2007 compared to the year ended December 30, 2006. As a result of this acquisition, Company sales and restaurant profit increased $164 million and $16 million, respectively, franchise fees decreased $7 million and G&A expenses increased $8 million in the year ended December 30, 2006 compared to the year ended December 31, 2005. The impacts on operating profit and net income were not significant in either year.

Extra Week in 2005

Our fiscal calendar results in a 53rd week every five or six years. Fiscal year 2005 included a 53rd week in the fourth quarter for the majority of our U.S. businesses as well as our international businesses that report on a period, as opposed to a monthly, basis. In the U.S., we permanently accelerated the timing of the KFC business closing by one week in December 2005, and thus, there was no 53rd week benefit for this business. Additionally, all China Division businesses report on a monthly basis and thus did not have a 53rd week.

The following table summarizes the estimated increase (decrease) of the 53rd week on fiscal year 2005 revenues and operating profit:

	U.S.	International Division	Unallocated	Total
Revenues				
Company sales	$ 58	$ 27	$ —	$ 85
Franchise and license fees	8	3	—	11
Total Revenues	$ 66	$ 30	$ —	$ 96
Operating profit				
Franchise and license fees	$ 8	$ 3	$ —	$ 11
Restaurant profit	14	5	—	19
General and administrative expenses	(2)	(3)	(3)	(8)
Equity income from investments in unconsolidated affiliates	—	1	—	1
Operating profit	$ 20	$ 6	$ (3)	$ 23

Mainland China 2005 Business Issues

Our KFC business in mainland China was negatively impacted by the interruption of product offerings and negative publicity associated with a supplier ingredient issue experienced in late March 2005 as well as consumer concerns related to Avian Flu in the fourth quarter of 2005. As a result of the aforementioned issues, the China Division experienced system sales growth in 2005 of 11%, excluding foreign currency translation which was below our ongoing target of at least 22%. During the year ended December 30, 2006, the China Division recovered from these issues and achieved growth rates of 23% for both system sales and Company sales, both excluding foreign currency translation. During 2005, we entered into agreements with the supplier of the aforementioned ingredient. As a result, we recognized recoveries of approximately $24 million in Other income (expense) in our Consolidated Statement of Income for the year ended December 31, 2005.

Significant 2008 Gains and Charges

In 2008, we expect that our results of operations will be significantly impacted by several events, including the sale of our interest in our unconsolidated affiliate in Japan and refranchising gains and charges related to our U.S. business.

In December 2007, we sold our interest in our unconsolidated affiliate in Japan for $128 million in cash (includes the impact of related foreign currency contracts that were settled in December 2007). Our international subsidiary that owned this interest operates on a fiscal calendar with a period end that is approximately one month earlier than our consolidated period close. Thus, consistent with our historical treatment of events occurring during the lag period, the pre-tax gain on the sale of this investment of approximately $87 million will be recorded in the first quarter of 2008. We also anticipate pre-tax gains from refranchising in the U.S. of $20 million to $50 million in 2008. We expect, that together these gains will be partially offset by charges relating to G&A productivity initiatives and realignment of resources, as well as investments in our U.S. brands to drive stronger growth. The net impact of all of the aforementioned gains and charges is expected to generate approximately $50 million in operating profit in 2008.

While we will no longer have an ownership interest in the entity that operates both KFCs and Pizza Huts in Japan, it will continue to be a franchisee as it was when it operated as an unconsolidated affiliate. Excluding the one-time gain, we do not expect that the sale of our interest in our Japan unconsolidated affiliate will have a significant impact on our subsequently reported results of operations in 2008 and beyond as the Other income we recorded representing our share of earnings of the unconsolidated affiliate has historically not been significant ($4 million in 2007).

Future Tax Legislation – Mainland China

On March 16, 2007, the National People's Congress in mainland China enacted new tax legislation that went into effect on January 1, 2008. Upon enactment, which occurred in the China Division's 2007 second fiscal quarter, the deferred tax balances of all Chinese entities, including our unconsolidated affiliates, were adjusted. The impacts on our income tax provision and operating profit in the year ended December 29, 2007 were not significant. We currently estimate that these income tax rate changes will positively impact our 2008 net income between $10 million and $15 million compared to what it would have otherwise been had no new tax legislation been enacted.

Mexico Value Added Tax ("VAT") Exemption

On October 1, 2007, Mexico enacted new legislation that eliminated a tax ruling that allowed us to claim an exemption related to VAT payments. Beginning on January 1, 2008, we will be required to remit VAT on all Company restaurant sales resulting in lower Company sales and restaurant profit. As a result of this new legislation, we estimate that our 2008 International Division's Company sales and restaurant profit will be unfavorably impacted by approximately $38 million and $34 million, respectively. Additionally, the International Division's system sales growth and restaurant margin as a percentage of sales will be negatively impacted by approximately 0.3% and 1.2 percentage points, respectively.

China 2008 Reporting Issues

We have historically not consolidated an entity in China in which we have a majority ownership interest, instead accounting for the unconsolidated affiliate using the equity method of accounting. Our partners in this entity are essentially state-owned enterprises. We have not consolidated this entity due to the historical effective participation of our partners in the significant decisions of the entity that were made in the ordinary course of business as addressed in Emerging Issues Task Force ("EITF") Issue No. 96-16, "Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights". Concurrent with a decision that we made on January 1, 2008 regarding top management of the entity, we no longer believe that our partners effectively participate in the decisions that are made in the ordinary course of business. Accordingly, we will begin to consolidate this entity in 2008. The change will result in higher Company sales, restaurant profit, G&A expenses and Income tax provision, as well as lower franchise and license fees and Other income. Had this change occurred at the beginning of 2007, our China Division's Company sales, restaurant profit and G&A expenses would have increased approximately $227 million, $49 million and $5 million, respectively, and our franchise and license fees and Other income would have decreased $14 million and $13 million, respectively. The net impact of these changes and the resulting minority interest would have resulted in Operating profit increasing by $11 million with an offsetting increase in Income tax provision such that Net income would not have been impacted.

Store Portfolio Strategy

From time to time we sell Company restaurants to existing and new franchisees where geographic synergies can be obtained or where franchisees' expertise can generally be leveraged to improve our overall operating performance, while retaining Company ownership of strategic U.S. and international markets. In the U.S., we are targeting Company ownership of restaurants potentially below 10% by year end 2010, down from its current level of 22%. Consistent with this strategy, 756 Company restaurants in the U.S. were sold to franchisees in 2006 and 2007. In the International Division, we expect to refranchise approximately 300 Pizza Huts in the U.K. over the next several years reducing our Pizza Hut Company ownership in that market from approximately 80% currently to approximately 40%. Refranchisings reduce our reported revenues and restaurant profits and increase the importance of system sales growth as a key performance measure. Additionally, G&A expenses will decline over time as a result of these refranchising activities. The timing of such declines will vary and often lag the actual refranchising activities as the synergies are typically dependent upon the size and geography of the respective deals. G&A expenses included in the tables below reflect only direct G&A that we are no longer incurring as a result of stores that were operated by us for all or some of the respective previous year and were no longer operated by us as of the last day of the respective year.

The following table summarizes our worldwide refranchising activities:

	2007	2006	2005
Number of units refranchised	420	622	382
Refranchising proceeds, pre-tax	$ 117	$ 257	$ 145
Refranchising net gains, pre-tax	$ 11	$ 24	$ 43

In addition to our refranchising program, from time to time we close restaurants that are poor performing, we relocate restaurants to a new site within the same trade area or we consolidate two or more of our existing units into a single unit

(collectively "store closures"). Store closure (income) costs includes the net of gain or loss on sales of real estate on which we formerly operated a Company restaurant that was closed, lease reserves established when we cease using a property under an operating lease and subsequent adjustments to those reserves, and other facility-related expenses from previously closed stores.

The following table summarizes worldwide Company store closure activities:

	2007	2006	2005
Number of units closed	204	214	246
Store closure (income) costs	$ (8)	$ (1)	$ —

The impact on operating profit arising from refranchising and Company store closures is the net of (a) the estimated reductions in restaurant profit, which reflects the decrease in Company sales, and G&A expenses and (b) the estimated increase in franchise fees from the stores refranchised. The amounts presented below reflect the estimated historical results from stores that were operated by us for all or some portion of the respective previous year and were no longer operated by us as of the last day of the respective year. The amounts do not include results from new restaurants that we opened in connection with a relocation of an existing unit or any incremental impact upon consolidation of two or more of our existing units into a single unit.

The following table summarizes the estimated historical results of refranchising and Company store closures:

	2007			
	U.S.	International Division	China Division	Worldwide
Decreased Company sales	$ (449)	$ (181)	$ (34)	$ (664)
Increased franchise and license fees	20	9	—	29
Decrease in total revenues	$ (429)	$ (172)	$ (34)	$ (635)

	2006			
	U.S.	International Division	China Division	Worldwide
Decreased Company sales	$ (377)	$ (136)	$ (22)	$ (535)
Increased franchise and license fees	14	6	—	20
Decrease in total revenues	$ (363)	$ (130)	$ (22)	$ (515)

The following table summarizes the estimated impact on operating profit of refranchising and Company store closures:

	2007			
	U.S.	International Division	China Division	Worldwide
Decreased restaurant profit	$ (39)	$ (7)	$ (4)	$ (50)
Increased franchise and license fees	20	9	—	29
Decreased general and administrative expenses	7	3	—	10
Increase (decrease) in operating profit	$ (12)	$ 5	$ (4)	$ (11)

	2006			
	U.S.	International Division	China Division	Worldwide
Decreased restaurant profit	$ (38)	$ (5)	$ —	$ (43)
Increased franchise and license fees	14	6	—	20
Decreased general and administrative expenses	1	1	—	2
Increase (decrease) in operating profit	$ (23)	$ 2	$ —	$ (21)

Results of Operations

	2007	% B/(W) vs. 2006	2006	% B/(W) vs. 2005
Company sales	$ 9,100	9	$ 8,365	2
Franchise and license fees	1,316	10	1,196	7
Total revenues	$ 10,416	9	$ 9,561	2
Company restaurant profit	$ 1,327	4	$ 1,271	10
% of Company sales	14.6%	(0.6) ppts.	15.2%	1.2 ppts
Operating profit	1,357	8	1,262	9
Interest expense, net	166	(8)	154	(22)
Income tax provision	282	1	284	(7)
Net income	$ 909	10	$ 824	8
Diluted earnings per share [(a)]	$ 1.68	15	$ 1.46	14

(a) See Note 4 for the number of shares used in this calculation.

Restaurant Unit Activity

Worldwide	Company	Unconsolidated Affiliates	Franchisees	Total Excluding Licensees [a][b]
Balance at end of 2005	7,587	1,648	22,666	31,901
New Builds	426	136	953	1,515
Acquisitions	556	(541)	(15)	—
Refranchising	(622)	(1)	626	3
Closures	(214)	(33)	(675)	(922)
Other	3	(3)	(39)	(39)
Balance at end of 2006	7,736	1,206	23,516	32,458
New Builds	505	132	1,070	1,707
Acquisitions	9	6	(14)	1
Refranchising	(420)	(6)	426	—
Closures	(204)	(24)	(706)	(934)
Other	(1)	—	5	4
Balance at end of 2007	7,625	1,314	24,297	33,236
% of Total	23%	4%	73%	100%

United States	Company	Unconsolidated Affiliates	Franchisees	Total Excluding Licensees [a]
Balance at end of 2005	4,686	—	13,605	18,291
New Builds	99	—	235	334
Acquisitions	—	—	—	—
Refranchising	(452)	—	455	3
Closures	(124)	—	(368)	(492)
Other	3	—	(22)	(19)
Balance at end of 2006	4,212	—	13,905	18,117
New Builds	87	—	262	349
Acquisitions	8	—	(7)	1
Refranchising	(304)	—	304	—
Closures	(106)	—	(386)	(492)
Other	(1)	—	3	2
Balance at end of 2007	3,896	—	14,081	17,977
% of Total	22%	—	78%	100%

International Division	Company	Unconsolidated Affiliates	Franchisees	Total Excluding Licensees [a][b]
Balance at end of 2005	1,375	1,096	8,848	11,319
New Builds	47	35	703	785
Acquisitions	555	(541)	(14)	—
Refranchising	(168)	(1)	169	—
Closures	(47)	(25)	(303)	(375)
Other	—	(3)	(16)	(19)
Balance at end of 2006	1,762	561	9,387	11,710
New Builds	54	18	780	852
Acquisitions	1	6	(7)	—
Refranchising	(109)	(6)	115	—
Closures	(66)	(11)	(314)	(391)
Other	—	—	2	2
Balance at end of 2007	1,642	568	9,963	12,173
% of Total	13%	5%	82%	100%

China Division	Company	Unconsolidated Affiliates	Franchisees	Total Excluding Licensees
Balance at end of 2005	1,526	552	213	2,291
New Builds	280	101	15	396
Acquisitions	1	—	(1)	—
Refranchising	(2)	—	2	—
Closures	(43)	(8)	(4)	(55)
Other	—	—	(1)	(1)
Balance at end of 2006	1,762	645	224	2,631
New Builds	364	114	28	506
Acquisitions	—	—	—	—
Refranchising	(7)	—	7	—
Closures	(32)	(13)	(6)	(51)
Other	—	—	—	—
Balance at end of 2007	2,087	746	253	3,086
% of Total	68%	24%	8%	100%

(a) The Worldwide, U.S. and International Division totals exclude 2,109, 1,928 and 181 licensed units, respectively, at December 29, 2007 . There are no licensed units in the China Division. Licensed units are generally units that offer limited menus and operate in non-traditional locations like malls, airports, gasoline service stations, convenience stores, stadiums and amusement parks where a full scale traditional outlet would not be practical or efficient. As licensed units have lower average unit sales volumes than our traditional units and our current strategy does not place a significant emphasis on expanding our licensed units, we do not believe that providing further detail of licensed unit activity provides significant or meaningful information.

(b) The Worldwide and International Division totals at the end of 2007 exclude approximately 32 units from the 2006 acquisition of the Rostik's brand in Russia that have not yet been co-branded into Rostik's/KFC restaurants. The Rostik's units will be presented as franchisee new builds as the co-branding into Rostik's/KFC restaurants occurs.

Multibrand restaurants are included in the totals above. Multibrand conversions increase the sales and points of distribution for the second brand added to a restaurant but do not result in an additional unit count. Similarly, a new multibrand restaurant, while increasing sales and points of distribution for two brands, results in just one additional unit count. Franchise unit counts include both franchisee and unconsolidated affiliate multibrand units. Multibrand restaurant totals were as follows:

2007	Company	Franchise	Total
United States	1,750	1,949	3,699
International Division	6	284	290[(a)]
Worldwide	1,756	2,233	3,989

2006	Company	Franchise	Total
United States	1,802	1,631	3,433
International Division	11	192	203
Worldwide	1,813	1,823	3,636

(a) Includes 53 Pizza Hut Wing Street units that were not reflected as multibrand units at December 30, 2006.

For 2007 and 2006, Company multibrand unit gross additions were 86 and 212, respectively. For 2007 and 2006, franchise multibrand unit gross additions were 283 and 197, respectively. There are no multibrand units in the China Division.

System Sales Growth

	Increase		Increase excluding foreign currency translation		Increase excluding foreign currency translation and 53rd week	
	2007	2006	2007	2006	2007	2006
United States	—	—	N/A	N/A	N/A	1%
International Division	15%	7%	10%	7%	10%	9%
China Division	31%	26%	24%	23%	24%	23%
Worldwide	8%	4%	6%	4%	6%	5%

The explanations that follow for system sales growth consider year over year changes excluding, where applicable, the impact of foreign currency translation and the 53 rd week in fiscal year 2005.

The increases in International Division, China Division and Worldwide system sales in 2007 and 2006 were driven by new unit development and same store sales growth, partially offset by store closures.

In 2007 U.S. system sales were flat as new unit development was largely offset by store closures. The increase in U.S. system sales in 2006 was driven by new unit development and same store sales growth, partially offset by store closures.

Revenues

	Amount		% Increase (Decrease)		% Increase (Decrease) excluding foreign currency translation		% Increase (Decrease) excluding foreign currency translation and 53rd week	
	2007	2006	2007	2006	2007	2006	2007	2006
Company sales								
United States	$ 4,518	$ 4,952	(9)	(6)	N/A	N/A	N/A	(5)
International Division	2,507	1,826	37	9	31	8	31	10
China Division	2,075	1,587	31	26	24	23	24	23
Worldwide	9,100	8,365	9	2	6	1	6	2
Franchise and license fees								
United States	679	651	4	3	N/A	N/A	N/A	4
International Division	568	494	15	10	10	10	10	11
China Division	69	51	35	25	29	21	29	21
Worldwide	1,316	1,196	10	7	8	6	8	8
Total revenues								
United States	5,197	5,603	(7)	(5)	N/A	N/A	N/A	(4)
International Division	3,075	2,320	33	9	26	9	26	10
China Division	2,144	1,638	31	26	24	23	24	23
Worldwide	$ 10,416	$ 9,561	9	2	6	2	6	3

The explanations that follow for revenue fluctuations consider year-over-year changes excluding, where applicable, the impact of foreign currency translation and the 53 rd week in fiscal year 2005.

Excluding the favorable impact of the Pizza Hut U.K. acquisition, Worldwide Company sales decreased 1% in 2007. The decrease was driven by refranchising and store closures, partially offset by new unit development and same store sales growth. Excluding the favorable impact of the Pizza Hut U.K. acquisition, Worldwide Company sales were flat in 2006. Increases from new unit development and same store sales growth were offset by decreases in refranchising and store closures.

Excluding the unfavorable impact of the Pizza Hut U.K. acquisition, Worldwide franchise and license fees increased 9% and 8% in 2007 and 2006, respectively. These increases were driven by new unit development, same store sales growth and refranchising, partially offset by store closures.

In 2007, the decrease in U.S. Company sales was driven by refranchising, same store sales declines and store closures, partially offset by new unit development. In 2006, the decrease in U.S. Company sales was driven by refranchising and store closures, partially offset by new unit development.

In 2007, U.S. Company same store sales were down 3% due to transaction declines partially offset by an increase in average guest check. In 2006, U.S. Company same store sales were flat as a decrease in transactions was offset by an increase in average guest check.

In 2007, the increase in U.S. franchise and license fees was driven by refranchising and new unit development, partially offset by store closures. In 2006, the increase in U.S. franchise and license fees was driven by new unit development, refranchising and same store sales growth, partially offset by store closures.

Excluding the favorable impact of the Pizza Hut U.K. acquisition, International Division Company sales decreased 1% in 2007. The decrease was driven by refranchising and store closures, partially offset by same store sales growth and new unit development. Excluding the favorable impact of the Pizza Hut U.K. acquisition, International Division Company sales were flat in 2006. The impacts of refranchising and store closures were partially offset by new unit development and same store sales growth.

Excluding the unfavorable impact of the Pizza Hut U.K. acquisition, International Division franchise and license fees increased 14% and 13% in 2007 and 2006, respectively. The increases were driven by new unit development and same store sales, partially offset by store closures. 2007 was also favorably impacted by refranchising.

In 2007 and 2006, the increases in China Division Company sales and franchise and license fees were driven by new unit development and same store sales growth.

Company Restaurant Margins

2007	U.S.	International Division	China Division	Worldwide
Company sales	100.0%	100.0%	100.0%	100.0%
Food and paper	29.2	29.9	36.4	31.0
Payroll and employee benefits	30.5	26.1	13.2	25.3
Occupancy and other operating expenses	27.0	31.7	30.3	29.1
Company restaurant margin	13.3%	12.3%	20.1%	14.6%

2006	U.S.	International Division	China Division	Worldwide
Company sales	100.0%	100.0%	100.0%	100.0%
Food and paper	28.2	32.2	35.4	30.5
Payroll and employee benefits	30.1	24.6	12.9	25.6
Occupancy and other operating expenses	27.1	31.0	31.3	28.7
Company restaurant margin	14.6%	12.2%	20.4%	15.2%

2005	U.S.	International Division	China Division	Worldwide
Company sales	100.0%	100.0%	100.0%	100.0%
Food and paper	29.8	33.1	36.2	31.4
Payroll and employee benefits	30.2	24.1	13.3	26.4
Occupancy and other operating expenses	26.2	30.7	33.1	28.2
Company restaurant margin	13.8%	12.1%	17.4%	14.0%

In 2007, the decrease in U.S. restaurant margin as a percentage of sales was driven by the impact of higher commodity costs (primarily cheese and meats) and higher wage rates, due primarily to state minimum wage rate increases. The decrease was partially offset by the favorable impact of lower self-insured property and casualty insurance expense driven by improved loss trends, as well as the favorable impact on restaurant margin of refranchising and closing certain restaurants.

In 2006, the increase in U.S. restaurant margin as a percentage of sales was driven by the impact of lower commodity costs (primarily meats and cheese), the impact of same store sales on restaurant margin (due to higher average guest

check) and the favorable impact of lower self-insured property and casualty insurance expense. The increase was partially offset by higher occupancy and other costs, higher labor costs, primarily driven by wage rates and benefits, and the lapping of the favorable impact of the 53rd week in 2005. The higher occupancy and other costs were driven by increased advertising and higher utility costs.

In 2007, the increase in International Division restaurant margin as a percentage of sales was driven by the impact of same store sales growth on restaurant margin as well as the favorable impact of refranchising certain restaurants. The increase was almost fully offset by higher labor costs (primarily wage rates) and the impact of lower margins associated with Pizza Hut units in the U.K. which we now operate. As a percentage of sales, Pizza Hut U.K. restaurants negatively impacted payroll and employee benefits and occupancy and other expenses and positively impacted food and paper.

In 2006, the increase in International Division restaurant margin as a percentage of sales was driven by the impact of same store sales growth on restaurant margin as well as the favorable impact of refranchising and closing certain restaurants. These increases were offset by higher labor costs and higher food and paper costs.

In 2007, the decrease in China Division restaurant margin as a percentage of sales was driven by higher commodity costs (primarily chicken products), the impact of lower margins associated with new units during the initial periods of operation and higher labor costs. The decrease was partially offset by the impact of same store sales growth on restaurant margin.

In 2006, the increase in China Division restaurant margin as a percentage of sales was driven by the impact of same store sales growth on restaurant margin. The increase was partially offset by the impact of lower margins associated with new units during the initial periods of operations.

Worldwide General and Administrative Expenses

G&A expenses increased 9% in 2007, including a 2% unfavorable impact of foreign currency translation. Excluding the additional G&A expenses associated with acquiring the Pizza Hut U.K. business (which were previously netted within equity income prior to our acquisition of the remaining fifty percent of the business) and the unfavorable impact of foreign currency translation, G&A expense increased 4%. The increase was driven by higher annual incentive and other compensation costs, including amounts associated with strategic initiatives in China and other international growth markets.

G&A expenses increased 2% in 2006. The increase was primarily driven by higher compensation related costs, including amounts associated with investments in strategic initiatives in China and other international growth markets, partially offset by lapping higher prior year litigation related costs. The net impact of the additional G&A expenses associated with acquiring the Pizza Hut U.K. business, the favorable impact of lapping the 53 rd week in 2005 and the unfavorable impact of foreign currency translation was not significant.

Worldwide Other (Income) Expense

	2007	2006	2005
Equity income from investments in unconsolidated affiliates	$ (51)	$ (51)	$ (51)
Gain upon sale of investment in unconsolidated affiliate [(a)]	(6)	(2)	(11)
Recovery from supplier [(b)]	—	—	(20)
Contract termination charge [(c)]	—	8	—
Wrench litigation income [(d)]	(11)	—	(2)
Foreign exchange net (gain) loss and other	(3)	(7)	—
Other (income) expense	$ (71)	$ (52)	$ (84)

(a) Fiscal years 2007 and 2006 reflects recognition of income associated with receipt of payments for a note receivable arising from the 2005 sale of our fifty percent interest in the entity that operated almost all KFCs and Pizza Huts in Poland and the Czech Republic to our then partner in the entity. Fiscal year 2005 reflects the gain recognized at the date of this sale.

(b) Relates to a financial recovery from a supplier ingredient issue in mainland China totaling $24 million in 2005, $4 million of which was recognized through equity income from investments in unconsolidated affiliates.

(c) Reflects an $8 million charge associated with the termination of a beverage agreement in the U.S. segment in 2006.

(d) Fiscal years 2007 and 2005 reflect financial recoveries from settlements with insurance carriers related to a lawsuit settled by Taco Bell Corporation in 2004.

Worldwide Closure and Impairment Expenses and Refranchising (Gain) Loss

See the Store Portfolio Strategy section for more detail of our refranchising and closure activities and Note 5 for a summary of the components of facility actions by reportable operating segment.

Operating Profit

			% Increase/(Decrease)	
	2007	2006	2007	2006
United States	$ 739	$ 763	(3)	—
International Division	480	407	18	9
China Division	375	290	30	37
Unallocated and corporate expenses	(257)	(229)	12	(7)
Unallocated other income (expense)	9	7	NM	NM
Unallocated refranchising gain (loss)	11	24	NM	NM
Operating profit	$ 1,357	$ 1,262	8	9
United States operating margin	14.2%	13.6%	0.6 ppts.	0.8 ppts.
International Division operating margin	15.6%	17.6%	(2.0) ppts.	0.1 ppts.

Neither unallocated and corporate expenses, which comprise G&A expenses, nor unallocated refranchising gain (loss) are allocated to the U.S., International Division or China Division segments for performance reporting purposes. The increase in unallocated and corporate expenses in 2007 was driven by an increase in annual incentive compensation and project costs. The decrease in 2006 unallocated and corporate expenses was driven by the lapping of the unfavorable impact of 2005 litigation related costs.

U.S. operating profit decreased 3% in 2007. The decrease was driven by higher restaurant operating costs, principally commodities and labor, partially offset by lower G&A expenses, lower closure and impairment expenses and an increase in Other income.

Excluding the unfavorable impact of lapping the 53rd week in 2005, U.S. operating profit increased 3% in 2006. The increase was driven by the impact of same store sales on restaurant profit (due to higher average guest check) and franchise and license fees, new unit development and lower closures and impairment expenses. These increases were

partially offset by the unfavorable impact of refranchising, higher G&A expenses and a charge associated with the termination of a beverage agreement in 2006. The impact of lower commodity costs and lower property and casualty insurance expense on restaurant profit was largely offset by higher other restaurant costs, including labor, advertising and utilities .

International Division operating profit increased 18% in 2007 including a 6% favorable impact from foreign currency translation. The increase was driven by the impact of same store sales growth and new unit development on restaurant profit and franchise and license fees. The increase was partially offset by higher G&A expenses (including expenses which were previously netted within equity income prior to our acquisition of the remaining fifty percent of the Pizza Hut U.K. business) and higher restaurant operating costs.

Excluding the unfavorable impact of lapping the 53rd week in 2005, International Division operating profit increased 11% in 2006. The increase was driven by the impact of same store sales growth and new unit development on franchise and license fees and restaurant profit. These increases were partially offset by higher restaurant operating costs and lower equity income from unconsolidated affiliates. Foreign currency translation did not have a significant impact.

China Division operating profit increased 30% in 2007 including a 7% favorable impact from foreign currency translation. The increase was driven by the impact of same store sales growth and new unit development on restaurant profit. The increase was partially offset by higher restaurant operating costs and G&A expenses.

China Division operating profit increased 37% in 2006 including a 4% favorable impact from foreign currency translation. The increase was driven by the impact of same store sales growth and new unit development on restaurant profit as well as an increase in equity income from our unconsolidated affiliates. These increases were partially offset by higher G&A expenses and the lapping of a prior year financial recovery from a supplier.

Interest Expense, Net

	2007	2006	2005
Interest expense	$ 199	$ 172	$ 147
Interest income	(33)	(18)	(20)
Interest expense, net	$ 166	$ 154	$ 127

Net interest expense increased $12 million or 8% in 2007. The increase was driven by an increase in borrowings in 2007 compared to 2006, partially offset by an increase in interest bearing cash equivalents in 2007 compared to 2006. Net interest expense increased $27 million or 21% in 2006. The increase was driven by both an increase in interest rates on the variable rate portion of our debt and increased borrowings as compared to prior year.

Income Taxes

	2007	2006	2005
Reported			
Income taxes	$ 282	$ 284	$ 264
Effective tax rate	23.7%	25.6%	25.8%

The reconciliation of income taxes calculated at the U.S. federal tax statutory rate to our effective tax rate is set forth below:

	2007	2006	2005
U.S. federal statutory rate	35.0%	35.0%	35.0%
State income tax, net of federal tax benefit	1.0	2.0	1.6
Foreign and U.S. tax effects attributable to foreign operations	(5.7)	(7.8)	(8.4)
Adjustments to reserves and prior years	2.6	(3.5)	(1.1)
Repatriation of foreign earnings	—	(0.4)	2.0
Non-recurring foreign tax credit adjustments	—	(6.2)	(1.7)
Valuation allowance additions (reversals)	(9.0)	6.8	(1.1)
Other, net	(0.2)	(0.3)	(0.5)
Effective income tax rate	23.7%	25.6%	25.8%

Our 2007 effective income tax rate was positively impacted by valuation allowance reversals. In December 2007, the Company finalized various tax planning strategies based on completing a review of our international operations, distributed a $275 million intercompany dividend and sold our interest in our Japan unconsolidated affiliate. As a result, in the fourth quarter of 2007, we reversed approximately $82 million of valuation allowances associated with foreign tax credit carryovers that we now believe are more likely than not to be claimed on future tax returns. In 2007, benefits associated with our foreign and U.S. tax effects attributable to foreign operations were negatively impacted by $36 million of expense associated with the $275 million intercompany dividend and approximately $20 million of expense for adjustments to our deferred tax balances as a result of the Mexico tax law change enacted during the fourth quarter of 2007. These negative impacts were partially offset by a higher percentage of our income being earned outside the U.S. Additionally, the effective tax rate was negatively impacted by the year-over-year change in adjustments to reserves and prior years.

Our 2006 effective income tax rate was positively impacted by the reversal of tax reserves in connection with our regular U.S. audit cycle as well as certain out-of-year adjustments to reserves and accruals that lowered our effective income tax rate by 2.2 percentage points. The reversal of tax reserves was partially offset by valuation allowance additions on foreign tax credits for which, as a result of the tax reserve reversals, we believed were not likely to be utilized before they expired. We also recognized deferred tax assets for the foreign tax credit impact of non-recurring decisions to repatriate certain foreign earnings in 2007. However, we provided full valuation allowances on such assets as we did not believe it was more likely than not that they would be realized at that time.

Our 2005 effective income tax rate was positively impacted by valuation allowance reversals for certain deferred tax assets whose realization became more likely than not as well as the recognition of certain non-recurring foreign tax credits we were able to substantiate in 2005. The impact of these items was partially offset by tax expense associated with our 2005 decision to repatriate approximately $390 million in qualified foreign earnings. These earnings were eligible for a dividends received deduction in accordance with the American Jobs Creation Act of 2004.

Adjustments to reserves and prior years include the effects of the reconciliation of income tax amounts recorded in our Consolidated Statements of Income to amounts reflected on our tax returns, including any adjustments to the Consolidated Balance Sheets. Adjustments to reserves and prior years also includes changes in tax reserves, including interest thereon, established for potential exposure we may incur if a taxing authority takes a position on a matter contrary to our position. We evaluate these reserves on a quarterly basis to insure that they have been appropriately adjusted for events, including audit settlements that we believe may impact our exposure.

Consolidated Cash Flows

Net cash provided by operating activities was $1,567 million compared to $1,299 million in 2006. The increase was primarily driven by higher net income, lower pension contributions and lower income tax payments in 2007.

In 2006, net cash provided by operating activities was $1,299 million compared to $1,233 million in 2005. The increase was driven by a higher net income, lower pension contributions and a 2006 partial receipt of the settlement related to the 2005 mainland China supplier ingredient issue. These factors were offset by higher income tax and interest payments in 2006.

Net cash used in investing activities was $432 million versus $476 million in 2006. The decrease was driven by the lapping of the acquisition of the remaining interest in our Pizza Hut U.K. unconsolidated affiliate in 2006 and proceeds from the sale of our interest in the Japan unconsolidated affiliate in December 2007, partially offset by the year over year change in proceeds from refranchising of restaurants and a 2007 increase in capital spending.

In December 2007, we sold our interest in our unconsolidated affiliate in Japan for $128 million (includes the impact of related foreign currency contracts that were settled in December 2007). The international subsidiary that owned this interest operates on a fiscal calendar with a period end that is approximately one month earlier than our consolidated period close. Thus, consistent with our historical treatment of events occurring during the lag period, the pre-tax gain on the sale of this investment of approximately $87 million will be recorded in the first quarter of 2008. However, the cash proceeds from this transaction were transferred from our international subsidiary to the U.S. in December 2007 and are thus reported on our Consolidated Statement of Cash Flows for the year ended December 29, 2007. The offset to this cash on our Consolidated Balance Sheet at December 29, 2007 is in accounts payable and other current liabilities.

In 2006, net cash used in investing activities was $476 million versus $345 million in 2005. The increase was driven by the 2006 acquisitions of the remaining interest in our Pizza Hut U.K. unconsolidated affiliate and the Rostik's brand and associated intellectual properties in Russia. The lapping of proceeds related to the 2005 sale of our fifty percent interest in our former Poland/Czech Republic unconsolidated affiliate also contributed to the increase. These factors were partially offset by an increase in proceeds from refranchising in 2006.

Net cash used in financing activities was $678 million versus $670 million in 2006. The increase was driven by higher share repurchases and higher dividend payments, partially offset by an increase in net borrowings.

In 2006, net cash used in financing activities was $670 million versus $827 million in 2005. The decrease was driven by an increase in net borrowings and lower share repurchases, partially offset by a reduction in the excess tax benefits from share-based compensation and higher dividend payments.

Consolidated Financial Condition

The increase in short-term borrowings at December 29, 2007 was primarily due to the classification of $250 million in Senior Unsecured Notes as short-term borrowings due to their May 2008 maturity date, partially offset by the repayment of two term-loans in the International Division during the year ended December 29, 2007. The increase in long-term debt was primarily due to the 2007 issuance of $600 million aggregate principal amount of 6.25% Senior Unsecured Notes that are due March 15, 2018 and $600 million aggregate principal amount of 6.875% Senior Unsecured Notes that are due November 15, 2037.

Liquidity and Capital Resources

Operating in the QSR industry allows us to generate substantial cash flows from the operations of our company stores and from our franchise operations, which require a limited YUM investment. In each of the last six fiscal years, net cash

provided by operating activities has exceeded $1 billion. We expect these levels of net cash provided by operating activities to continue in the foreseeable future. Additionally, we estimate that refranchising proceeds, prior to income taxes, will total at least $400 million in 2008. Our discretionary spending includes capital spending for new restaurants, acquisitions of restaurants from franchisees, repurchases of shares of our Common Stock and dividends paid to our shareholders. Unforeseen downturns in our business could adversely impact our cash flows from operations from the levels historically realized. However, we believe our ability to reduce discretionary spending and our borrowing capacity would allow us to meet our cash requirements in 2008 and beyond.

Discretionary Spending

During 2007, we invested $742 million in our businesses, including approximately $307 million in the U.S., $189 million for the International Division and $246 million for the China Division. For 2008, we estimate capital spending will be between $700 and $750 million.

We returned approximately $1.7 billion to our shareholders through share repurchases and quarterly dividends in 2007. This is the third straight year that we returned over $1.1 billion to our shareholders. Under the authority of our Board of Directors, we repurchased 41.8 million shares of our Common Shares for $1.4 billion during 2007. At December 29, 2007, we had remaining capacity to repurchase up to $813 million of our outstanding Common Stock (excluding applicable transaction fees) under an October 2007 authorization by our Board of Directors that allowed us to repurchase $1.25 billion of the Company's outstanding Common Stock (excluding applicable transaction fees) to be purchased through October 2008. Subsequent to the Company's year end, our Board of Directors authorized additional share repurchases of up to an additional $1.25 billion of the Company's outstanding Common Stock (excluding applicable transaction fees) to be purchased through January 2009.

In October 2007, the Company announced that we plan to substantially increase the amount of share buybacks over the next two years; buying back a total of up to $4 billion of the Company's outstanding Common Stock, helping to reduce our diluted share count by as much as 20%. Since the announcement of this plan, the Company has repurchased $437 million of our outstanding Common Stock through December 29, 2007. We expect this two-year share repurchase program will be funded by a combination of the Company's ongoing free cash flow, additional debt and refranchising proceeds. The completion of this plan will depend on the Company's cash flows, credit rating, proceeds from our refranchising efforts and availability of other investment opportunities, among other factors.

During the year ended December 29, 2007, we paid cash dividends of $273 million. Additionally, on November 16, 2007 our Board of Directors approved cash dividends of $0.15 per share of Common Stock to be distributed on February 1, 2008 to shareholders of record at the close of business on January 11, 2008.

For 2008, we expect to return over $2 billion to shareholders through both cash dividends and significant share repurchases. We are now expecting a reduction in average diluted shares outstanding of approximately 8% for 2008 and an ongoing annual dividend payout ratio of 35% - 40% of net income.

Borrowing Capacity

On November 29, 2007, the Company executed an amended and restated five-year senior unsecured Revolving Credit Facility (the "Credit Facility") totaling $1.15 billion which replaced a five-year facility in the amount of $1.0 billion that was set to expire on September 7, 2009. The Credit Facility is unconditionally guaranteed by our principal domestic subsidiaries and contains financial covenants relating to maintenance of leverage and fixed charge coverage ratios. The Credit Facility also contains affirmative and negative covenants including, among other things, limitations on certain additional indebtedness and liens, and certain other transactions specified in the agreement. We were in compliance with all debt covenants at December 29, 2007.

Under the terms of the Credit Facility, we may borrow up to the maximum borrowing limit, less outstanding letters of credit or banker's acceptances, where applicable. At December 29, 2007, our unused Credit Facility totaled $971 million

net of outstanding letters of credit of $179 million. There were no borrowings outstanding under the Credit Facility at December 29, 2007. The interest rate for borrowings under the Credit Facility ranges from 0.25% to 1.25% over the London Interbank Offered Rate ("LIBOR") or is determined by an Alternate Base Rate, which is the greater of the Prime Rate or the Federal Funds Rate plus 0.50%. The exact spread over LIBOR or the Alternate Base Rate, as applicable, depends on our performance under specified financial criteria. Interest on any outstanding borrowings under the Credit Facility is payable at least quarterly.

On November 29, 2007, the Company executed an amended and restated five-year revolving credit facility (the "International Credit Facility" or "ICF") totaling $350 million, which replaced a five-year facility also in the amount of $350 million that was set to expire on November 8, 2010. The ICF is unconditionally guaranteed by YUM and by YUM's principal domestic subsidiaries and contains covenants substantially identical to those of the Credit Facility. We were in compliance with all debt covenants at the end of 2007.

There were borrowings of $28 million and available credit of $322 million outstanding under the ICF at the end of 2007. The interest rate for borrowings under the ICF ranges from 0.31% to 1.50% over LIBOR or is determined by a Canadian Alternate Base Rate, which is the greater of the Citibank, N.A., Canadian Branch's publicly announced reference rate or the "Canadian Dollar Offered Rate" plus 0.50%. The exact spread over LIBOR or the Canadian Alternate Base Rate, as applicable, depends upon YUM's performance under specified financial criteria. Interest on any outstanding borrowings under the ICF is payable at least quarterly.

In 2006, we executed two short-term borrowing arrangements (the "Term Loans") on behalf of the International Division. There were borrowings of $183 million outstanding at the end of 2006 under the Term Loans, both of which expired and were repaid in the first quarter of 2007.

The majority of our remaining long-term debt primarily comprises Senior Unsecured Notes with varying maturity dates from 2008 through 2037 and interest rates ranging from 6.25% to 8.88%. The Senior Unsecured Notes represent senior, unsecured obligations and rank equally in right of payment with all of our existing and future unsecured unsubordinated indebtedness. Amounts outstanding under Senior Unsecured Notes were $2.8 billion at December 29, 2007. This amount includes $600 million aggregate principal amount of 6.25% Senior Unsecured Notes due March 15, 2018 and $600 million aggregate principal amount of 6.875% Senior Unsecured Notes due November 15, 2037, both of which were issued in October 2007. We are using the proceeds from these notes to repay outstanding borrowings on our Credit Facility, for additional share repurchases and for general corporate purposes.

Contractual Obligations

In addition to any discretionary spending we may choose to make, our significant contractual obligations and payments as of December 29, 2007 included:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations [(a)]	$ 5,034	$ 470	$ 375	$ 1,355	$ 2,834
Capital leases [(b)]	390	24	86	40	240
Operating leases [(b)]	3,886	462	798	640	1,986
Purchase obligations [(c)]	414	356	50	5	3
Other long-term liabilities reflected on our Consolidated Balance Sheet under GAAP	44	15	10	6	13
Total contractual obligations	$ 9,768	$ 1,327	$ 1,319	$ 2,046	$ 5,076

(a) Debt amounts include principal maturities and expected interest payments. Rates utilized to determine interest payments for variable rate debt are based on an estimate of future interest rates. Excludes a fair value adjustment of $17 million included in debt related to interest rate swaps that hedge the fair value of a portion of our debt. See Note 13.

(b) These obligations, which are shown on a nominal basis, relate to 6,000 restaurants. See Note 14.

(c) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. We have excluded agreements that are cancelable without penalty. Purchase obligations relate primarily to information technology, marketing, commodity agreements, purchases of property, plant and equipment as well as consulting, maintenance and other agreements.

We have not included in the contractual obligations table approximately $319 million for long-term liabilities for unrecognized tax benefits for various tax positions we have taken. These liabilities may increase or decrease over time as a result of tax examinations, and given the status of the examinations, we cannot reliably estimate the period of any cash settlement with the respective taxing authorities. These liabilities also include amounts that are temporary in nature and for which we anticipate that over time there will be no net cash outflow. We have included in the contractual obligations table $9 million in liabilities for unrecognized tax benefits that we expect to settle in cash in the next year.

We have not included obligations under our pension and postretirement medical benefit plans in the contractual obligations table. Our most significant plan, the YUM Retirement Plan (the "U.S. Plan"), is a noncontributory defined benefit pension plan covering certain full-time U.S. salaried employees. Our funding policy with respect to the U.S. Plan is to contribute amounts necessary to satisfy minimum pension funding requirements, including requirements of the Pension Protection Act of 2006, plus such additional amounts from time to time as are determined to be appropriate to improve the U.S. Plan's funded status. The U.S. Plan's funded status is affected by many factors including discount rates and the performance of U.S. Plan assets. Based on current funding rules, we do not anticipate being required to make minimum pension funding payments in 2008, but we may make discretionary contributions during the year based on our estimate of the U.S. Plan's expected December 27, 2008 funded status. During 2007, we did not make a discretionary contribution to the U.S. Plan. At our September 30, 2007 measurement date, our pension plans in the U.S., which include the U.S. Plan and an unfunded supplemental executive plan, had a projected benefit obligation of $842 million and plan assets of $732 million.

The funding rules for our pension plans outside of the U.S. vary from country to country and depend on many factors including discount rates, performance of plan assets, local laws and tax regulations. Our most significant plans are in the U.K., including a plan for which we assumed full liability upon our purchase of the remaining fifty percent interest in our former Pizza Hut U.K. unconsolidated affiliate. Since our plan assets approximate our projected benefit obligation for our KFC U.K. pension plan, we did not make a significant contribution in 2007 and we do not anticipate any significant further, near term funding. The projected benefit obligation of our Pizza Hut U.K. pension plan exceeds plan assets by approximately $27 million at our November 30, 2007 measurement date. We anticipate taking steps to reduce this deficit in the near term, which could include a decision to partially or completely fund the deficit in 2008. However, given the level of cash flows from operations the Company anticipates generating in 2008, any funding decision would not materially impact our ability to maintain our planned levels of discretionary spending.

Our postretirement plan in the U.S. is not required to be funded in advance, but is pay as you go. We made postretirement benefit payments of $4 million in 2007. See Note 16 for further details about our pension and postretirement plans.

We have excluded from the contractual obligations table payments we may make for exposures for which we are self-insured, including workers' compensation, employment practices liability, general liability, automobile liability and property losses (collectively "property and casualty losses") and employee healthcare and long-term disability claims.

The majority of our recorded liability for self-insured employee healthcare, long-term disability and property and casualty losses represents estimated reserves for incurred claims that have yet to be filed or settled.

Off-Balance Sheet Arrangements

We had provided a partial guarantee of approximately $12 million of a franchisee loan pool related primarily to the Company's historical refranchising programs and, to a lesser extent, franchisee development of new restaurants at December 29, 2007. In support of this guarantee, we have provided a standby letter of credit of $18 million, under which we could potentially be required to fund a portion of the franchisee loan pool. The total loans outstanding under the loan pool were approximately $62 million at December 29, 2007.

The loan pool is funded by the issuance of commercial paper by a conduit established for that purpose. A disruption in the commercial paper markets may result in the Company and the participating financial institutions having to fund commercial paper issuances that have matured. Any Company funding under its guarantee or letter of credit would be secured by the franchisee loans and any related collateral. We believe that we have appropriately provided for our estimated probable exposures under these contingent liabilities. These provisions were primarily charged to net refranchising (gain) loss. New loans added to the loan pool in 2007 were not significant.

Our unconsolidated affiliates do not have significant amounts of debt outstanding as of December 29, 2007.

New Accounting Pronouncements Not Yet Adopted

See Note 2 to the Consolidated Financial Statements included in Part II, Item 8 of this report for further details of new accounting pronouncements not yet adopted.

Critical Accounting Policies and Estimates

Our reported results are impacted by the application of certain accounting policies that require us to make subjective or complex judgments. These judgments involve estimations of the effect of matters that are inherently uncertain and may significantly impact our quarterly or annual results of operations or financial condition. Changes in the estimates and judgments could significantly affect our results of operations, financial condition and cash flows in future years. A description of what we consider to be our most significant critical accounting policies follows.

Impairment or Disposal of Long-Lived Assets

We evaluate our long-lived assets for impairment at the individual restaurant level except when there is an expectation that we will refranchise restaurants as a group. Impairment evaluations for individual restaurants that we are currently operating and have not offered for sale are performed on a semi-annual basis or whenever events or circumstances indicate that the carrying amount of a restaurant may not be recoverable (including a decision to close a restaurant). Our semi-annual impairment test includes those restaurants that have experienced two consecutive years of operating losses. Our semi-annual impairment evaluations require an estimation of cash flows over the remaining useful life of the primary asset of the restaurant, which can be for a period of over 20 years, and any terminal value. We limit assumptions about important factors such as sales growth and margin improvement to those that are supportable based upon our plans for the unit and actual results at comparable restaurants.

If the long-lived assets of a restaurant subject to our semi-annual test are not recoverable based upon forecasted, undiscounted cash flows, we write the assets down to their fair value. This fair value is determined by discounting the forecasted after tax cash flows, including terminal value, of the restaurant at an appropriate rate. The discount rate used is our weighted average cost of capital plus a risk premium where deemed appropriate.

We often refranchise restaurants in groups and, therefore, perform such impairment evaluations at the group level. These impairment evaluations are generally performed at the date such restaurants are offered for sale. Forecasted cash flows in such instances consist of estimated holding period cash flows and the expected sales proceeds. Expected sales proceeds

are based on the most relevant of historical sales multiples or bids from buyers, and have historically been reasonably accurate estimations of the proceeds ultimately received.

See Note 2 for a further discussion of our policy regarding the impairment or disposal of long-lived assets.

Impairment of Goodwill and Indefinite-Lived Intangible Assets

We evaluate goodwill and indefinite-lived intangible assets for impairment on an annual basis or more often if an event occurs or circumstances change that indicates impairment might exist. Goodwill is evaluated for impairment through the comparison of fair value of our reporting units to their carrying values. Our reporting units are our operating segments in the U.S. and our business management units internationally (typically individual countries). Fair value is the price a willing buyer would pay for the reporting unit, and is generally estimated using either discounted expected future cash flows from operations or the present value of the estimated future franchise royalty stream plus any estimated sales proceeds from refranchising. Any estimated sales proceeds are based on relevant historical sales multiples. The discount rate used in determining fair value is our weighted average cost of capital plus a risk premium where deemed appropriate.

We have recorded intangible assets as a result of business acquisitions. These include trademark/brand intangible assets for KFC, LJS and A&W. We believe the value of a trademark/brand is derived from the royalty we avoid, in the case of Company stores, or receive, in the case of franchise stores, due to our ownership of the trademark/brand. We have determined that the KFC trademark/brand has an indefinite life and therefore it is not being amortized. Our impairment test for the KFC trademark/brand consists of a comparison of the fair value of the asset with its carrying amount. Future sales are the most important assumption in determining the fair value of the KFC trademark/brand.

In determining the fair value of our reporting units and the KFC trademark/brand, we limit assumptions about important factors such as sales growth, margin improvement and other factors impacting the fair value calculation to those that are supportable based upon our plans. For 2007, there was no impairment of goodwill or the KFC trademark/brand.

We have certain intangible assets, such as the LJS and A&W trademark/brand intangible assets, franchise contract rights, reacquired franchise rights and favorable/unfavorable operating leases, which are amortized over their expected useful lives. We base the expected useful lives of our trademark/brand intangible assets on a number of factors including the competitive environment, our future development plans for the applicable Concept and the level of franchisee commitment to the Concept. We generally base the expected useful lives of our franchise contract rights on their respective contractual terms including renewals when appropriate. We base the expected useful lives of reacquired franchise rights over a period for which we believe it is reasonable that we will operate a Company restaurant in the trade area. We base the expected useful lives of our favorable/unfavorable operating leases on the remaining lease term.

Our amortizable intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. An intangible asset that is deemed impaired is written down to its estimated fair value, which is based on discounted cash flows. For purposes of our impairment analysis, we update the cash flows that were initially used to value the amortizable intangible asset to reflect our current estimates and assumptions over the asset's future remaining life.

See Note 2 for a further discussion of our policies regarding goodwill and intangible assets.

Allowances for Franchise and License Receivables/Lease Guarantees

We reserve a franchisee's or licensee's entire receivable balance based upon pre-defined aging criteria and upon the occurrence of other events that indicate that we may not collect the balance due. As a result of reserving using this methodology, we have an immaterial amount of receivables that are past due that have not been reserved for at December 29, 2007.

We have also issued certain guarantees as a result of assigning our interest in obligations under operating leases, primarily as a condition to the refranchising of certain Company restaurants. Such guarantees are subject to the requirements of Statement of Financial Accounting Standards ("SFAS") No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"). We recognize a liability for the fair value of such lease guarantees under SFAS 145 upon refranchising and upon any subsequent renewals of such leases when we remain contingently liable. The fair value of a guarantee is the estimated amount at which the liability could be settled in a current transaction between willing parties.

If payment on the guarantee becomes probable and estimable, we record a liability for our exposure under these lease assignments and guarantees. At December 29, 2007, we have recorded an immaterial liability for our exposure which we consider to be probable and estimable. The potential total exposure under such leases is significant, with approximately $325 million representing the present value, discounted at our pre-tax cost of debt, of the minimum payments of the assigned leases at December 29, 2007. Current franchisees are the primary lessees under the vast majority of these leases. We generally have cross-default provisions with these franchisees that would put them in default of their franchise agreement in the event of non-payment under the lease. We believe these cross-default provisions significantly reduce the risk that we will be required to make payments under these leases and, historically, we have not been required to make such payments in significant amounts.

See Note 2 for a further discussion of our policies regarding franchise and license operations.

See Note 22 for a further discussion of our lease guarantees.

Self-Insured Property and Casualty Losses

We record our best estimate of the remaining cost to settle incurred self-insured property and casualty losses. The estimate is based on the result of an independent actuarial study and considers historical claim frequency and severity as well as changes in factors such as our busines environment, benefit levels, medical costs and the regulatory environment that could impact overall self-insurance costs. Additionally, a ris margin to cover unforeseen events that may occur over the several years it takes for claims to settle is included in our reserve, increasing ou confidence level that the recorded reserve is adequate.

See Note 22 for a further discussion of our insurance programs.

Pension Plans

Certain of our employees are covered under defined benefit pension plans. The most significant of these plans are in the U.S. In accordance with SFAS No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("SFAS 158"), we have recorded the under-funded status of $110 million for these U.S. plans as a pension liability in our Consolidated Balance Sheet as of December 29, 2007. These U.S. plans had projected benefit obligations ("PBO") of $842 million and fair values of plan assets of $732 million in December 29, 2007.

The PBO reflects the actuarial present value of all benefits earned to date by employees and incorporates assumptions as to future compensation levels. Due to the relatively long time frame over which benefits earned to date are expected to be paid, our PBO's are highly sensitive to changes in discount rates. For our U.S. plans, we measured our PBO using a discount rate of 6.50% at September 30, 2007. This discount rate was determined with the assistance of our independent actuary. The primary basis for our discount rate determination is a model that consists of a hypothetical portfolio of ten or more corporate debt instruments rated Aa or higher by Moody's with cash flows that mirror our expected benefit payment cash flows under the plans. In considering possible bond portfolios, the model allows the bond cash flows for a particular year to exceed the expected benefit cash flows for that year. Such excesses are assumed to be reinvested at appropriate one-year forward rates and used to meet the benefit cash flows in a future year. The weighted average yield of this hypothetical portfolio was used to arrive at an appropriate discount rate. We also insure that changes in the discount rate as compared to the prior year are consistent with the overall change in prevailing market rates and make adjustments as

necessary. A 50 basis point increase in this discount rate would have decreased our U.S. plans' PBO by approximately $65 million at our measurement date. Conversely, a 50 basis point decrease in this discount rate would have increased our U.S. plans' PBO by approximately $71 million at our measurement dates.

The pension expense we will record in 2008 is also impacted by the discount rate we selected at our measurement date. We expect pension expense for our U.S. plans to decrease approximately $19 million to $37 million in 2008. The decrease is primarily driven by a decrease in amortization of net loss of $17 million in 2008. A 50 basis point change in our weighted average discount rate assumption at our measurement date would impact our 2008 U.S. pension expense by approximately $10 million.

The assumption we make regarding our expected long-term rates of return on plan assets also impacts our pension expense. Our estimated long-term rate of return on U.S. plan assets represents the weighted-average of historical returns for each asset category, adjusted for an assessment of current market conditions. Our expected long-term rate of return on U.S. plan assets at September 30, 2007 was 8.0%. We believe this rate is appropriate given the composition of our plan assets and historical market returns thereon. A one percentage point increase or decrease in our expected long-term rate of return on plan assets assumption would decrease or increase, respectively, our 2008 U.S. pension plan expense by approximately $7 million.

The losses our U.S. plan assets have experienced, along with a decrease in discount rates over time, have largely contributed to an unrecognized net loss of $80 million included in Accumulated other comprehensive income (loss) for the U.S. plans at December 29, 2007. For purposes of determining 2007 expense, our funded status was such that we recognized $23 million of this loss in net periodic benefit cost. We will recognize approximately $6 million of such loss in 2008.

See Note 16 for further discussion of our pension and post-retirement plans.

Stock Options and Stock Appreciation Rights Expense

Compensation expense for stock options and stock appreciation rights ("SARs") is estimated on the grant date using a Black-Scholes option pricing model. Our specific weighted-average assumptions for the risk-free interest rate, expected term, expected volatility and expected dividend yield are documented in Note 17. Additionally, under SFAS No. 123 (revised 2004), "Share-Based Compensation" ("SFAS 123R") we are required to estimate pre-vesting forfeitures for purposes of determining compensation expense to be recognized. Future expense amounts for any particular quarterly or annual period could be affected by changes in our assumptions or changes in market conditions.

We have determined that it is appropriate to group our awards into two homogeneous groups when estimating expected term and pre-vesting forfeitures. These groups consist of grants made primarily to restaurant-level employees under our Restaurant General Manager Stock Option Plan (the "RGM Plan") and grants made to executives under our other stock award plans. Historically, approximately 15% - 20% of total options and SARs granted have been made under the RGM Plan.

Grants under the RGM Plan typically cliff vest after four years and grants made to executives under our other stock award plans typically have a graded vesting schedule and vest 25% per year over four years. We use a single weighted-average expected term for our awards that have a graded vesting schedule as permitted by SFAS 123R. We revaluate our expected term assumptions using historical exercise and post-vesting employment termination behavior on a regular basis. Based on the results of this analysis, we have determined that six years is an appropriate expected term for awards to both restaurant level employees and to executives.

Upon each stock award grant we revaluate the expected volatility, including consideration of both historical volatility of our stock as well as implied volatility associated with our traded options. We have estimated forfeitures based on historical data. Based on such data, we believe that approximately 45% of all awards granted under the RGM Plan will be forfeited and approximately 20% of all awards granted to above-store executives will be forfeited.

Income Tax Valuation Allowances and Unrecognized Tax Benefits

At December 29, 2007, we had a valuation allowance of $308 million primarily to reduce our net operating loss and tax credit carryforward benefits of $363 million, as well as our other deferred tax assets, to amounts that will more likely than not be realized. The net operating loss and tax credit carryforwards exist in federal, state and foreign jurisdictions and have varying carryforward periods and restrictions on usage. The estimation of future taxable income in these jurisdictions and our resulting ability to utilize net operating loss and tax credit carryforwards can significantly change based on future events, including our determinations as to the feasibility of certain tax planning strategies. Thus, recorded valuation allowances may be subject to material future changes.

As a matter of course, we are regularly audited by federal, state and foreign tax authorities. Effective December 31, 2006, we adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), an interpretation of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". FIN 48 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not (i.e. a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. At December 29, 2007, we had $376 million of unrecognized tax benefits, $194 million of which, if recognized, would affect the effective tax rate. We evaluate unrecognized tax benefits, including interest thereon, on a quarterly basis to insure that they have been appropriately adjusted for events, including audit settlements, which may impact our ultimate payment for such exposures.

See Note 20 for a further discussion of our income taxes.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to financial market risks associated with interest rates, foreign currency exchange rates and commodity prices. In the normal course of business and in accordance with our policies, we manage these risks through a variety of strategies, which may include the use of derivative financial and commodity instruments to hedge our underlying exposures. Our policies prohibit the use of derivative instruments for trading purposes, and we have procedures in place to monitor and control their use.

Interest Rate Risk

We have a market risk exposure to changes in interest rates, principally in the U.S. We attempt to minimize this risk and lower our overall borrowing costs through the utilization of derivative financial instruments, primarily interest rate swaps. These swaps are entered into with financial institutions and have reset dates and critical terms that match those of the underlying debt. Accordingly, any change in market value associated with interest rate swaps is offset by the opposite market impact on the related debt.

At December 29, 2007 and December 30, 2006, a hypothetical 100 basis point increase in short-term interest rates would result, over the following twelve-month period, in a reduction of approximately $3 million and $9 million, respectively, in income before income taxes. The estimated reductions are based upon the level of variable rate debt and assume no changes in the volume or composition of that debt and include no impact from interest income related to cash and cash equivalents. In addition, the fair value of our derivative financial instruments at December 29, 2007 and December 30, 2006 would decrease approximately $31 million and $32 million, respectively. The fair value of our Senior Unsecured Notes at December 29, 2007 and December 30, 2006 would decrease approximately $173 million and $69 million, respectively. Fair value was determined by discounting the projected cash flows.

Foreign Currency Exchange Rate Risk

The combined International Division and China Division operating profits constitute approximately 54% of our operating profit in 2007, excluding unallocated income (expenses). In addition, the Company's net asset exposure (defined as foreign currency assets less foreign currency liabilities) totaled approximately $1.5 billion as of December 29, 2007. Operating in international markets exposes the Company to movements in foreign currency exchange rates. The Company's primary exposures result from our operations in Asia-Pacific, the Americas and Europe. Changes in foreign currency exchange rates would impact the translation of our investments in foreign operations, the fair value of our foreign currency denominated financial instruments and our reported foreign currency denominated earnings and cash flows. For the fiscal year ended December 29, 2007, operating profit would have decreased $89 million if all foreign currencies had uniformly weakened 10% relative to the U.S. dollar. The estimated reduction assumes no changes in sales volumes or local currency sales or input prices.

We attempt to minimize the exposure related to our investments in foreign operations by financing those investments with local currency debt when practical. In addition, we attempt to minimize the exposure related to foreign currency denominated financial instruments by purchasing goods and services from third parties in local currencies when practical. Consequently, foreign currency denominated financial instruments consist primarily of intercompany short-term receivables and payables. At times, we utilize forward contracts to reduce our exposure related to these intercompany short-term receivables and payables. The notional amount and maturity dates of these contracts match those of the underlying receivables or payables such that our foreign currency exchange risk related to these instruments is minimized.

Commodity Price Risk

We are subject to volatility in food costs as a result of market risk associated with commodity prices. Our ability to recover increased costs through higher pricing is, at times, limited by the competitive environment in which we operate. We manage our exposure to this risk primarily through pricing agreements with our vendors.

Cautionary Statements

From time to time, in both written reports and oral statements, we present "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The statements include those identified by such words as "may," "will," "expect," "project," "anticipate," "believe," "plan" and other similar terminology. These "forward-looking statements" reflect our current expectations regarding future events and operating and financial performance and are based upon data available at the time of the statements. Actual results involve risks and uncertainties, including both those specific to the Company and those specific to the industry, and could differ materially from expectations. Accordingly, you are cautioned not to place undue reliance on forward-looking statements.

Company risks and uncertainties include, but are not limited to, changes in effective tax rates; potential unfavorable variances between estimated and actual liabilities; our ability to secure distribution of products and equipment to our restaurants on favorable economic terms and our ability to ensure adequate supply of restaurant products and equipment in our stores; unexpected disruptions in our supply chain; effects and outcomes of any pending or future legal claims involving the Company; the effectiveness of operating initiatives and marketing, advertising and promotional efforts; our ability to continue to recruit and motivate qualified restaurant personnel; the ongoing financial viability of our franchisees and licensees; the success of our refranchising strategy; the success of our strategies for international development and operations; volatility of actuarially determined losses and loss estimates; and adoption of new or changes in accounting policies and practices including pronouncements promulgated by standard setting bodies.

Industry risks and uncertainties include, but are not limited to, economic and political conditions in the countries and territories where we operate, including effects of war and terrorist activities; new legislation and governmental regulations or changes in laws and regulations and the consequent impact on our business; new product and concept development by us and/or our food industry competitors; changes in competition in the food industry; publicity which may impact our

business and/or industry; severe weather conditions; volatility of commodity costs; increases in minimum wage and other operating costs; availability and cost of land and construction; consumer preferences or perceptions concerning the products of the Company and/or our competitors, spending patterns and demographic trends; political or economic instability in local markets and changes in currency exchange and interest rates; and the impact that any widespread illness or general health concern may have on our business and/or the economy of the countries in which we operate.

Item 8. Financial Statements and Supplementary Data.

INDEX TO FINANCIAL INFORMATION

No schedules are required because either the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the above listed financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
YUM! Brands, Inc.:

We have audited the accompanying consolidated balance sheets of YUM! Brands, Inc. and Subsidiaries ("YUM") as of December 29, 2007 and December 30, 2006, and the related consolidated statements of income, cash flows and shareholders' equity and comprehensive income for each of the years in the three-year period ended December 29, 2007. These consolidated financial statements are the responsibility of YUM's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of YUM as of December 29, 2007 and December 30, 2006, and the results of its operations and its cash flows for each of the years in the three-year period ended December 29, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in the Notes to the consolidated financial statements, YUM adopted the provisions of the Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* , in 2007, Statement of Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* , and Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in the Current Year* , in 2006, and SFAS No. 123R, *Share-based Payment* , in 2005.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), YUM's internal control over financial reporting as of December 29, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2008 expressed an unqualified opinion on the effectiveness of internal control over financial reporting.

/s/ KPMG LLP
Louisville, Kentucky
February 25, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
YUM! Brands, Inc.:

We have audited the internal control over financial reporting of YUM! Brands, Inc. and Subsidiaries ("YUM") as of December 29, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. YUM's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Report on Internal Control over Financial Reporting" appearing under Item 9A. Our responsibility is to express an opinion on YUM's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financia reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance tha transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of th company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of th company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, YUM maintained, in all material respects, effective internal control over financial reporting as of December 29, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of YUM as of December 29, 2007 and December 30, 2006, and the related consolidated statements of income, cash flows and shareholders' equity and comprehensive income for each of the years in the three-year period ended December 29, 2007, and our report dated February 25, 2008, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
Louisville, Kentucky
February 25, 2008

Consolidated Statements of Income
YUM! Brands, Inc. and Subsidiaries
Fiscal years ended December 29, 2007, December 30, 2006 and December 31, 2005
(in millions, except per share data)

	2007	2006	2005
Revenues			
Company sales	$ 9,100	$ 8,365	$ 8,225
Franchise and license fees	1,316	1,196	1,124
Total revenues	10,416	9,561	9,349
Costs and Expenses, Net			
Company restaurants			
Food and paper	2,824	2,549	2,584
Payroll and employee benefits	2,305	2,142	2,171
Occupancy and other operating expenses	2,644	2,403	2,315
	7,773	7,094	7,070
General and administrative expenses	1,293	1,187	1,158
Franchise and license expenses	40	35	33
Closures and impairment expenses	35	59	62
Refranchising (gain) loss	(11)	(24)	(43)
Other (income) expense	(71)	(52)	(84)
Total costs and expenses, net	9,059	8,299	8,196
Operating Profit	1,357	1,262	1,153
Interest expense, net	166	154	127
Income before Income Taxes	1,191	1,108	1,026
Income tax provision	282	284	264
Net Income	$ 909	$ 824	$ 762
Basic Earnings Per Common Share	$ 1.74	$ 1.51	$ 1.33
Diluted Earnings Per Common Share	$ 1.68	$ 1.46	$ 1.28
Dividends Declared Per Common Share	$ 0.45	$ 0.4325	$ 0.2225

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
YUM! Brands, Inc. and Subsidiaries
Fiscal years ended December 29, 2007, December 30, 2006 and December 31, 2005
(in millions)

	2007	2006	2005
Cash Flows – Operating Activities			
Net income	$ 909	$ 824	$ 762
Depreciation and amortization	542	479	469
Closures and impairment expenses	35	59	62
Refranchising (gain) loss	(11)	(24)	(43)
Contributions to defined benefit pension plans	(1)	(43)	(74)
Deferred income taxes	(95)	(30)	(101)
Equity income from investments in unconsolidated affiliates	(51)	(51)	(51)
Distributions of income received from unconsolidated affiliates	40	32	44
Excess tax benefits from share-based compensation	(74)	(65)	(92)
Share-based compensation expense	61	65	62
Changes in accounts and notes receivable	(4)	24	(1)
Changes in inventories	(31)	(3)	(4)
Changes in prepaid expenses and other current assets	(6)	(33)	78
Changes in accounts payable and other current liabilities	118	(30)	(10)
Changes in income taxes payable	70	10	54
Other non-cash charges and credits, net	65	85	78
Net Cash Provided by Operating Activities	1,567	1,299	1,233
Cash Flows – Investing Activities			
Capital spending	(742)	(614)	(609)
Proceeds from refranchising of restaurants	117	257	145
Acquisition of remaining interest in unconsolidated affiliate, net of cash assumed	—	(178)	—
Proceeds from the sale of interest in Japan unconsolidated affiliate	128	—	—
Acquisition of restaurants from franchisees	(4)	(7)	(2)
Short-term investments	6	39	12
Sales of property, plant and equipment	56	57	81
Other, net	7	(30)	28
Net Cash Used in Investing Activities	(432)	(476)	(345)
Cash Flows – Financing Activities			
Proceeds from issuance of long-term debt	1,195	300	—
Repayments of long-term debt	(24)	(211)	(14)
Revolving credit facilities, three months or less, net	(149)	(23)	160
Short-term borrowings by original maturity			
More than three months – proceeds	1	236	—
More than three months – payments	(184)	(54)	—
Three months or less, net	(8)	4	(34)
Repurchase shares of Common Stock	(1,410)	(983)	(1,056)
Excess tax benefit from share-based compensation	74	65	92
Employee stock option proceeds	112	142	148
Dividends paid on Common Stock	(273)	(144)	(123)
Other, net	(12)	(2)	—
Net Cash Used in Financing Activities	(678)	(670)	(827)
Effect of Exchange Rate on Cash and Cash Equivalents	13	8	1
Net Increase in Cash and Cash Equivalents	470	161	62
Net Increase in Cash and Cash Equivalents of Mainland China for December 2004	—	—	34
Cash and Cash Equivalents – Beginning of Year	319	158	62
Cash and Cash Equivalents – End of Year	$ 789	$ 319	$ 158

See accompanying Notes to Consolidated Financial Statements .

Consolidated Balance Sheets
YUM! Brands, Inc. and Subsidiaries
December 29, 2007 and December 30, 2006
(in millions)

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	$ 789	$ 319
Accounts and notes receivable, less allowance: $21 in 2007 and $18 in 2006	225	220
Inventories	128	93
Prepaid expenses and other current assets	142	138
Deferred income taxes	125	57
Advertising cooperative assets, restricted	72	74
Total Current Assets	1,481	901
Property, plant and equipment, net	3,849	3,631
Goodwill	672	662
Intangible assets, net	333	347
Investments in unconsolidated affiliates	153	138
Other assets	464	369
Deferred income taxes	290	320
Total Assets	$ 7,242	$ 6,368
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	$ 1,650	$ 1,386
Income taxes payable	52	37
Short-term borrowings	288	227
Advertising cooperative liabilities	72	74
Total Current Liabilities	2,062	1,724
Long-term debt	2,924	2,045
Other liabilities and deferred credits	1,117	1,147
Total Liabilities	6,103	4,916
Shareholders' Equity		
Preferred stock, no par value, zero shares and 250 shares authorized in 2007 and 2006, respectively; no shares issued	—	—
Common Stock, no par value, 750 shares authorized; 499 shares and 530 shares issued in 2007 and 2006, respectively	—	—
Retained earnings	1,119	1,608
Accumulated other comprehensive income (loss)	20	(156)
Total Shareholders' Equity	1,139	1,452
Total Liabilities and Shareholders' Equity	$ 7,242	$ 6,368

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity and Comprehensive Income
YUM! Brands, Inc. and Subsidiaries
Fiscal years ended December 29, 2007, December 30, 2006 and December 31, 2005
(in millions, except per share data)

	Issued Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount			
Balance at December 25, 2004	581	$ 659	$ 1,074	$ (131)	$ 1,602
Net income			762		762
Foreign currency translation adjustment arising during the period				(31)	(31)
Foreign currency translation adjustment included in net income				6	6
Minimum pension liability adjustment (net of tax impact of $8 million)				(15)	(15)
Net unrealized gain on derivative instruments (net of tax impact of $1 million)				1	1
Comprehensive Income					723
Dividends declared on Common Stock ($0.2225 per common share)			(129)		(129)
China December 2004 net income			6		6
Repurchase of shares of Common Stock	(43)	(974)	(82)		(1,056)
Employee stock option exercises (includes tax impact of $94 million)	17	242			242
Compensation-related events (includes tax impact of $5 million)	1	73			73
Balance at December 31, 2005	556	$ —	$ 1,631	$ (170)	$ 1,461
Adjustment to initially apply SAB No. 108			100		100
Net income			824		824
Foreign currency translation adjustment arising during the period (includes tax impact of $13 million)				59	59
Minimum pension liability adjustment (net of tax impact of $11 million)				17	17
Net unrealized gain on derivative instruments (net of tax impact of $3 million)				5	5
Comprehensive Income					905
Adjustment to initially apply SFAS No. 158 (net of tax impact of $37 million)				(67)	(67)
Dividends declared on Common Stock ($0.4325 per common share)			(234)		(234)
Repurchase of shares of Common Stock	(40)	(287)	(713)		(1,000)
Employee stock option and SARs exercises (includes tax impact of $68 million)	13	210			210
Compensation-related events (includes tax impact of $3 million)	1	77			77
Balance at December 30, 2006	530	$ —	$ 1,608	$ (156)	$ 1,452
Net income			909		909
Foreign currency translation adjustment arising during the period				93	93
Foreign currency translation adjustment included in net income				1	1
Pension and post-retirement benefit plans (net of tax impact of $55 million)				96	96
Net unrealized loss on derivative instruments (net of tax impact of $8 million)				(14)	(14)
Comprehensive Income					1,085
Adjustment to initially apply FIN 48			(13)		(13)
Dividends declared on Common Stock ($0.45 per common share)			(231)		(231)
Repurchase of shares of Common Stock	(42)	(252)	(1,154)		(1,406)
Employee stock option and SARs exercises (includes tax impact of $69 million)	10	181			181
Compensation-related events (includes tax impact of $5 million)	1	71			71
Balance at December 29, 2007	499	$ —	$ 1,119	$ 20	$ 1,139

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
(Tabular amounts in millions, except share data)

Note 1 – Description of Business

YUM! Brands, Inc. and Subsidiaries (collectively referred to as "YUM" or the "Company") comprises the worldwide operations of KFC, Pizza Hut, Taco Bell, Long John Silver's ("LJS") and A&W All-American Food Restaurants ("A&W") (collectively the "Concepts"). YUM is the world's largest quick service restaurant company based on the number of system units, with more than 35,000 units of which approximately 44% are located outside the U.S. in more than 100 countries and territories. YUM was created as an independent, publicly-owned company on October 6, 1997 (the "Spin-off Date") via a tax-free distribution by our former parent, PepsiCo, Inc., of our Common Stock (the "Spin-off") to its shareholders. References to YUM throughout these Consolidated Financial Statements are made using the first person notations of "we," "us" or "our."

Through our widely-recognized Concepts, we develop, operate, franchise and license a system of both traditional and non-traditional quick service restaurants. Each Concept has proprietary menu items and emphasizes the preparation of food with high quality ingredients as well as unique recipes and special seasonings to provide appealing, tasty and attractive food at competitive prices. Our traditional restaurants feature dine-in, carryout and, in some instances, drive-thru or delivery service. Non-traditional units, which are principally licensed outlets, include express units and kiosks which have a more limited menu and operate in non-traditional locations like malls, airports, gasoline service stations, convenience stores, stadiums, amusement parks and colleges, where a full-scale traditional outlet would not be practical or efficient. We also operate multibrand units, where two or more of our Concepts are operated in a single unit. In addition, we continue to pursue the multibrand combination of Pizza Hut and WingStreet, a flavored chicken wings concept we have developed.

Beginning in 2005, we changed the China Division, which includes mainland China ("China"), Thailand and KFC Taiwan, reporting calendar to more closely align the timing of the reporting of its results of operations with our U.S. business. Previously our China business, like the rest of our international businesses, closed one month (or one period for certain of our international businesses) earlier than YUM's period end date to facilitate consolidated reporting. To maintain comparability of our consolidated results of operations, amounts related to our China business for December 2004 were not reflected in our Consolidated Statements of Income and net income for the China business for the one month period ended December 31, 2004 was recognized as an adjustment directly to consolidated retained earnings in the year ended December 31, 2005.

For the month of December 2004 the China business had revenues of $79 million and net income of $6 million. As mentioned previously, neither of these amounts is included in our Consolidated Statement of Income for the year ended December 31, 2005 and the net income figure was credited directly to retained earnings in the first quarter of 2005. Net income for the month of December 2004 was negatively impacted by costs incurred in preparation of opening a significant number of new stores in early 2005 as well as increased advertising expense, all of which was recorded in December's results of operations. Additionally, the net increase in cash for the China business in December 2004 has been presented as a single line item on our Consolidated Statement of Cash Flows for the year ended December 31, 2005. The $34 million net increase in cash was primarily attributable to short-term borrowings for working capital purposes, a majority of which were repaid prior to the end of the China business' first quarter of 2005.

Note 2 - Summary of Significant Accounting Policies

Our preparation of the accompanying Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Principles of Consolidation and Basis of Preparation. Intercompany accounts and transactions have been eliminated. Certain investments in businesses that operate our Concepts are accounted for by the equity method. Our lack of majority voting rights precludes us from controlling these affiliates, and thus we do not consolidate these affiliates. Our share of the net income or loss of those unconsolidated affiliates is included in other (income) expense.

We participate in various advertising cooperatives with our franchisees and licensees established to collect and administer funds contributed for use in advertising and promotional programs designed to increase sales and enhance the reputation of the Company and its franchise owners. Contributions to the advertising cooperatives are required for both company operated and franchise restaurants and are generally based on a percent of restaurant sales. In certain of these cooperatives we possess majority voting rights, and thus control and consolidate the cooperatives. We report all assets and liabilities of these advertising cooperatives that we consolidate as advertising cooperative assets, restricted and advertising cooperative liabilities in the Consolidated Balance Sheet. The advertising cooperatives assets, consisting primarily of cash received from the Company and franchisees and accounts receivable from franchisees, can only be used for selected purposes and are considered restricted. The advertising cooperative liabilities represent the corresponding obligation arising from the receipt of the contributions to purchase advertising and promotional programs. As the contributions to these cooperatives are designated and segregated for advertising, we act as an agent for the franchisees and licensees with regard to these contributions. Thus, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 45, "Accounting for Franchise Fee Revenue," we do not reflect franchisee and licensee contributions to these cooperatives in our Consolidated Statements of Income or Consolidated Statements of Cash Flows.

Fiscal Year. Our fiscal year ends on the last Saturday in December and, as a result, a 53rd week is added every five or six years. Fiscal year 2005 included 53 weeks. The first three quarters of each fiscal year consist of 12 weeks and the fourth quarter consists of 16 weeks in fiscal years with 52 weeks and 17 weeks in fiscal years with 53 weeks. In fiscal year 2005, the 53rd week added $96 million to total revenues and $23 million to total operating profit in our Consolidated Statement of Income. Our subsidiaries operate on similar fiscal calendars with period or month end dates suited to their businesses. The subsidiaries' period end dates are within one week of YUM's period end date with the exception of all of our international businesses except China. The international businesses except China close one period or one month earlier to facilitate consolidated reporting.

Reclassifications. We have reclassified certain items in the accompanying Consolidated Financial Statements and Notes thereto for prior periods to be comparable with the classification for the fiscal year ended December 29, 2007. These reclassifications had no effect on previously reported net income.

Specifically, we reclassified $15 million for the cumulative impact of excess tax benefits from prior year exercises of share-based compensation that were inappropriately recognized as Deferred income taxes in 2006 to Common Stock. This correction also resulted in Net Cash Provided by Operating Activities decreasing by $3 million and $5 million versus previously reported amounts for the years ended 2006 and 2005, respectively, with an offsetting impact to Net Cash Used in Financing Activities.

Additionally, we have netted amounts previously presented as Wrench litigation (income) expense and AmeriServe and other charges (credits) in our Consolidated Statements of Income for 2006 and 2005 and included those amounts in Other (income) expense in the current year presentation. These two items resulted in a $1 million and $4 million increase in Other (income) expense in 2006 and 2005, respectively.

Franchise and License Operations. We execute franchise or license agreements for each unit which set out the terms of our arrangement with the franchisee or licensee. Our franchise and license agreements typically require the franchisee or licensee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to our approval and their payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

We incur expenses that benefit both our franchise and license communities and their representative organizations and our Company operated restaurants. These expenses, along with other costs of servicing of franchise and license agreements are charged to general and administrative ("G&A") expenses as incurred. Certain direct costs of our franchise and license operations are charged to franchise and license expenses. These costs include provisions for estimated uncollectible fees, franchise and license marketing funding, amortization expense for franchise related intangible assets and certain other direct incremental franchise and license support costs.

We monitor the financial condition of our franchisees and licensees and record provisions for estimated losses on receivables when we believe that our franchisees or licensees are unable to make their required payments. While we use the best information available in making our determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond our control. Net provisions for uncollectible franchise and license receivables of $2 million, $2 million and $3 million were included in Franchise and license expenses in 2007, 2006 and 2005, respectively.

Revenue Recognition. Our revenues consist of sales by Company operated restaurants and fees from our franchisees and licensees. Revenues from Company operated restaurants are recognized when payment is tendered at the time of sale. The Company presents sales net of sales tax and other sales related taxes. We recognize initial fees received from a franchisee or licensee as revenue when we have performed substantially all initial services required by the franchise or license agreement, which is generally upon the opening of a store. We recognize continuing fees based upon a percentage of franchisee and licensee sales as earned. We recognize renewal fees when a renewal agreement with a franchisee or licensee becomes effective. We include initial fees collected upon the sale of a restaurant to a franchisee in refranchising (gain) loss.

Direct Marketing Costs. We charge direct marketing costs to expense ratably in relation to revenues over the year in which incurred and, in the case of advertising production costs, in the year the advertisement is first shown. Deferred direct marketing costs, which are classified as prepaid expenses, consist of media and related advertising production costs which will generally be used for the first time in the next fiscal year and have historically not been significant. To the extent we participate in advertising cooperatives, we expense our contributions as incurred. Our advertising expenses were $556 million, $521 million and $519 million in 2007, 2006 and 2005, respectively. We report substantially all of our direct marketing costs in occupancy and other operating expenses.

Research and Development Expenses. Research and development expenses, which we expense as incurred, are reported in G&A expenses. Research and development expenses were $39 million, $33 million and $33 million in 2007, 2006 and 2005, respectively.

Share-Based Employee Compensation. We account for share-based employee compensation in accordance with SFAS No. 123 (Revised 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R requires all share-based payments to employees, including grants of employee stock options and stock appreciation rights ("SARs"), to be recognized in the financial statements as compensation cost over the service period based on their fair value on the date of grant. Compensation cost is recognized over the service period on a straight-line basis for the fair value of awards that actually vest.

Impairment or Disposal of Long-Lived Assets. In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), we review our long-lived assets related to each restaurant that we are currently operating and have not offered to refranchise, including any allocated intangible assets subject to amortization, semi-annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. We evaluate restaurants using a "two-year history of operating losses" as our primary indicator of potential impairment. Based on the best information available, we write down an impaired restaurant to its estimated fair market value, which becomes its new cost basis. We generally measure estimated fair market value by discounting estimated future cash flows. In addition, when we decide to close a restaurant it is reviewed for impairment and depreciable lives are adjusted based on the expected disposal date. The impairment evaluation is based on the estimated cash flows from continuing use through the expected disposal date plus the expected terminal value.

We account for exit or disposal activities, including store closures, in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). Store closure costs include costs of disposing of the assets as well as other facility-related expenses from previously closed stores. These store closure costs are generally expensed as incurred. Additionally, at the date we cease using a property under an operating lease, we record a liability for the net present value of any remaining lease obligations, net of estimated sublease income, if any. Any subsequent adjustments to that liability as a result of lease termination or changes in estimates of sublease income are recorded in store closure costs as well. To the extent we sell assets, primarily land, associated with a closed store, any gain or loss upon that sale is also recorded in store closure (income) costs.

Refranchising (gain) loss includes the gains or losses from the sales of our restaurants to new and existing franchisees and the related initial franchise fees, reduced by transaction costs. In executing our refranchising initiatives, we most often offer groups of restaurants. We classify restaurants as held for sale and suspend depreciation and amortization when (a) we make a decision to refranchise; (b) the stores can be immediately removed from operations; (c) we have begun an active program to locate a buyer; (d) significant changes to the plan of sale are not likely; and (e) the sale is probable within one year. We recognize estimated losses on refranchisings when the restaurants are classified as held for sale. When we have offered to refranchise stores or groups of stores for a price less than their carrying value, but do not believe the store(s) have met the criteria to be classified as held for sale, we recognize impairment at the offer date for any excess of carrying value over the expected sales proceeds plus holding period cash flows, if any. Such impairment is classified as refranchising loss. We recognize gains on restaurant refranchisings when the sale transaction closes, the franchisee has a minimum amount of the purchase price in at-risk equity, and we are satisfied that the franchisee can meet its financial obligations. If the criteria for gain recognition are not met, we defer the gain to the extent we have a remaining financial exposure in connection with the sales transaction. Deferred gains are recognized when the gain recognition criteria are met or as our financial exposure is reduced. When we make a decision to retain a store, or group of stores, previously held for sale, we revalue the store at the lower of its (a) net book value at our original sale decision date less normal depreciation and amortization that would have been recorded during the period held for sale or (b) its current fair market value. This value becomes the store's new cost basis. We record any resulting difference between the store's carrying amount and its new cost basis to refranchising (gain) loss.

Considerable management judgment is necessary to estimate future cash flows, including cash flows from continuing use, terminal value, sublease income and refranchising proceeds. Accordingly, actual results could vary significantly from our estimates.

Impairment of Investments in Unconsolidated Affiliates. We record impairment charges related to an investment in an unconsolidated affiliate whenever events or circumstances indicate that a decrease in the fair value of an investment has occurred which is other than temporary. In addition, we evaluate our investments in unconsolidated affiliates for impairment when they have experienced two consecutive years of operating losses. We recorded no impairment associated with our investments in unconsolidated affiliates during the years ended December 29, 2007, December 30, 2006 and December 31, 2005.

Considerable management judgment is necessary to estimate future cash flows. Accordingly, actual results could vary significantly from our estimates.

Guarantees. We account for certain guarantees in accordance with Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34" ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. FIN 45 also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of certain obligations undertaken.

We have also issued guarantees as a result of assigning our interest in obligations under operating leases as a condition to the refranchising of certain Company restaurants. Such guarantees are subject to the requirements of SFAS No. 145,

"Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"). We recognize a liability for the fair value of such lease guarantees under SFAS 145 upon refranchising and upon any subsequent renewals of such leases when we remain contingently liable. The related expense in both instances is included in refranchising (gain) loss.

Income Taxes. We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under SFAS 109, we record deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, a valuation allowance is recorded to reduce the carrying amount of deferred tax assets if it is more likely than not all or a portion of the asset will not be realized.

Effective December 31, 2006, we adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), an interpretation of SFAS 109. FIN 48 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not (i.e. a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. FIN 48 also requires that changes in judgment that result in subsequent recognition, derecognition or change in a measurement of a tax position taken in a prior annual period (including any related interest and penalties) be recognized as a discrete item in the interim period in which the change occurs. Prior to adopting FIN 48, we provided reserves for potential exposures when we considered it probable that a taxing authority may take a sustainable position on a matter contrary to our position and recorded any changes in judgment thereon as a component of our annual effective rate.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as components of its income tax provision.

See Note 20 for a further discussion of our income taxes.

Cash and Cash Equivalents. Cash equivalents represent funds we have temporarily invested (with original maturities not exceeding three months) as part of managing our day-to-day operating cash receipts and disbursements. Included in cash equivalents are short-term, highly liquid debt securities of $481 million and $92 million classified as held-to-maturity at December 29, 2007 and December 30, 2006, respectively.

Inventories. We value our inventories at the lower of cost (computed on the first-in, first-out method) or net realizable value.

Property, Plant and Equipment. We state property, plant and equipment at cost less accumulated depreciation and amortization. We calculate depreciation and amortization on a straight-line basis over the estimated useful lives of the assets as follows: 5 to 25 years for buildings and improvements, 3 to 20 years for machinery and equipment and 3 to 7 years for capitalized software costs. As discussed above, we suspend depreciation and amortization on assets related to restaurants that are held for sale.

Leases and Leasehold Improvements. We account for our leases in accordance with SFAS No. 13, "Accounting for Leases" ("SFAS 13") and other related authoritative guidance. When determining the lease term, we often include option periods for which failure to renew the lease imposes a penalty on the Company in such an amount that a renewal appears, at the inception of the lease, to be reasonably assured. The primary penalty to which we are subject is the economic detriment associated with the existence of leasehold improvements which might be impaired if we choose not to continue the use of the leased property.

We record rent expense for leases that contain scheduled rent increases on a straight-line basis over the lease term, including any option periods considered in the determination of that lease term. Contingent rentals are generally based on sales levels in excess of stipulated amounts, and thus are not considered minimum lease payments and are included in rent expense as they accrue. We generally do not receive leasehold improvement incentives upon opening a store that is subject to a lease.

Prior to fiscal year 2006, we capitalized rent while we were constructing a restaurant even if such construction period was subject to a rent holiday. Such capitalized rent was then expensed on a straight-line basis over the remaining term of the lease upon opening of the restaurant. Effective January 1, 2006 as required by FASB Staff Position ("FSP") No. 13-1, "Accounting for Rental Costs Incurred during a Construction Period" ("FSP 13-1"), we began expensing rent associated with leased land or buildings for construction periods whether rent was paid or we were subject to a rent holiday. The adoption of FSP 13-1 did not significantly impact our results of operations in 2007 or 2006 and we do not anticipate significant future impact.

Internal Development Costs and Abandoned Site Costs. We capitalize direct costs associated with the site acquisition and construction of a Company unit on that site, including direct internal payroll and payroll-related costs. Only those site-specific costs incurred subsequent to the time that the site acquisition is considered probable are capitalized. If we subsequently make a determination that a site for which internal development costs have been capitalized will not be acquired or developed, any previously capitalized internal development costs are expensed and included in G&A expenses.

Goodwill and Intangible Assets. The Company accounts for acquisitions of restaurants from franchisees and other acquisitions of businesses that may occur from time to time in accordance with SFAS No. 141, "Business Combinations" ("SFAS 141"). Goodwill in such acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets, and liabilities assumed. SFAS 141 specifies criteria to be used in determining whether intangible assets acquired in a business combination must be recognized and reported separately from goodwill. We base amounts assigned to goodwill and other identifiable intangible assets on independent appraisals or internal estimates. If a Company restaurant is sold within two years of acquisition, the goodwill associated with the acquisition is written off in its entirety. If the restaurant is refranchised beyond two years, the amount of goodwill written off is based on the relative fair value of the restaurant to the fair value of the reporting unit, as described below.

The Company accounts for recorded goodwill and other intangible assets in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). In accordance with SFAS 142, we do not amortize goodwill and indefinite-lived intangible assets. We evaluate the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, we amortize the intangible asset prospectively over its estimated remaining useful life. Amortizable intangible assets are amortized on a straight-line basis.

In accordance with the requirements of SFAS 142, goodwill has been assigned to reporting units for purposes of impairment testing. Our reporting units are our operating segments in the U.S. (see Note 21) and our business management units internationally (typically individual countries). We evaluate goodwill and indefinite lived assets for impairment on an annual basis or more often if an event occurs or circumstances change that indicate impairments might exist. Goodwill impairment tests consist of a comparison of each reporting unit's fair value with its carrying value. Fair value is the price a willing buyer would pay for a reporting unit, and is generally estimated using either discounted expected future cash flows from operations or the present value of the estimated future franchise royalty stream plus any estimated sales proceeds from refranchising. Any estimated sales proceeds are based on relevant historical sales multiples. If the carrying value of a reporting unit exceeds its fair value, goodwill is written down to its implied fair value. We have selected the beginning of our fourth quarter as the date on which to perform our ongoing annual

impairment test for goodwill. For 2007, 2006 and 2005, there was no impairment of goodwill identified during our annual impairment testing.

For indefinite-lived intangible assets, our impairment test consists of a comparison of the fair value of an intangible asset with its carrying amount. Fair value is an estimate of the price a willing buyer would pay for the intangible asset and is generally estimated by discounting the expected future cash flows associated with the intangible asset. We also perform our annual test for impairment of our indefinite-lived intangible assets at the beginning of our fourth quarter. No impairment of indefinite-lived intangible assets was recorded in 2007, 2006 and 2005.

Our amortizable intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. An intangible asset that is deemed impaired is written down to its estimated fair value, which is based on discounted cash flows. For purposes of our impairment analysis, we update the cash flows that were initially used to value the amortizable intangible asset to reflect our current estimates and assumptions over the asset's future remaining life.

Derivative Financial Instruments. Historically we have engaged in transactions involving various derivative instruments to hedge interest rates and foreign currency denominated purchases, assets and liabilities. These derivative contracts are entered into with financial institutions. We do not use derivative instruments for trading purposes and we have procedures in place to monitor and control their use.

We account for these derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") as amended by SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). SFAS 133 requires that all derivative instruments be recorded on the Consolidated Balance Sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument is dependent upon whether the derivative has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in the results of operations. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For derivative instruments that are designated and qualify as a net investment hedge, the effective portion of the gain or loss on the derivative instrument is reported in the foreign currency translation component of other comprehensive income (loss). Any ineffective portion of the gain or loss on the derivative instrument for a cash flow hedge or net investment hedge is recorded in the results of operations immediately. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in the results of operations immediately. See Note 15 for a discussion of our use of derivative instruments, management of credit risk inherent in derivative instruments and fair value information.

Common Stock Share Repurchases. From time to time, we repurchase shares of our Common Stock under share repurchase programs authorized by our Board of Directors. Shares repurchased constitute authorized, but unissued shares under the North Carolina laws under which we are incorporated. Additionally, our Common Stock has no par or stated value. Accordingly, we record the full value of share repurchases, upon the trade date, against Common Stock except when to do so would result in a negative balance in our Common Stock account. In such instances, on a period basis, we record the cost of any further share repurchases as a reduction in retained earnings. Due to the large number of share repurchases and the increase in our Common Stock market value over the past several years, our Common Stock balance is frequently zero at the end of any period. Accordingly, $1,154 million and $713 million in share repurchases were recorded as a reduction in retained earnings in 2007 and 2006, respectively. We have no legal restrictions on the payment of dividends. See Note 19 for additional information.

Pension and Post-Retirement Medical Benefits. In the fourth quarter of 2006, we adopted the recognition and disclosure provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement

Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS 158"). SFAS 158 amends SFAS No. 87, "Employers' Accounting for Pensions" ("SFAS 87"), SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Plans and for Termination Benefits" ("SFAS 88"), SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106") and SFAS No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits."

SFAS 158 required the Company to recognize the funded status of its pension and post-retirement plans in the December 30, 2006 Consolidated Balance Sheet, with a corresponding adjustment to accumulated other comprehensive income, net of tax. Gains or losses and prior service costs or credits that arise in future years will be recognized as a component of other comprehensive income to the extent they have not been recognized as a component of net periodic benefit cost pursuant to SFAS 87 or SFAS 106.

The incremental effects of adopting the provisions of SFAS 158 on the Company's Consolidated Balance Sheet at December 30, 2006 are presented as follows. The adoption of SFAS 158 had no impact on the Consolidated Statement of Income.

	Before Application of SFAS 158	Adjustments	After Application of SFAS 158
Intangible assets, net	$ 350	$ (3)	$ 347
Deferred income taxes	283	37	320
Total assets	6,334	34	6,368
Accounts payable and other current liabilities	1,384	2	1,386
Other liabilities and deferred credits	1,048	99	1,147
Total liabilities	4,815	101	4,916
Accumulated other comprehensive loss	(89)	(67)	(156)
Total shareholders' equity	1,519	(67)	1,452

Quantification of Misstatements. In September 2006, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement for the purpose of a materiality assessment. SAB 108 requires that registrants quantify a current year misstatement using an approach that considers both the impact of prior year misstatements that remain on the balance sheet and those that were recorded in the current year income statement (the "Dual Method"). Historically, we quantified misstatements and assessed materiality based on a current year income statement approach. We were required to adopt SAB 108 in the fourth quarter of 2006.

The transition provisions of SAB 108 permit uncorrected prior year misstatements that were not material to any prior periods under our historical income statement approach but that would have been material under the dual method of SAB 108 to be corrected in the carrying amounts of assets and liabilities at the beginning of 2006 with the offsetting adjustment to retained earnings for the cumulative effect of misstatements. We have adjusted certain balances in the accompanying Consolidated Financial Statements at the beginning of 2006 to correct the misstatements discussed below which we considered to be immaterial in prior periods under our historical approach. The impact of the January 1, 2006 cumulative effect adjustment, net of any income tax effect, was an increase to retained earnings as follows:

Deferred Tax Liabilities Adjustments	$ 79
Reversal of Unallocated Reserve	6
Non-GAAP Conventions	15
Net Increase to January 1, 2006 Retained Earnings	$ 100

Deferred Taxes Our opening Consolidated Balance Sheet at Spin-off included significant deferred tax assets and liabilities. Over time we have determined that deferred tax liability amounts were recorded in excess of those necessary to reflect our temporary differences.

Unallocated Reserves A reserve was established in 1999 equal to certain out of year corrections recorded during that year such that there was no misstatement under our historical approach. No adjustments have been recorded to this reserve since its establishment and we do not believe the reserve is required.

Non-GAAP Accounting Conventions Prior to 2006, we used certain non-GAAP conventions to account for capitalized interest on restaurant construction projects, the leases of our Pizza Hut United Kingdom ("U.K.") unconsolidated affiliate and certain state tax benefits. The net income statement impact on any given year from the use of these non-GAAP conventions was immaterial both individually and in the aggregate under our historical approach. Below is a summary of the accounting policies we adopted effective the beginning of 2006 and the impact of the cumulative effect adjustment under SAB 108, net of any income tax effect. The impact of these accounting policy changes was not significant to our results of operations in 2006 or 2007.

Interest Capitalization SFAS No. 34, "Capitalization of Interest Cost" requires that interest be capitalized as part of an asset's acquisition cost. We traditionally have not capitalized interest on individual restaurant construction projects. We increased our 2006 beginning retained earnings balance by approximately $12 million for the estimated capitalized interest on existing restaurants, net of accumulated depreciation.

Lease Accounting by our Pizza Hut United Kingdom Unconsolidated Affiliate Prior to our fourth quarter 2006 acquisition of the remaining fifty percent interest in our Pizza Hut U.K. unconsolidated affiliate, we accounted for our ownership under the equity method. The unconsolidated affiliate historically accounted for all of its leases as operating and we made no adjustments in recording equity income. We decreased our 2006 beginning retained earnings balance by approximately $4 million to reflect our fifty percent share of the cumulative equity income impact of properly recording certain leases as capital.

Recognition of Certain State Tax Benefits We historically recognized certain state tax benefits on a cash basis as they were recognized on the respective state tax returns instead of in the year the benefit originated. We increased our 2006 beginning retained earnings by approximately $7 million to recognize these state tax benefits as deferred tax assets.

New Accounting Pronouncements Not Yet Adopted.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measures" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. SFAS 157, as issued, was effective for fiscal years beginning after November 15, 2007, the year beginning December 30, 2007 for the Company. In February 2008, the FASB issued FSP 157-2, "Effective Date of FASB Statement No. 157" which permits a one-year deferral for the implementation of SFAS 157 with regard to non-financial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We intend to defer adoption of SFAS 157 for such items. We currently anticipate that neither the partial adoption of SFAS 157 in 2008 nor the full adoption in 2009 will materially impact the Company's results of operations or financial condition.

In the fourth quarter of 2006, we adopted the recognition and disclosure provisions of SFAS 158 as described previously. Additionally, SFAS 158 requires measurement of the funded status of pension and postretirement plans as of the date of a company's fiscal year that ends after December 15, 2008 (the year ended December 27, 2008 for the Company). Certain of our plans currently have measurement dates that do not coincide with our fiscal year end and thus we will be required to change their measurement dates in 2008. As permitted by SFAS 158, we will use the measurements performed in 2007

to estimate the effects of our changes to fiscal year end measurement dates. The impact of transitioning to fiscal year end measurement dates, including the net periodic benefit cost computed for the period between our previous measurement dates and our fiscal year ends, as well as changes in the fair value of plan assets and benefit obligations during the same periods, will be recorded directly to Shareholders' Equity. We do not currently anticipate any such amount will materially impact our financial condition.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007, the year beginning December 30, 2007 for the Company. We did not elect to begin reporting any financial assets or liabilities at fair value upon adoption of SFAS 159 nor do we currently anticipate that the adoption of SFAS 159 will materially impact the Company going forward.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"). SFAS 141R, which is broader in scope than SFAS 141, applies to all transactions or other events in which an entity obtains control of one or more businesses, and requires that the acquisition method be used for such transactions or events. SFAS 141R, with limited exceptions, will require an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. This will result in acquisition related costs and anticipated restructuring costs related to the acquisition being recognized separately from the business combination. This statement is effective as the beginning of an entity's first fiscal year beginning after December 15, 2008, the year beginning December 28, 2008 for the Company. The impact of SFAS 141R on the Company will be dependent upon the extent to which we have transactions or events occur that are within its scope.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 160 amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," and will change the accounting and reporting for noncontrolling interests, which are the portion of equity in a subsidiary not attributable, directly or indirectly to a parent. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008, the year beginning December 28, 2008 for the Company and requires retroactive adoption of its presentation and disclosure requirements. We do not anticipate that the adoption of SFAS 160 will materially impact the Company.

Note 3 - Two-for-One Common Stock Split

On May 17, 2007, the Company announced that its Board of Directors approved a two-for-one split of the Company's outstanding shares of Common Stock. The stock split was effected in the form of a stock dividend and entitled each shareholder of record at the close of business on June 1, 2007 to receive one additional share for every outstanding share of Common Stock held. The stock dividend was distributed on June 26, 2007, with approximately 261 million shares of Common Stock distributed. All per share and share amounts in the accompanying Financial Statements and Notes to the Financial Statements have been adjusted to reflect the stock split.

Note 4 – Earnings Per Common Share ("EPS")

	2007	2006	2005
Net income	$ 909	$ 824	$ 762
Weighted-average common shares outstanding (for basic calculation)	522	546	572
Effect of dilutive share-based employee compensation	19	18	25
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)	541	564	597
Basic EPS	$ 1.74	$ 1.51	$ 1.33
Diluted EPS	$ 1.68	$ 1.46	$ 1.28
Unexercised employee stock options and stock appreciation rights (in millions) excluded from the diluted EPS compensation [(a)]	5.7	13.3	7.5

(a) These unexercised employee stock options and stock appreciation rights were not included in the computation of diluted EPS because to do so would have been antidilutive for the periods presented.

Note 5 – Items Affecting Comparability of Net Income and Cash Flows

Sale of an Investment in Unconsolidated Affiliate - Japan

In December 2007, we sold our interest in our unconsolidated affiliate in Japan for $128 million in cash (includes the impact of related foreign currency contracts that were settled in December 2007). Our international subsidiary that owned this interest operates on a fiscal calendar with a period end that is approximately one month earlier than our consolidated period close. Thus, consistent with our historical treatment of events occurring during the lag period, the pre-tax gain on the sale of this investment of approximately $87 million will be recorded in the first quarter of 2008. However, the cash proceeds from this transaction were transferred from our international subsidiary to the U.S. in December 2007 and are thus reported on our Consolidated Statement of Cash Flows for the year ended December 29, 2007. The offset to this cash on our Consolidated Balance Sheet at December 29, 2007 is in accounts payable and other current liabilities.

While we will no longer have an ownership interest in this entity that operates both KFCs and Pizza Huts in Japan, it will continue to be a franchisee as it was when it operated as an unconsolidated affiliate. This sale of our interest will result in lower Other income as we will no longer record our share of the entity's earnings under the equity method of accounting. Had this sale occurred at the beginning of 2007, our International Division's Other income would have decreased $4 million.

Facility Actions

Refranchising (gain) loss, store closure (income) costs and store impairment charges by reportable segment are as follows:

	2007	2006	2005
U.S.			
Refranchising net (gain) loss [(a)]	$ (12)	$ (20)	$ (40)
Store closure (income) costs [(b)]	(9)	(1)	2
Store impairment charges	23	38	44
Closure and impairment expenses	$ 14	$ 37	$ 46
International Division			
Refranchising net (gain) loss [(a)]	$ 3	$ (4)	$ (3)
Store closure (income) costs [(b)]	1	1	(1)
Store impairment charges	13	15	10
Closure and impairment expenses	$ 14	$ 16	$ 9
China Division			
Refranchising net (gain) loss [(a)]	$ (2)	$ —	$ —
Store closure (income) costs [(b)]	—	(1)	(1)
Store impairment charges	7	7	8
Closure and impairment expenses	$ 7	$ 6	$ 7
Worldwide			
Refranchising net (gain) loss [(a)]	$ (11)	$ (24)	$ (43)
Store closure (income) costs [(b)]	(8)	(1)	—
Store impairment charges	43	60	62
Closure and impairment expenses	$ 35	$ 59	$ 62

(a) Refranchising (gain) loss is not allocated to segments for performance reporting purposes.

(b) Store closure (income) costs include the net gain or loss on sales of real estate on which we formerly operated a Company restaurant that was closed, lease reserves established when we cease using a property under an operating lease and subsequent adjustments to those reserves, and other facility-related expenses from previously closed stores.

The following table summarizes the 2007 and 2006 activity related to reserves for remaining lease obligations for closed stores.

	Beginning Balance	Amounts Used	New Decisions	Estimate/Decision Changes	CTA/ Other	Ending Balance
2007 Activity	$ 36	(12)	8	1	1	$ 34
2006 Activity	$ 44	(17)	8	1	—	$ 36

Assets held for sale at December 29, 2007 and December 30, 2006 total $9 million and $13 million, respectively, of U.S. property, plant and equipment, primarily land, on which we previously operated restaurants and are included in prepaid expenses and other current assets on our Consolidated Balance Sheets.

Note 6 – Supplemental Cash Flow Data

	2007	2006	2005
Cash Paid For:			
Interest	$ 177	$ 185	$ 132
Income taxes	264	304	232
Significant Non-Cash Investing and Financing Activities:			
Capital lease obligations incurred to acquire assets	$ 59[(a)]	$ 9	$ 7
Net investment in direct financing leases	33	—	—

(a) Includes the capital lease of an airplane (see Note 14).

During 2006 we assumed the full liability associated with capital leases of $97 million and short-term borrowings of $23 million when we acquired the remaining fifty percent ownership interest of our Pizza Hut U.K. unconsolidated affiliate (See Note 7). Previously, our fifty percent share of these liabilities were reflected in our Investment in unconsolidated affiliate balance under the equity method of accounting and were not presented as liabilities on our Consolidated Balance Sheet.

Note 7 - Pizza Hut United Kingdom Acquisition

On September 12, 2006, we completed the acquisition of the remaining fifty percent ownership interest of our Pizza Hut U.K. unconsolidated affiliate for $187 million in cash, including transaction costs and prior to $9 million of cash assumed . This unconsolidated affiliate owned more than 500 restaurants in the U.K. The acquisition was driven by growth opportunities we see in the market and the desire of our former partner in the unconsolidated affiliate to refocus its business to other industry sectors. Prior to this acquisition, we accounted for our ownership interest under the equity method of accounting. Our Investment in unconsolidated affiliate balance for the Pizza Hut U.K. unconsolidated affiliate was $51 million at the date of this acquisition.

Subsequent to the acquisition we consolidated all of the assets and liabilities of Pizza Hut U.K. These assets and liabilities were valued at fifty percent of their historical carrying value and fifty percent of their fair value upon acquisition. During 2007 we finalized our purchase price allocation such that assets and liabilities recorded for Pizza Hut U.K. due to the acquisition were as follows:

Current assets, including cash of $9	$ 27
Property, plant and equipment	338
Intangible assets	18
Goodwill	125
Total assets acquired	508
Current liabilities, other than capital lease obligations and short-term borrowings	107
Capital lease obligation, including current portion	97
Short-term borrowings	23
Other long-term liabilities	43
Total liabilities assumed	270
Net assets acquired (cash paid and investment allocated)	$ 238

All of the $18 million in intangible assets (primarily reacquired franchise rights) are subject to amortization with a weighted average life of approximately 18 years. The $125 million in goodwill is not expected to be deductible for income tax purposes and will be allocated to the International Division in its entirety.

Under the equity method of accounting, we reported our fifty percent share of the net income of the unconsolidated affiliate (after interest expense and income taxes) as Other (income) expense in the Consolidated Statements of Income. We also recorded a franchise fee for the royalty received from the stores owned by the unconsolidated affiliate. Since the date of acquisition, we have reported Company sales and the associated restaurant costs, G&A expense, interest expense and income taxes associated with the restaurants previously owned by the unconsolidated affiliate in the appropriate line items of our Consolidated Statements of Income. We no longer record franchise fee income for the restaurants previously owned by the unconsolidated affiliate nor do we report other income under the equity method of accounting. As a result of this acquisition, Company sales and restaurant profit increased $576 million and $59 million, respectively, franchise fees decreased $19 million and G&A expenses increased $33 million in 2007 compared to 2006. As a result of this acquisition, Company sales and restaurant profit increased $164 million and $16 million, respectively, franchise fees decreased $7 million and G&A expenses increased $8 million in 2006 compared to 2005. The impact of the acquisition on operating profit and net income was not significant in either year.

If the acquisition had been completed as of the beginning of the years ended December 30, 2006 and December 31, 2005, pro forma Company sales and franchise and license fees would have been as follows:

	2006	2005
Company sales	$ 8,886	$ 8,944
Franchise and license fees	$ 1,176	$ 1,095

The pro forma impact of the acquisition on net income and diluted earnings per share would not have been significant in 2006 and 2005. The pro forma information is not necessarily indicative of the results of operations had the acquisition actually occurred at the beginning of each of these periods nor is it necessarily indicative of future results.

Note 8 – Franchise and License Fees

	2007	2006	2005
Initial fees, including renewal fees	$ 49	$ 57	$ 51
Initial franchise fees included in refranchising gains	(10)	(17)	(10)
	39	40	41
Continuing fees	1,277	1,156	1,083
	$ 1,316	$ 1,196	$ 1,124

Note 9 – Other (Income) Expense

	2007	2006	2005
Equity income from investments in unconsolidated affiliates	$ (51)	$ (51)	$ (51)
Gain upon sale of investment in unconsolidated affiliate [(a)]	(6)	(2)	(11)
Recovery from supplier [(b)]	—	—	(20)
Contract termination charge [(c)]	—	8	—
Wrench litigation income [(d)]	(11)	—	(2)
Foreign exchange net (gain) loss and other	(3)	(7)	—
Other (income) expense	$ (71)	$ (52)	$ (84)

(a) Fiscal years 2007 and 2006 reflect recognition of income associated with receipt of payments for a note receivable arising from the 2005 sale of our fifty percent interest in the entity that operated almost all KFCs and Pizza Huts in Poland and the Czech Republic to our then partner in the entity. Fiscal year 2005 reflects the gain recognized at the date of this sale.

(b) Relates to a financial recovery from a supplier ingredient issue in mainland China totaling $24 million, $4 million of which was recognized through equity income from investments in unconsolidated affiliates. Our KFC business in mainland China was negatively impacted by the interruption of product offerings and negative publicity associated with a supplier ingredient issue experienced in late March 2005. During 2005, we entered into agreements with the supplier for a partial recovery of our losses.

(c) Reflects an $8 million charge associated with the termination of a beverage agreement in the U.S. segment.

(d) Fiscal years 2007 and 2005 reflect financial recoveries from settlements with insurance carriers related to a lawsuit settled by Taco Bell Corporation in 2004.

Note 10 - Property, Plant and Equipment, net

	2007	2006
Land	$ 548	$ 541
Buildings and improvements	3,649	3,449
Capital leases, primarily buildings	284	221
Machinery and equipment	2,651	2,566
	7,132	6,777
Accumulated depreciation and amortization	(3,283)	(3,146)
	$ 3,849	$ 3,631

Depreciation and amortization expense related to property, plant and equipment was $514 million, $466 million and $459 million in 2007, 2006 and 2005, respectively.

Note 11 – Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

	U.S.	International Division	China Division	Worldwide
Balance as of December 31, 2005	$ 384	$ 96	$ 58	$ 538
Acquisitions	—	123	—	123
Disposals and other, net [(a)]	(17)	18	—	1
Balance as of December 30, 2006	$ 367	$ 237	$ 58	$ 662
Acquisitions	—	—	—	—
Disposals and other, net [(b)]	(9)	17	2	10
Balance as of December 29, 2007	$ 358	$ 254	$ 60	$ 672

(a) Disposals and other, net for the International Division primarily reflects the impact of foreign currency translation on existing balances. Disposals and other, net for the U.S. Division, primarily reflects goodwill write-offs associated with refranchising.

(b) Disposals and other, net for the International Division primarily reflects adjustments to the Pizza Hut U.K. goodwill allocation and the impact of foreign currency translation on existing balances. Disposals and other, net for the U.S. Division, primarily reflects goodwill write-offs associated with refranchising.

Intangible assets, net for the years ended 2007 and 2006 are as follows:

	2007		2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets				
Franchise contract rights	$ 157	$ (73)	$ 153	$ (66)
Trademarks/brands	221	(26)	220	(18)
Favorable/unfavorable operating leases	15	(12)	15	(10)
Reacquired franchise rights	17	(1)	18	—
Other	6	(2)	5	(1)
	$ 416	$ (114)	$ 411	$ (95)
Unamortized intangible assets				
Trademarks/brands	$ 31		$ 31	

We have recorded intangible assets through past acquisitions representing the value of our KFC, LJS and A&W trademarks/brands. The value of a trademark/brand is determined based upon the value derived from the royalty we avoid, in the case of Company stores, or receive, in the case of franchise and licensee stores, for the use of the trademark/brand. We have determined that our KFC trademark/brand intangible asset has an indefinite life and therefore is not amortized. We have determined that our LJS and A&W trademarks/brands are subject to amortization and are being amortized over their expected useful lives which are currently thirty years.

Amortization expense for all definite-lived intangible assets was $19 million in 2007, $15 million in 2006 and $13 million in 2005. Amortization expense for definite-lived intangible assets will approximate $18 million annually in 2008 through 2012.

Note 12 – Accounts Payable and Other Current Liabilities

	2007	2006
Accounts payable	$ 639	$ 554
Accrued compensation and benefits	372	302
Dividends payable	75	119
Proceeds from sale of interest in Japan unconsolidated affiliate (See Note 5)	128	—
Other current liabilities	436	411
	$ 1,650	$ 1,386

Note 13 – Short-term Borrowings and Long-term Debt

	2007	2006
Short-term Borrowings		
Unsecured Term Loans, expire January 2007	$ —	$ 183
Current maturities of long-term debt	268	16
Other	20	28
	$ 288	$ 227
Long-term Debt		
Unsecured International Revolving Credit Facility, expires November 2012	$ 28	$ 174
Unsecured Revolving Credit Facility, expires November 2012	—	—
Senior, Unsecured Notes, due May 2008	250	251
Senior, Unsecured Notes, due April 2011	648	646
Senior, Unsecured Notes, due July 2012	399	399
Senior, Unsecured Notes, due April 2016	300	300
Senior, Unsecured Notes, due March 2018	598	—
Senior, Unsecured Notes, due November 2037	597	—
Capital lease obligations (See Note 14)	282	228
Other, due through 2019 (11%)	73	76
	3,175	2,074
Less current maturities of long-term debt	(268)	(16)
Long-term debt excluding SFAS 133 adjustment	2,907	2,058
Derivative instrument adjustment under SFAS 133 (See Note 15)	17	(13)
Long-term debt including SFAS 133 adjustment	$ 2,924	$ 2,045

On November 29, 2007, the Company executed an amended and restated five-year senior unsecured Revolving Credit Facility (the "Credit Facility") totaling $1.15 billion which replaced a five-year facility in the amount of $1.0 billion that was set to expire on September 7, 2009. The Credit Facility is unconditionally guaranteed by our principal domestic subsidiaries and contains financial covenants relating to maintenance of leverage and fixed charge coverage ratios. The Credit Facility also contains affirmative and negative covenants including, among other things, limitations on certain additional indebtedness and liens and certain other transactions specified in the agreement. We were in compliance with all debt covenants at December 29, 2007.

Under the terms of the Credit Facility, we may borrow up to the maximum borrowing limit less outstanding letters of credit or banker's acceptances, where applicable. At December 29, 2007, our unused Credit Facility totaled $971 million, net of outstanding letters of credit of $179 million. There were no borrowings under the Credit Facility at December 29, 2007. The interest rate for borrowings under the Credit Facility ranges from 0.25% to 1.25% over the London Interbank Offered Rate ("LIBOR") or is determined by an Alternate Base Rate, which is the greater of the Prime Rate or the Federal Funds Rate plus 0.50%. The exact spread over LIBOR or the Alternate Base Rate, as applicable, depends on our performance under specified financial criteria. Interest on any outstanding borrowings under the Credit Facility is payable at least quarterly.

On November 29, 2007, the Company executed an amended and restated five-year revolving credit facility (the "International Credit Facility" or "ICF") totaling $350 million, which replaced a five-year facility also in the amount of $350 million that was set to expire on November 8, 2010. The ICF is unconditionally guaranteed by YUM and by YUM's principal domestic subsidiaries and contains covenants substantially identical to those of the Credit Facility. We were in compliance with all debt covenants at the end of 2007.

There were borrowings of $28 million and available credit of $322 million outstanding under the ICF at the end of 2007. The interest rate for borrowings under the ICF ranges from 0.31% to 1.50% over LIBOR or is determined by a Canadian Alternate Base Rate, which is the greater of the Citibank, N.A., Canadian Branch's publicly announced reference rate or the "Canadian Dollar Offered Rate" plus 0.50%. The exact spread over LIBOR or the Canadian Alternate Base Rate, as applicable, depends upon YUM's performance under specified financial criteria. Interest on any outstanding borrowings under the ICF is payable at least quarterly.

In 2006, we executed two short-term borrowing arrangements (the "Term Loans") on behalf of the International Division. There were borrowings of $183 million outstanding at the end of 2006 under the Term Loans, both of which expired and were repaid in the first quarter of 2007.

The majority of our remaining long-term debt primarily comprises Senior Unsecured Notes. The Senior Unsecured Notes represent senior, unsecured obligations and rank equally in right of payment with all of our existing and future unsecured unsubordinated indebtedness. Amounts outstanding under Senior Unsecured Notes were $2.8 billion at December 29, 2007. This amount includes $600 million aggregate principal amount of 6.25% Senior Unsecured Notes that were issued in October 2007 and are due on March 15, 2018 and $600 million aggregate principal amount of 6.875% Senior Unsecured Notes that were issued in October 2007 and are due November 15, 2037 (together the "2007 Notes"). We are using the proceeds from the 2007 Notes to repay outstanding borrowings on our Credit Facility, for additional share repurchases and for general corporate purposes.

In anticipation of issuing the 2007 Notes, we entered into treasury locks and forward starting interest rate swaps with aggregate notional amounts of $100 million and $400 million, respectively, to hedge the interest rate risk attributable to changes in the United States Treasury Rates and the LIBOR, respectively, prior to issuance of the 2007 Notes. As these treasury locks and forward starting interest rate swaps were designated and highly effective in offsetting this variability in cash flows associated with the future interest payments, a resulting $1 million treasury lock gain and $22 million forward starting interest rate swap loss from settlement of these instruments is being amortized over ten and thirty years, respectively, as a decrease and increase in interest expense, respectively.

The following table summarizes all Senior Unsecured Notes issued that remain outstanding at December 29, 2007:

			Interest Rate	
Issuance Date [a]	Maturity Date	Principal Amount (in millions)	Stated	Effective [b]
May 1998	May 2008	250	7.65%	7.81%
April 2001	April 2011	650	8.88%	9.20%
June 2002	July 2012	400	7.70%	8.04%
April 2006	April 2016	300	6.25%	6.03%
October 2007	March 2018	600	6.25%	6.38%
October 2007	November 2037	600	6.88%	7.29%

(a) Interest payments commenced six months after issuance date and are payable semi-annually thereafter.

(b) Includes the effects of the amortization of any (1) premium or discount; (2) debt issuance costs; and (3) gain or loss upon settlement of related treasury locks and forward starting interest rate swaps utilized to hedge the interest rate risk prior to the debt issuance. Excludes the effect of any swaps that remain outstanding as described in Note 15.

The annual maturities of short-term borrowings and long-term debt as of December 29, 2007, excluding capital lease obligations of $282 million and derivative instrument adjustments of $17 million, are as follows:

Year ended:	
2008	$ 273
2009	3
2010	3
2011	654
2012	433
Thereafter	1,555
Total	$ 2,921

Interest expense on short-term borrowings and long-term debt was $199 million, $172 million and $147 million in 2007, 2006 and 2005, respectively.

Note 14 – Leases

At December 29, 2007 we operated more than 7,600 restaurants, leasing the underlying land and/or building in more than 6,000 of those restaurants with the vast majority of our commitments expiring within 15 to 20 years from the inception of the lease. Our longest lease expires in 2151. We also lease office space for headquarters and support functions, as well as certain office and restaurant equipment. We do not consider any of these individual leases material to our operations. Most leases require us to pay related executory costs, which include property taxes, maintenance and insurance.

In 2007, we entered into an agreement to lease a corporate aircraft to enhance our international travel capabilities. This lease provides for an upfront payment of $10 million and monthly payments for three years. At the end of the three-year period we have the option to purchase the aircraft. In accordance with SFAS No. 13, this lease has been classified as capital and we had a related capital lease obligation recorded of $41 million at December 29, 2007. Our lease is with CVS Corporation (“CVS”). One of the Company’s directors is the Chairman, Chief Executive Officer and President of CVS. Multiple independent appraisals were obtained during the negotiation process to insure that the lease was reflective of an arms-length transaction.

Future minimum commitments and amounts to be received as lessor or sublessor under non-cancelable leases are set forth below:

	Commitments		Lease Receivables	
	Capital	Operating	Direct Financing	Operating
2008	$ 24	$ 462	$ 7	$ 41
2009	24	417	8	37
2010	62	381	8	35
2011	20	340	8	29
2012	20	300	8	24
Thereafter	240	1,986	58	124
	$ 390	$ 3,886	$ 97	$ 290

At December 29, 2007 and December 30, 2006, the present value of minimum payments under capital leases was $282 million and $228 million, respectively. At December 29, 2007 and December 30, 2006, unearned income associated with direct financing lease receivables was $46 million and $24 million, respectively.

The details of rental expense and income are set forth below:

	2007	2006	2005
Rental expense			
Minimum	$ 474	$ 412	$ 380
Contingent	81	62	51
	$ 555	$ 474	$ 431
Minimum rental income	$ 23	$ 21	$ 24

Note 15 - Financial Instruments

Interest Rate Derivative Instruments. We enter into interest rate swaps with the objective of reducing our exposure to interest rate risk and lowering interest expense for a portion of our debt. Under the contracts, we agree with other parties to exchange, at specified intervals, the difference between variable rate and fixed rate amounts calculated on a notional principal amount. At both December 29, 2007 and December 30, 2006, interest rate derivative instruments outstanding had notional amounts of $850 million. These swaps have reset dates and floating rate indices which match those of our underlying fixed-rate debt and have been designated as fair value hedges of a portion of that debt. As the swaps qualify for the short-cut method under SFAS 133, no ineffectiveness has been recorded. The fair value of these swaps as of December 29, 2007 was a net asset of approximately $15 million, of which $16 million and $1 million were included in Other assets and Other liabilities and deferred credits, respectively. The fair value of these swaps as of December 30, 2006 was a liability of approximately $15 million, which were included in Other liabilities and deferred credits. The portion of this fair value which has not yet been recognized as an addition to interest expense at December 29, 2007 and December 30, 2006 has been included as an addition of $17 million and a reduction of $13 million, respectively, to long-term debt.

Foreign Exchange Derivative Instruments. We enter into foreign currency forward contracts with the objective of reducing our exposure to cash flow volatility arising from foreign currency fluctuations associated with certain foreign currency denominated intercompany short-term receivables and payables. The notional amount, maturity date, and currency of these contracts match those of the underlying receivables or payables. For those foreign currency exchange forward contracts that we have designated as cash flow hedges, we measure ineffectiveness by comparing the cumulative

change in the forward contract with the cumulative change in the hedged item. No material ineffectiveness was recognized in 2007, 2006 or 2005 for those foreign currency forward contracts designated as cash flow hedges.

Deferred Amounts in Accumulated Other Comprehensive Income (Loss). As of December 29, 2007, we had a net deferred loss associated with cash flow hedges of approximately $10 million, net of tax, due to treasury locks, forward starting interest rate swaps and foreign currency forward contracts. The vast majority of this loss arose from the settlement of forward starting interest rate swaps entered into prior to the issuance of our Senior Unsecured Notes due in 2037, and is being reclassified into earnings through 2037 to interest expense. See Note 13 for further discussion of these forward starting interest rate swaps.

Credit Risks. Credit risk from interest rate swaps and foreign currency forward contracts is dependent both on movement in interest and currency rates and the possibility of non-payment by counterparties. We mitigate credit risk by entering into these agreements with high-quality counterparties, and settle both interest rate swaps and foreign currency forward contracts for the net of our payable and receivable with the counterparty under the agreement.

Accounts receivable consists primarily of amounts due from franchisees and licensees for initial and continuing fees. In addition, we have notes and lease receivables from certain of our franchisees. The financial condition of these franchisees and licensees is largely dependent upon the underlying business trends of our Concepts. This concentration of credit risk is mitigated, in part, by the large number of franchisees and licensees of each Concept and the short-term nature of the franchise and license fee receivables.

Fair Value. At December 29, 2007 and December 30, 2006, the fair values of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying values because of the short-term nature of these instruments. The fair value of notes receivable approximates the carrying value after consideration of recorded allowances.

The carrying amounts and fair values of our other financial instruments subject to fair value disclosures are as follows:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Debt				
Short-term borrowings and long-term debt, excluding capital leases and the derivative instrument adjustments	$ 2,913	$ 3,081	$ 2,057	$ 2,230
Debt-related derivative instruments:				
Open contracts in a net asset (liability) position	15	15	(15)	(15)
Foreign currency-related derivative instruments:				
Open contracts in a net asset (liability) position	—	—	(7)	(7)
Lease guarantees	22	26	19	28
Guarantees supporting financial arrangements of certain franchisees and other third parties	8	8	7	7
Letters of credit	—	1	—	1

We estimated the fair value of debt, debt-related derivative instruments, foreign currency-related derivative instruments, guarantees and letters of credit using market quotes and calculations based on market rates.

Note 16 – Pension and Postretirement Medical Benefits

The following disclosures reflect our 2006 adoption of the recognition and disclosure provisions of SFAS 158 as discussed in Note 2.

Pension Benefits. We sponsor noncontributory defined benefit pension plans covering certain full-time salaried and hourly U.S. employees. The most significant of these plans, the YUM Retirement Plan (the "Plan"), is funded while benefits from the other U.S. plans are paid by the Company as incurred. During 2001, the plans covering our U.S. salaried employees were amended such that any salaried employee hired or rehired by YUM after September 30, 2001 is not eligible to participate in those plans. Benefits are based on years of service and earnings or stated amounts for each year of service. We also sponsor various defined benefit pension plans covering certain of our non-U.S. employees, the most significant of which are in the U.K. (including a plan for Pizza Hut U.K. employees that was sponsored by our unconsolidated affiliate prior to our acquisition of the remaining fifty percent interest in the unconsolidated affiliate in 2006). Our plans in the U.K. have previously been amended such that new employees are not eligible to participate in these plans.

Obligation and Funded Status at Measurement Date:

The following chart summarizes the balance sheet impact, as well as benefit obligations, assets, and funded status associated with our U.S. pension plans and significant International pension plans based on actuarial valuations prepared as of a measurement date of September 30, 2007 and 2006, with the exception of the Pizza Hut U.K. pension plan where such information is presented as of a measurement date of November 30, 2007 and 2006.

	U.S. Pension Plans		International Pension Plans	
	2007	2006	2007	2006
Change in benefit obligation				
Benefit obligation at beginning of year	$ 864	$ 815	$ 152	$ 57
Service cost	33	34	9	5
Interest cost	50	46	8	4
Participant contributions	—	—	2	1
Plan amendments	4	(3)	—	—
Acquisitions [(a)]	—	—	4	71
Curtailment gain	(4)	(1)	—	—
Exchange rate changes	—	—	8	14
Benefits and expenses paid	(34)	(29)	(2)	(1)
Actuarial (gain) loss	(71)	2	(20)	1
Benefit obligation at end of year	$ 842	$ 864	$ 161	$ 152
Change in plan assets				
Fair value of plan assets at beginning of year	$ 673	$ 610	$ 117	$ 39
Actual return on plan assets	93	60	11	6
Employer contributions	2	35	6	19
Participant contributions	—	—	2	1
Acquisitions [(a)]	—	—	—	40
Benefits paid	(33)	(29)	(2)	(1)
Exchange rate changes	—	—	5	13
Administrative expenses	(3)	(3)	—	—
Fair value of plan assets at end of year	$ 732	$ 673	$ 139	$ 117
Funded status at end of year	$ (110)	$ (191)	$ (22)	$ (35)

(a) Relates to the acquisition of the remaining fifty percent interest in our Pizza Hut U.K. unconsolidated affiliate.

Amounts recognized in the Consolidated Balance Sheet:

	U.S. Pension Plans		International Pension Plans	
	2007	2006	2007	2006
Accrued benefit asset – non-current	$ —	$ —	$ 5	$ —
Accrued benefit liability – current	(6)	(2)	—	—
Accrued benefit liability – non-current	(104)	(189)	(27)	(35)
	$ (110)	$ (191)	$ (22)	$ (35)

Amounts recognized as a loss in Accumulated Other Comprehensive Income:

	U.S. Pension Plans		International Pension Plans	
	2007	2006	2007	2006
Actuarial net loss	$ 77	$ 216	$ 13	$ 31
Prior service cost	3	—	—	—
	$ 80	$ 216	$ 13	$ 31

The accumulated benefit obligation for the U.S. and International pension plans was $900 million and $916 million at December 29, 2007 and December 30, 2006, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	U.S. Pension Plans		International Pension Plans	
	2007	2006	2007	2006
Projected benefit obligation	$ 73	$ 864	$ 80	$ 79
Accumulated benefit obligation	64	786	74	75
Fair value of plan assets	—	673	53	44

Information for pension plans with a projected benefit obligation in excess of plan assets:

	U.S. Pension Plans		International Pension Plans	
	2007	2006	2007	2006
Projected benefit obligation	$ 842	$ 864	$ 80	$ 79
Accumulated benefit obligation	770	786	74	75
Fair value of plan assets	732	673	53	44

Based on current funding rules, we do not anticipate being required to make contributions to the Plan in 2008, but we may make discretionary contributions during the year based on our estimate of the Plan's expected December 27, 2008 funded status. The funding rules for our pension plans outside the U.S. vary from country to country and depend on many factors including discount rates, performance of plan assets, local laws and tax regulations. Since our plan assets currently approximate our projected benefit obligation for our KFC U.K. pension plan, we did not make a significant contribution in 2007 and we do not anticipate any significant near term funding. The projected benefit obligation of our Pizza Hut U.K. pension plan exceeds plan assets by approximately $27 million. We anticipate taking steps to reduce this deficit in the near term, which could include a decision to partially or completely fund the deficit in 2008.

We do not anticipate any plan assets being returned to the Company during 2008 for any plans.

Components of net periodic benefit cost:

Net periodic benefit cost	U.S. Pension Plans			International Pension Plans [d]		
	2007	2006	2005	2007	2006	2005
Service cost	$ 33	$ 34	$ 33	$ 9	$ 5	$ 3
Interest cost	50	46	43	8	4	2
Amortization of prior service cost [a]	1	3	3	—	—	—
Expected return on plan assets	(51)	(47)	(45)	(9)	(4)	(2)
Amortization of net loss	23	30	22	1	1	—
Net periodic benefit cost	$ 56	$ 66	$ 56	$ 9	$ 6	$ 3
Additional loss recognized due to:						
Curtailment [b]	$ —	$ —	$ 1	$ —	$ —	$ —
Settlement [c]	$ —	$ —	$ 3	$ —	$ —	$ —

Pension losses in accumulated other comprehensive income (loss):

	U.S. Pension Plans	International Pension Plans
	2007	2007
Beginning of year	$ 216	$ 31
Net actuarial gain	(116)	(17)
Amortization of net loss	(23)	(1)
Prior service cost	4	—
Amortization of prior service cost	(1)	—
End of year	$ 80	$ 13

(a) Prior service costs are amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits.

(b) Curtailment losses have been recognized as refranchising losses as they have resulted primarily from refranchising activities.

(c) Settlement loss results from benefit payments from a non-funded plan exceeding the sum of the service cost and interest cost for that plan during the year.

(d) Excludes pension expense for the Pizza Hut U.K. pension plan of $4 million in both 2006 and 2005 related to periods prior to our acquisition of the remaining fifty percent interest in the unconsolidated affiliate.

The estimated net loss for the U.S. and International pension plans that will be amortized from accumulated other comprehensive loss into net periodic pension cost in 2008 is $6 million and $1 million, respectively. The estimated prior service cost for the U.S. pension plans that will be amortized from accumulated other comprehensive loss into net periodic pension cost in 2008 is $1 million.

Weighted-average assumptions used to determine benefit obligations at the measurement dates:

	U.S. Pension Plans		International Pension Plans	
	2007	2006	2007	2006
Discount rate	6.50%	5.95%	5.60%	5.00%
Rate of compensation increase	3.75%	3.75%	4.30%	3.77%

Weighted-average assumptions used to determine the net periodic benefit cost for fiscal years:

	U.S. Pension Plans			International Pension Plans		
	2007	2006	2005	2007	2006	2005
Discount rate	5.95%	5.75%	6.15%	5.00%	5.00%	5.50%
Long-term rate of return on plan assets	8.00%	8.00%	8.50%	7.07%	6.70%	7.00%
Rate of compensation increase	3.75%	3.75%	3.75%	3.78%	3.85%	4.00%

Our estimated long-term rate of return on plan assets represents the weighted-average of expected future returns on the asset categories included in our target investment allocation based primarily on the historical returns for each asset category, adjusted for an assessment of current market conditions.

Plan Assets

Our pension plan weighted-average asset allocations at the measurement dates, by asset category are set forth below:

	U.S. Pension Plans		International Pension Plans	
Asset Category	2007	2006	2007	2006
Equity securities	71%	70%	80%	80%
Debt securities	29	30	20	20
Total	100%	100%	100%	100%

Our primary objectives regarding the Plan's assets, which make up 84% of total pension plan assets at the 2007 measurement dates, are to optimize return on assets subject to acceptable risk and to maintain liquidity, meet minimum funding requirements and minimize plan expenses. To achieve these objectives, we have adopted a passive investment strategy in which the asset performance is driven primarily by the investment allocation. Our target investment allocation is 70% equity securities and 30% debt securities, consisting primarily of low cost index mutual funds that track several sub-categories of equity and debt security performance. The investment strategy is primarily driven by our Plan's participants' ages and reflects a long-term investment horizon favoring a higher equity component in the investment allocation.

A mutual fund held as an investment by the Plan includes YUM stock in the amount of $0.4 million at September 30, 2007 and 2006 (less than 1% of total plan assets in each instance).

Benefit Payments

The benefits expected to be paid in each of the next five years and in the aggregate for the five years thereafter are set forth below:

Year ended:	U.S. Pension Plans	International Pension Plans
2008	$ 43	$ 2
2009	34	2
2010	36	2
2011	39	2
2012	42	2
2013 - 2017	263	12

Expected benefits are estimated based on the same assumptions used to measure our benefit obligation on the measurement date and include benefits attributable to estimated further employee service.

Postretirement Medical Benefits

Our postretirement plan provides health care benefits, principally to U.S. salaried retirees and their dependents, and includes retiree cost sharing provisions. During 2001, the plan was amended such that any salaried employee hired or rehired by YUM after September 30, 2001 is not eligible to participate in this plan. Employees hired prior to September 30, 2001 are eligible for benefits if they meet age and service requirements and qualify for retirement benefits. We fund our postretirement plan as benefits are paid.

At the end of 2007 and 2006, the accumulated postretirement benefit obligation is $73 million and $68 million, respectively. The unrecognized actuarial loss recognized in Accumulated other comprehensive loss is $9 million at the end of 2007 and $4 million at the end of 2006. The net periodic benefit cost recorded in 2007, 2006 and 2005 was $5 million, $6 million and $8 million, respectively, the majority of which is interest cost on the accumulated postretirement benefit obligation. The weighted-average assumptions used to determine benefit obligations and net periodic benefit cost for the postretirement medical plan are identical to those as shown for the U.S. pension plans. Our assumed heath care cost trend rates for the following year as of 2007 and 2006 are 8.0% and 9.0%, respectively, both with an expected ultimate trend rate of 5.5% reached in 2012.

There is a cap on our medical liability for certain retirees. The cap for Medicare eligible retirees was reached in 2000 and the cap for non-Medicare eligible retirees is expected to be reached in 2011; once the cap is reached, our annual cost per retiree will not increase. A one-percentage-point increase or decrease in assumed health care cost trend rates would have less than a $1 million impact on total service and interest cost and on the post retirement benefit obligation. The benefits expected to be paid in each of the next five years are approximately $6 million and in aggregate for the five years thereafter are $33 million.

Note 17 –Stock Options and Stock Appreciation Rights

At year end 2007, we had four stock award plans in effect: the YUM! Brands, Inc. Long-Term Incentive Plan (“1999 LTIP”), the 1997 Long-Term Incentive Plan (“1997 LTIP”), the YUM! Brands, Inc. Restaurant General Manager Stock Option Plan (“RGM Plan”) and the YUM! Brands, Inc. SharePower Plan (“SharePower”). Under all our plans, the exercise price of stock options and stock appreciation rights (“SARs”) granted must be equal to or greater than the average market price or the ending market price of the Company’s stock on the date of grant.

We may grant awards of up to 59.6 million shares and 90.0 million shares of stock under the 1999 LTIP, as amended, and 1997 LTIP, respectively. Potential awards to employees and non-employee directors under the 1999 LTIP include stock options, incentive stock options, SARs, restricted stock, stock units, restricted stock units, performance shares and performance units. Potential awards to employees and non-employee directors under the 1997 LTIP include restricted stock and performance restricted stock units. Prior to January 1, 2002, we also could grant stock options, incentive stock options and SARs under the 1997 LTIP. Through December 29, 2007, we have issued only stock options and performance restricted stock units under the 1997 LTIP and have issued only stock options and SARs under the 1999 LTIP. While awards under the 1999 LTIP can have varying vesting provisions and exercise periods, previously granted awards under the 1997 LTIP and 1999 LTIP vest in periods ranging from immediate to 10 years and expire ten to fifteen years after grant.

We may grant awards to purchase up to 30.0 million shares of stock under the RGM Plan. Potential awards to employees under the RGM Plan include stock options and SARs. RGM Plan awards granted have a four year cliff vesting period and expire ten years after grant. Certain RGM Plan awards are granted upon attainment of performance conditions in the previous year. Expense for such awards is recognized over a period that includes the performance condition period.

We may grant awards to purchase up to 28.0 million shares of stock under SharePower. Potential awards to employees under SharePower include stock options, SARs, restricted stock and restricted stock units. SharePower awards granted subsequent to the Spin-off Date consist only of stock options and SARs to date, which vest over a period ranging from one to four years and expire no longer than ten years after grant. Previously granted SharePower awards have expirations through 2017.

We estimated the fair value of each award made during 2007, 2006 and 2005 as of the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2007	2006	2005
Risk-free interest rate	4.7%	4.5%	3.8%
Expected term (years)	6.0	6.0	6.0
Expected volatility	28.8%	31.0%	36.6%
Expected dividend yield	2.0%	1.0%	0.9%

We believe it is appropriate to group our awards into two homogeneous groups when estimating expected term. These groups consist of grants made primarily to restaurant-level employees under the RGM Plan, which cliff vest after four years and expire ten years after grant, and grants made to executives under our other stock award plans, which typically have a graded vesting schedule of 25% per year over four years and expire ten years after grant. We use a single-weighted average expected term for our awards that have a graded vesting schedule as permitted by SFAS 123R. Based on analysis of our historical exercise and post-vesting termination behavior we have determined that six years is an appropriate term for both awards to our restaurant-level employees and awards to our executives.

When determining expected volatility, we consider both historical volatility of our stock as well as implied volatility associated with our traded options.

A summary of award activity as of December 29, 2007, and changes during the year then ended is presented below.

	Shares	Weighted-Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding at the beginning of the year	54,603	$ 14.93		
Granted	7,302	29.77		
Exercised	(10,564)	11.16		
Forfeited or expired	(2,204)	23.35		
Outstanding at the end of the year	49,137	$ 17.57	5.67	$ 1,030
Exercisable at the end of the year	30,516	$ 12.80	4.23	$ 786

The weighted-average grant-date fair value of awards granted during 2007, 2006 and 2005 was $8.85, $8.52 and $8.89, respectively. The total intrinsic value of stock options and SARs exercised during the years ended December 29, 2007, December 30, 2006 and December 31, 2005, was $238 million, $215 million and $271 million, respectively.

As of December 29, 2007, there was $103 million of unrecognized compensation cost, which will be reduced by any forfeitures that occur, related to unvested awards that is expected to be recognized over a weighted-average period of 2.7 years. The total fair value at grant date of awards vested during 2007, 2006 and 2005 was $58 million, $57 million and $57 million, respectively.

The total compensation expense for stock options and SARs recognized was $56 million, $60 million and $58 million in 2007, 2006 and 2005, respectively. The related tax benefit recognized from this expense was $19 million, $21 million and $20 million in 2007, 2006 and 2005, respectively.

Cash received from stock options exercises for 2007, 2006 and 2005, was $112 million, $142 million and $148 million, respectively. Tax benefits realized on our tax returns from tax deductions associated with stock options and SARs exercised for 2007, 2006 and 2005 totaled $76 million, $68 million and $94 million, respectively.

The Company has a policy of repurchasing shares on the open market to satisfy award exercises and expects to repurchase approximately 10 million shares during 2008 based on estimates of stock option and SARs exercises for that period.

Note 18 – Other Compensation and Benefit Programs

Executive Income Deferral Program (the “EID Plan”)

The EID Plan allows participants to defer receipt of a portion of their annual salary and all or a portion of their incentive compensation. As defined by the EID Plan, we credit the amounts deferred with earnings based on the investment options selected by the participants. These investment options are limited to cash, phantom shares of our Common Stock, phantom shares of a Stock Index Fund and phantom shares of a Bond Index Fund. Additionally, the EID Plan allows participants to defer incentive compensation to purchase phantom shares of our Common Stock at a 25% discount from the average market price at the date of deferral (the “Discount Stock Account”). Deferrals to the Discount Stock Account are similar to a restricted stock unit award in that participants will generally forfeit both the discount and incentive compensation amounts deferred to the Discount Stock Account if they voluntarily separate from employment during a vesting period that is two years. We expense the intrinsic value of the discount and, beginning in 2006, the incentive compensation over the requisite service period which includes the vesting period. Investments in cash, the Stock Index fund and the Bond Index fund will be distributed in cash at a date as elected by the employee and therefore are classified as a liability on our Consolidated Balance Sheets. We recognize compensation expense for the appreciation or

depreciation of these investments. As investments in the phantom shares of our Common Stock can only be settled in shares of our Common Stock, we do not recognize compensation expense for the appreciation or the depreciation, if any, of these investments. Deferrals into the phantom shares of our Common Stock are credited to the Common Stock Account.

As of December 29, 2007, total deferrals to phantom shares of our Common Stock within the EID Plan totaled approximately 6.1 million shares. We recognized compensation expense of $9 million, $8 million and $4 million, including discount amortization of $5 million, $5 million and $4 million, in 2007, 2006 and 2005, respectively, for the EID Plan. These expense amounts do not include the salary or bonus actually deferred into Common Stock of $15 million, $17 million and $13 million in 2007, 2006 and 2005, respectively.

Contributory 401(k) Plan

We sponsor a contributory plan to provide retirement benefits under the provisions of Section 401(k) of the Internal Revenue Code (the "401(k) Plan") for eligible U.S. salaried and hourly employees. Participants are able to elect to contribute up to 25% of eligible compensation on a pre-tax basis. Participants may allocate their contributions to one or any combination of 10 investment options within the 401(k) Plan. We match 100% of the participant's contribution to the 401(k) Plan up to 3% of eligible compensation and 50% of the participant's contribution on the next 2% of eligible compensation. We recognized as compensation expense our total matching contribution of $13 million in 2007 and $12 million in 2006 and 2005.

Note 19 – Shareholders' Equity

Under the authority of our Board of Directors, we repurchased shares of our Common Stock during 2007, 2006 and 2005. All amounts exclude applicable transaction fees.

	Shares Repurchased (thousands)			Dollar Value of Shares Repurchased		
Authorization Date	2007	2006	2005	2007	2006	2005
October 2007	11,431	—	—	$ 437	$ —	$ —
March 2007	15,092	—	—	500	—	—
September 2006	15,274	1,056	—	469	31	—
March 2006	—	20,145	—	—	500	—
November 2005	—	19,128	1,289	—	469	31
May 2005	—	—	20,279	—	—	500
January 2005	—	—	19,926	—	—	500
May 2004	—	—	1,068	—	—	25
Total	41,797	40,329	42,562	$ 1,406[(a)]	$ 1,000[(b)]	$ 1,056

(a) Amounts excludes the effects of $17 million in share repurchases (0.6 million shares) with trade dates prior to the 2006 fiscal year end but cash settlement dates subsequent to the 2006 fiscal year end and includes the effect of $13 million in share repurchases (0.4 million shares) with trade dates prior to the 2007 fiscal year end but cash settlement dates subsequent to the 2007 fiscal year.

(b) Amount includes effects of $17 million in share repurchases (0.6 million shares) with trade dates prior to the 2006 fiscal year end but cash settlement dates subsequent to the 2006 fiscal year end.

As of December 29, 2007, we have $813 million available for future repurchases (includes the impact of shares repurchased but not yet cash settled above) under our October 2007 share repurchase authorization. Additionally, in January 2008 our Board of Directors authorized additional share repurchases, through January 2009, of up to an additional $1.25 billion (excluding applicable transaction fees) of our outstanding Common Stock. Based on market conditions and other factors, additional repurchases may be made from time to time in the open market or through privately negotiated transactions at the discretion of the Company.

Accumulated Other Comprehensive Income (Loss) – Comprehensive income is net income plus certain other items that are recorded directly to shareholders' equity. Amounts included in other accumulated comprehensive loss for the Company's derivative instruments and unrecognized actuarial losses are recorded net of the related income tax effects. Refer to Note 16 for additional information about our pension accounting and Note 15 for additional information about our derivative instruments. The following table gives further detail regarding the composition of other accumulated comprehensive income (loss) at December 29, 2007 and December 30, 2006.

	2007	2006
Foreign currency translation adjustment	$ 94	$ —
Pension and post retirement losses, net of tax	(64)	(160)
Net unrealized losses on derivative instruments, net of tax	(10)	4
Total accumulated other comprehensive income (loss)	$ 20	$ (156)

Note 20 – Income Taxes

The details of our income tax provision (benefit) are set forth below:

		2007	2006	2005
Current:	Federal	$ 229	$ 181	$ 241
	Foreign	151	131	113
	State	(3)	2	11
		377	314	365
Deferred:	Federal	(125)	(33)	(66)
	Foreign	27	(13)	(20)
	State	3	16	(15)
		(95)	(30)	(101)
		$ 282	$ 284	$ 264

Included in the federal tax provision above for 2005 is approximately $20 million current tax provided on $500 million of earnings in our foreign investments which we repatriated to the U.S. in 2005. We made the determination to repatriate such earnings as the result of The American Jobs Creation Act of 2004 which became law on October 22, 2004 (the "Act"). The Act allowed a dividend received deduction of 85% of repatriated qualified foreign earnings in fiscal year 2005. The federal and state tax provision for 2006 includes $4 million current tax benefit as a result of the reconciliation of tax on repatriated earnings as recorded in our Consolidated Statements of Income to the amounts on our tax returns.

The deferred tax provision includes $120 million and $39 million of benefit in 2007 and 2005, respectively, and $4 million of expense in 2006 for changes in valuation allowances due to changes in determinations regarding the likelihood of the use of certain deferred tax assets that existed at the beginning of the year. The deferred tax provisions also include $16 million, $72 million and $26 million in 2007, 2006 and 2005, respectively, for increases in valuation allowances recorded against deferred tax assets generated during the year. Additionally, foreign currency translation and other

adjustments contributed to the fluctuations. Total changes in valuation allowances were decreases of $37 million and $36 million in 2007 and 2005, respectively, and an increase of $112 million in 2006. See additional discussion of federal valuation allowances adjustments in the effective tax rate discussion below.

The deferred foreign tax provision includes $17 million and $2 million of expense in 2007 and 2006, respectively, for the impact of changes in statutory tax rates in various countries. The $17 million of expense for 2007 includes $20 million for the Mexico tax law change enacted during the fourth quarter of 2007. The 2007 deferred state tax provision includes $4 million ($3 million, net of federal tax) of benefit for the impact of state law changes. The 2006 deferred state tax provision includes $12 million ($8 million, net of federal tax) of expense for the impact of state law changes. The 2005 deferred state tax provision includes $8 million ($5 million, net of federal tax) of expense for the impact of state law changes.

U.S. and foreign income before income taxes are set forth below:

	2007	2006	2005
U.S.	$ 527	$ 626	$ 690
Foreign	664	482	336
	$ 1,191	$ 1,108	$ 1,026

The above U.S. income includes all income taxed in the U.S. even if the income is earned outside the U.S.

The reconciliation of income taxes calculated at the U.S. federal tax statutory rate to our effective tax rate is set forth below:

	2007	2006	2005
U.S. federal statutory rate	35.0%	35.0%	35.0%
State income tax, net of federal tax benefit	1.0	2.0	1.6
Foreign and U.S. tax effects attributable to foreign operations	(5.7)	(7.8)	(8.4)
Adjustments to reserves and prior years	2.6	(3.5)	(1.1)
Repatriation of foreign earnings	—	(0.4)	2.0
Non-recurring foreign tax credit adjustments	—	(6.2)	(1.7)
Valuation allowance additions (reversals)	(9.0)	6.8	(1.1)
Other, net	(0.2)	(0.3)	(0.5)
Effective income tax rate	23.7%	25.6%	25.8%

Our 2007 effective income tax rate was positively impacted by valuation allowance reversals. In December 2007, the Company finalized various tax planning strategies based on completing a review of our international operations, distributed a $275 million intercompany dividend and sold our interest in our Japan unconsolidated affiliate. As a result, in the fourth quarter of 2007, we reversed approximately $82 million of valuation allowances associated with foreign tax credit carryovers that we now believe are more likely than not to be claimed on future tax returns. In 2007, benefits associated with our foreign and U.S. tax effects attributable to foreign operations were negatively impacted by $36 million of expense associated with the $275 million intercompany dividend and approximately $20 million of expense for adjustments to our deferred tax balances as a result of the Mexico tax law change enacted during the fourth quarter of 2007. These negative impacts were partially offset by a higher percentage of our income being earned outside the U.S. Additionally, the effective tax rate was negatively impacted by the year-over-year change in adjustments to reserves and prior years.

Our 2006 effective income tax rate was positively impacted by the reversal of tax reserves in connection with our regular U.S. audit cycle as well as certain out-of-year adjustments to reserves and accruals that lowered our effective income tax rate by 2.2 percentage points. The reversal of tax reserves was partially offset by valuation allowance additions on foreign tax credits of approximately $36 million for which, as a result of the tax reserve reversals, we believed were not likely to be utilized before they expired. We also recognized deferred tax assets for the foreign tax credit impact of non-recurring decisions to repatriate certain foreign earnings in 2007. However, we provided full valuation allowances on such assets as we did not believe it was more likely than not that they would be realized at that time. The 2005 tax rate was favorably impacted by the reversal of valuation allowances and the recognition of certain non-recurring foreign tax credits that we were able to substantiate during 2005.

Adjustments to reserves and prior years include the effects of the reconciliation of income tax amounts recorded in our Consolidated Statements of Income to amounts reflected on our tax returns, including any adjustments to the Consolidated Balance Sheets. Adjustments to reserves and prior years also includes changes in tax reserves, including interest thereon, established for potential exposure we may incur if a taxing authority takes a position on a matter contrary to our position. We evaluate these reserves, including interest thereon, on a quarterly basis to insure that they have been appropriately adjusted for events, including audit settlements, that we believe may impact our exposure.

The details of 2007 and 2006 deferred tax assets (liabilities) are set forth below:

	2007	2006
Net operating loss and tax credit carryforwards	$ 363	$ 337
Employee benefits, including share-based compensation	209	189
Self-insured casualty claims	73	85
Lease related liabilities	115	95
Various liabilities	124	92
Deferred income and other	36	66
Gross deferred tax assets	920	864
Deferred tax asset valuation allowances	(308)	(345)
Net deferred tax assets	$ 612	$ 519
Intangible assets and property, plant and equipment	$ (156)	$ (149)
Lease related assets	(41)	(23)
Other	(58)	(55)
Gross deferred tax liabilities	(255)	(227)
Net deferred tax assets (liabilities)	$ 357	$ 292
Reported in Consolidated Balance Sheets as:		
Deferred income taxes – current	$ 125	$ 57
Deferred income taxes – long-term	290	320
Accounts payable and other current liabilities	(8)	(8)
Other liabilities and deferred credits	(50)	(77)
	$ 357	$ 292

We have not provided deferred tax on certain undistributed earnings from our foreign subsidiaries as we believe they are indefinitely reinvested. This amount may become taxable upon an actual or deemed repatriation of assets from the subsidiaries or a sale or liquidation of the subsidiaries. We estimate that our total net undistributed earnings upon which

we have not provided deferred tax total approximately $810 million at December 29, 2007. A determination of the deferred tax liability on such earnings is not practicable. Foreign operating and capital loss carryforwards totaling $705 million and state operating loss carryforwards totaling $1.1 billion at year end 2007 are being carried forward in jurisdictions where we are permitted to use tax losses from prior periods to reduce future taxable income. These losses will expire as follows: $27 million in 2008, $113 million between 2009 and 2012, $1.1 billion between 2013 and 2027 and $601 million may be carried forward indefinitely. In addition, tax credits totaling $99 million are available to reduce certain federal and state liabilities, of which $26 million will expire between 2009 and 2012, $66 million will expire between 2013 and 2027 and $7 million may be carried forward indefinitely.

Effective December 31, 2006, we adopted FIN 48 which requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not (i.e. a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. Upon adoption, we recognized an additional $13 million for unrecognized tax benefits, which we accounted for as a reduction to our opening balance of retained earnings.

The Company had $376 million of unrecognized tax benefits at December 29, 2007, $194 million of which, if recognized, would affect the effective income tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

	2007
Balance upon adoption at December 31, 2006	$ 318
Additions on tax positions related to the current year	105
Additions for tax positions of prior years	17
Reductions for tax positions of prior years	(49)
Reductions for settlements	(6)
Reductions due to statute expiration	(11)
Foreign currency translation adjustment	2
Balance at December 29, 2007	$ 376

The balance of unrecognized tax benefits previously disclosed upon adoption as of December 31, 2006 increased from $283 million to $318 million as a result of additional uncertain temporary tax positions identified in 2007. These unrecognized tax benefits were properly recorded on our Consolidated Balance Sheet at December 31, 2006, but were not identified as uncertain tax positions for disclosure purposes. As these items were temporary in nature, there was no change to the disclosed amount of $185 million of unrecognized tax benefits which, if recognized, would affect the effective income tax rate.

The major jurisdictions in which the Company files income tax returns include the U.S. federal jurisdiction, China, the United Kingdom, Mexico and Australia. As of December 29, 2007, the earliest years that the Company was subject to examination in these jurisdictions were 1999 in the U.S., 2004 in China, 2000 in the United Kingdom, 2001 in Mexico and 2003 in Australia. In addition, the Company is subject to various U.S. state income tax examinations, for which, in the aggregate, we had significant unrecognized tax benefits at December 29, 2007. The Company believes that it is reasonably possible that its unrecognized tax benefits may decrease by approximately $110 million in the next 12 months. Of this amount, approximately $95 million relates to items temporary in nature which will have no impact on the 2008 effective tax rate. The remaining $15 million decrease in unrecognized tax benefits relate to various positions, each of which are individually insignificant, which if recognized upon audit settlement or statute expiration, will affect the effective income tax rate by approximately $12 million.

At December 29, 2007, total liabilities of $319 million, including $58 million for the payment of accrued interest and penalties, are included in Other liabilities and deferred credits as reported on the Consolidated Balance Sheet. Total

accrued interest and penalties recorded at December 29, 2007 were $58 million. During 2007, accrued interest decreased by $16 million, of which $11 million affected the 2007 effective tax rate. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as components of its income tax provision.

See Note 22 for further discussion of certain proposed Internal Revenue Service adjustments.

Note 21 – Reportable Operating Segments

We are principally engaged in developing, operating, franchising and licensing the worldwide KFC, Pizza Hut, Taco Bell, LJS and A&W concepts. KFC, Pizza Hut, Taco Bell, LJS and A&W operate throughout the U.S. and in 104, 96, 14, 6 and 10 countries and territories outside the U.S., respectively. Our five largest international markets based on operating profit in 2007 are China, United Kingdom, Asia Franchise, Australia and Mexico. At the end of fiscal year 2007, we had investments in 6 unconsolidated affiliates outside the U.S. which operate principally KFC and/or Pizza Hut restaurants. These unconsolidated affiliates operate in China and Japan. Subsequent to the fiscal year ended 2007 the Company sold its interest in its unconsolidated affiliate in Japan (See Note 5 for further discussion).

We identify our operating segments based on management responsibility. The China Division includes mainland China, Thailand, KFC Taiwan, and the International Division includes the remainder of our international operations. For purposes of applying SFAS No. 131, "Disclosure About Segments of An Enterprise and Related Information" ("SFAS 131") in the U.S., we consider LJS and A&W to be a single operating segment. We consider our KFC, Pizza Hut, Taco Bell and LJS/A&W operating segments in the U.S. to be similar and therefore have aggregated them into a single reportable operating segment.

	Revenues		
	2007	2006	2005
United States	$ 5,197	$ 5,603	$ 5,929
International Division [(a)]	3,075	2,320	2,124
China Division [(a)]	2,144	1,638	1,296
	$ 10,416	$ 9,561	$ 9,349

	Operating Profit; Interest Expense, Net; and Income Before Income Taxes		
	2007	2006	2005
United States	$ 739	$ 763	$ 760
International Division [b]	480	407	372
China Division [b]	375	290	211
Unallocated and corporate expenses	(257)	(229)	(246)
Unallocated other income (expense) [c]	9	7	13
Unallocated refranchising gain (loss) [d]	11	24	43
Total operating profit	1,357	1,262	1,153
Interest expense, net	(166)	(154)	(127)
Income before income taxes	$ 1,191	$ 1,108	$ 1,026

	Depreciation and Amortization		
	2007	2006	2005
United States	$ 247	$ 259	$ 266
International Division	161	115	107
China Division	117	95	82
Corporate	17	10	14
	$ 542	$ 479	$ 469

	Capital Spending		
	2007	2006	2005
United States	$ 304	$ 329	$ 333
International Division	189	118	96
China Division	246	165	159
Corporate	3	2	21
	$ 742	$ 614	$ 609

	Identifiable Assets		
	2007	2006	2005
United States	$ 2,884	$ 2,909	$ 3,118
International Division [e]	2,254	2,100	1,536
China Division [e]	1,116	869	746
Corporate [f]	988	490	397
	$ 7,242	$ 6,368	$ 5,797

	Long-Lived Assets [g]		
	2007	2006	2005
United States	$ 2,595	$ 2,604	$ 2,800
International Division [h]	1,429	1,357	804
China Division [h]	757	595	517
Corporate	73	84	103
	$ 4,854	$ 4,640	$ 4,224

(a) Includes revenues of $1.3 billion, $673 million and $483 million for entities in the United Kingdom for 2007, 2006 and 2005, respectively. Includes revenues of $1.9 billion, $1.4 billion and $1.0 billion in mainland China for 2007, 2006 and 2005, respectively.

(b) Includes equity income of unconsolidated affiliates of $4 million, $10 million and $21 million in 2007, 2006 and 2005, respectively, for the International Division. Includes equity income of unconsolidated affiliates of $47 million, $41 million, and $30 million in 2007, 2006 and 2005, respectively, for the China Division.

(c) Includes net gains of approximately $6 million, $2 million and $11 million in 2007, 2006 and 2005, respectively, associated with the sale of our Poland/Czech Republic business. See Note 9.

(d) Refranchising gain (loss) is not allocated to the U.S., International Division or China Division segments for performance reporting purposes.

(e) Includes investment in unconsolidated affiliates of $63 million, $64 million and $117 million for 2007, 2006 and 2005, respectively, for the International Division. Includes investment in unconsolidated affiliates of $90 million, $74 million and $56 million for 2007, 2006 and 2005, respectively, for the China Division.

(f) Primarily includes deferred tax assets, property, plant and equipment, net, related to our office facilities and cash.

(g) Includes property, plant and equipment, net, goodwill, and intangible assets, net.

(h) Includes long-lived assets of $843 million, $813 million and $271 million for entities in the United Kingdom for 2007, 2006 and 2005, respectively. Includes long-lived assets of $651 million, $495 million and $430 million in mainland China for 2007, 2006 and 2005, respectively.

See Note 5 for additional operating segment disclosures related to impairment, store closure (income) costs and the carrying amount of assets held for sale.

Note 22 – Guarantees, Commitments and Contingencies

Lease Guarantees and Contingencies

As a result of (a) assigning our interest in obligations under real estate leases as a condition to the refranchising of certain Company restaurants; (b) contributing certain Company restaurants to unconsolidated affiliates; and (c) guaranteeing certain other leases, we are frequently contingently liable on lease agreements. These leases have varying terms, the latest of which expires in 2026. As of December 29, 2007, the potential amount of undiscounted payments we could be required to make in the event of non-payment by the primary lessee was approximately $400 million. The present value of these potential payments discounted at our pre-tax cost of debt at December 29, 2007 was approximately $325 million. Our franchisees are the primary lessees under the vast majority of these leases. We generally have cross-default provisions with these franchisees that would put them in default of their franchise agreement in the event of non-payment

under the lease. We believe these cross-default provisions significantly reduce the risk that we will be required to make payments under these leases. Accordingly, the liability recorded for our probable exposure under such leases at December 29, 2007 and December 30, 2006 was not material.

Franchise Loan Pool Guarantees

We have provided a partial guarantee of approximately $12 million of a franchisee loan pool related primarily to the Company's historical refranchising programs and, to a lesser extent, franchisee development of new restaurants, at December 29, 2007. In support of this guarantee, we have provided a standby letter of credit of $18 million under which we could potentially be required to fund a portion of the franchisee loan pool. The total loans outstanding under the loan pool were approximately $62 million at December 29, 2007.

The loan pool is funded by the issuance of commercial paper by a conduit established for that purpose. A disruption in the commercial paper markets may result in the Company and the participating financial institutions having to fund commercial paper issuances that have matured. Any funding under the guarantee or letter of credit would be secured by the franchisee loans and any related collateral. We believe that we have appropriately provided for our estimated probable exposures under these contingent liabilities. These provisions were primarily charged to net refranchising (gain) loss. New loans added to the loan pool in 2007 were not significant.

All outstanding loans in another franchisee loan pool we previously partially guaranteed were paid in full during 2007. No further loans will be made from this loan pool.

Unconsolidated Affiliates Guarantees

From time to time we have guaranteed certain lines of credit and loans of unconsolidated affiliates. At December 29, 2007 there are no guarantees outstanding for unconsolidated affiliates. Our unconsolidated affiliates had total revenues of $1.4 billion for the year ended December 29, 2007 and assets and debt of approximately $665 million and $22 million, respectively, at December 29, 2007.

Insurance Programs

We are self-insured for a substantial portion of our current and prior years' coverage including workers' compensation, employment practices liability, general liability, automobile liability and property losses (collectively, "property and casualty losses"). To mitigate the cost of our exposures for certain property and casualty losses, we make annual decisions to self-insure the risks of loss up to defined maximum per occurrence retentions on a line by line basis or to combine certain lines of coverage into one loss pool with a single self-insured aggregate retention. The Company then purchases insurance coverage, up to a certain limit, for losses that exceed the self-insurance per occurrence or aggregate retention. The insurers' maximum aggregate loss limits are significantly above our actuarially determined probable losses; therefore, we believe the likelihood of losses exceeding the insurers' maximum aggregate loss limits is remote.

In the U.S. and in certain other countries, we are also self-insured for healthcare claims and long-term disability for eligible participating employees subject to certain deductibles and limitations. We have accounted for our retained liabilities for property and casualty losses, healthcare and long-term disability claims, including reported and incurred but not reported claims, based on information provided by independent actuaries.

Due to the inherent volatility of actuarially determined property and casualty loss estimates, it is reasonably possible that we could experience changes in estimated losses which could be material to our growth in quarterly and annual net income. We believe that we have recorded reserves for property and casualty losses at a level which has substantially mitigated the potential negative impact of adverse developments and/or volatility.

Legal Proceedings

We are subject to various claims and contingencies related to lawsuits, real estate, environmental and other matters arising in the normal course of business. We provide reserves for such claims and contingencies when payment is probable and estimable in accordance with SFAS No. 5, "Accounting for Contingencies."

On November 26, 2001, a lawsuit against Long John Silver's, Inc. ("LJS") styled Kevin Johnson, on behalf of himself and all others similarly situated v. Long John Silver's, Inc. ("Johnson") was filed in the United States District Court for the Middle District of Tennessee, Nashville Division. Johnson's suit alleged that LJS's former "Security/Restitution for Losses" policy (the "Policy") provided for deductions from Restaurant General Managers' ("RGMs") and Assistant Restaurant General Managers' ("ARGMs") salaries that violate the salary basis test for exempt personnel under regulations issued pursuant to the U.S. Fair Labor Standards Act ("FLSA"). Johnson alleged that all RGMs and ARGMs who were employed by LJS for the three year period prior to the lawsuit – i.e., since November 26, 1998 – should be treated as the equivalent of hourly employees and thus were eligible under the FLSA for overtime for any hours worked over 40 during all weeks in the recovery period. In addition, Johnson claimed that the potential members of the class are entitled to certain liquidated damages and attorneys' fees under the FLSA.

LJS believed that Johnson's claims, as well as the claims of all other similarly situated parties, should be resolved in individual arbitrations pursuant to LJS's Dispute Resolution Program ("DRP"), and that a collective action to resolve these claims in court was clearly inappropriate under the current state of the law. Accordingly, LJS moved to compel arbitration in the Johnson case. The Court determined on June 7, 2004 that Johnson's individual claims should be referred to arbitration. Johnson appealed, and the decision of the District Court was affirmed in all respects by the United States Court of Appeals for the Sixth Circuit on July 5, 2005.

On December 19, 2003, counsel for plaintiff in the above referenced Johnson lawsuit, filed a separate demand for arbitration with the American Arbitration Association ("AAA") on behalf of former LJS managers Erin Cole and Nick Kaufman (the "Cole Arbitration"). Claimants in the Cole Arbitration demand a class arbitration on behalf of the same putative class - and the same underlying FLSA claims - as were alleged in the Johnson lawsuit. The complaint in the Cole Arbitration subsequently was amended to allege a practice of deductions (distinct from the allegations as to the Policy) in violation of the FLSA salary basis test. LJS has denied the claims and the putative class alleged in the Cole Arbitration.

Arbitrations under LJS's DRP, including the Cole Arbitration, are governed by the rules of the AAA. In October 2003, the AAA adopted its Supplementary Rules for Class Arbitrations ("AAA Class Rules"). The AAA appointed an arbitrator for the Cole Arbitration. On June 15, 2004, the arbitrator issued a clause construction award, ruling that the DRP does not preclude class arbitration. LJS moved to vacate the clause construction award in the United States District Court for the District of South Carolina. On September 15, 2005, the federal court in South Carolina ruled that it did not have jurisdiction to hear LJS's motion to vacate. LJS appealed the U.S. District Court's ruling to the United States Court of Appeals for the Fourth Circuit.

On January 5, 2007, LJS moved to dismiss the clause construction award appeal and that motion was granted by the Fourth Circuit on January 10, 2007. While judicial review of the clause construction award was pending in the U.S. District Court, the arbitrator permitted claimants to move for a class determination award, which was opposed by LJS. On September 19, 2005, the arbitrator issued a class determination award, certifying a class of LJS's RGMs and ARGMs employed between December 17, 1998, and August 22, 2004, on FLSA claims, to proceed on an opt-out basis under the AAA Class Rules. That class determination award was upheld on appeal by the United States District Court for the District of South Carolina on January 20, 2006, and the arbitrator declined to reconsider the award. LJS appealed the ruling of the United States District Court to the United States Court of Appeals for the Fourth Circuit. On January 28, 2008, the Fourth Circuit issued its ruling, affirming the decision of the District Court, and thereby affirming the class determination award of the arbitrator. LJS is currently considering the merits of an appeal to the United States Supreme Court.

In light of the decision of the Fourth Circuit, LJS now believes that it is probable the Cole Arbitration will proceed on a class basis, governed by the opt-out collective action provisions of the AAA Class Rules. LJS also believes, however, that each individual should not be able to recover for more than two years (and a maximum three years) prior to the date they file a consent to join the arbitration. We have provided for the estimated costs of the Cole Arbitration, based on our current projection of eligible claims, the amount of each eligible claim, the estimable claim recovery rates for class actions of this type, the estimated legal fees incurred by the claimants and the results of settlement negotiations in this and other wage and hour litigation matters. But in view of the novelties of proceeding under the AAA Class Rules and the inherent uncertainties of litigation, there can be no assurance that the outcome of the arbitration will not result in losses in excess of those currently provided for in our Consolidated Financial Statements.

On September 2, 2005, a collective action lawsuit against the Company and KFC Corporation, originally styled Parler v. Yum Brands, Inc., d/b/a KFC, and KFC Corporation , was filed in the United States District Court for the District of Minnesota. Plaintiffs allege that they and other current and former KFC Assistant Unit Managers ("AUMs") were improperly classified as exempt employees under the FLSA. Plaintiffs seek overtime wages and liquidated damages. On January 17, 2006, the District Court dismissed the claims against the Company with prejudice, leaving KFC Corporation as the sole defendant. Plaintiffs amended the complaint on September 8, 2006, to add related state law claims on behalf of a putative class of KFC AUMs employed in Illinois, Minnesota, Nevada, New Jersey, New York, Ohio, and Pennsylvania. On October 24, 2006, plaintiffs moved to decertify the conditionally certified FLSA action, and KFC Corporation did not oppose the motion. On June 4, 2007, the District Court decertified the collective action and dismissed all opt-in plaintiffs without prejudice. Subsequently, plaintiffs filed twenty-seven new cases around the country, most of which allege a statewide putative collective/class action. Plaintiffs also filed 324 individual arbitrations with the American Arbitration Association ("AAA"). KFC filed a motion with the Judicial Panel on Multidistrict Litigation ("JPML") to transfer all twenty-eight pending cases to a single district court for coordinated pretrial proceedings pursuant to the Multidistrict Litigation ("MDL") statute, 28 U.S.C. § 1407. KFC also filed a motion with the Minnesota District Court to enjoin the 324 AAA arbitrations on the ground that Plaintiffs waived the right to arbitrate by their participation in the Minnesota (Parler) litigation. Finally, KFC filed a motion in the new Minnesota action to deny certification of a collective or class action on the ground that Plaintiffs are judicially and equitably estopped from proceeding collectively on behalf of a class in light of positions they took in the Parler case. The Court denied KFC's motion without prejudice. On January 3, 2008, the JPML granted KFC's motion to transfer all of the pending court cases to the Minnesota District Court for discovery and pre-trial proceedings. On January 4, 2008, KFC's motion to enjoin the 324 arbitrations on the ground that plaintiffs have waived their right to arbitrate was granted.

We believe that KFC has properly classified its AUMs as exempt under the FLSA and applicable state law, and accordingly intend to vigorously defend against all claims in these lawsuits. However, in view of the inherent uncertainties of litigation, the outcome of this case cannot be predicted at this time. Likewise, the amount of any potential loss cannot be reasonably estimated.

On August 4, 2006, a putative class action lawsuit against Taco Bell Corp. styled Rajeev Chhibber vs. Taco Bell Corp. was filed in Orange County Superior Court. On August 7, 2006, another putative class action lawsuit styled Marina Puchalski v. Taco Bell Corp. was filed in San Diego County Superior Court. Both lawsuits were filed by a Taco Bell RGM purporting to represent all current and former RGMs who worked at corporate-owned restaurants in California from August 2002 to the present. The lawsuits allege violations of California's wage and hour laws involving unpaid overtime and meal and rest period violations and seek unspecified amounts in damages and penalties. As of September 7, 2006, the Orange County case was voluntarily dismissed by the plaintiff and both cases have been consolidated in San Diego County. Discovery is underway, with pre-certification discovery cutoff set for June 2, 2008 and a July 1, 2008 deadline for plaintiffs to file their motion for class certification.

Taco Bell denies liability and intends to vigorously defend against all claims in this lawsuit. However, in view of the inherent uncertainties of litigation, the outcome of this case cannot be predicted at this time. Likewise, the amount of any potential loss cannot be reasonably estimated.

On September 10, 2007, a putative class action against Taco Bell Corp., the Company and other related entities styled Sandrika Medlock v. Taco Bell Corp ., was filed in United States District Court, Eastern District, Fresno, California. The case was filed on behalf of all hourly employees who have worked for the defendants within the last four years and alleges numerous violations of California labor laws including unpaid overtime, failure to pay wages on termination, denial of meal and rest breaks, improper wage statements, unpaid business expenses and unfair or unlawful business practices in violation of California Business & Professions Code §17200. The Company was dismissed from the case without prejudice on January 10, 2008, and discovery is underway.

Taco Bell denies liability and intends to vigorously defend against all claims in this lawsuit. However, in view of the inherent uncertainties of litigation, the outcome of this case cannot be predicted at this time. Likewise, the amount of any potential loss cannot be reasonably estimated.

On December 21, 2007, a putative class action lawsuit against KFC U.S. Properties, Inc. styled Baskall v. KFC U.S. Properties, Inc., was filed in San Diego County Superior Court on behalf of all current and former RGMs, AUMs and Shift Supervisors who worked at KFC's California restaurants since December 18, 2003. The lawsuit alleges violations of California's wage and hour and unfair competition laws, including denial of sufficient meal and rest periods, improperly itemized pay stubs, and delays in issuing final paychecks, and seeks unspecified amounts in damages, injunctive relief, and attorneys' fees and costs. KFC has not yet been served with the complaint.

KFC denies liability and intends to vigorously defend against all claims in this lawsuit. However, in view of the inherent uncertainties of litigation, the outcome of this case cannot be predicted at this time. Likewise, the amount of any potential loss cannot be reasonably estimated.

On December 17, 2002, Taco Bell was named as the defendant in a class action lawsuit filed in the United States District Court for the Northern District of California styled Moeller, et al. v. Taco Bell Corp. On August 4, 2003, plaintiffs filed an amended complaint that alleges, among other things, that Taco Bell has discriminated against the class of people who use wheelchairs or scooters for mobility by failing to make its approximately 220 company-owned restaurants in California (the "California Restaurants") accessible to the class. Plaintiffs contend that queue rails and other architectural and structural elements of the Taco Bell restaurants relating to the path of travel and use of the facilities by persons with mobility-related disabilities do not comply with the U.S. Americans with Disabilities Act (the "ADA"), the Unruh Civil Rights Act (the "Unruh Act"), and the California Disabled Persons Act (the "CDPA"). Plaintiffs have requested: (a) an injunction from the District Court ordering Taco Bell to comply with the ADA and its implementing regulations; (b) that the District Court declare Taco Bell in violation of the ADA, the Unruh Act, and the CDPA; and (c) monetary relief under the Unruh Act or CDPA. Plaintiffs, on behalf of the class, are seeking the minimum statutory damages per offense of either $4,000 under the Unruh Act or $1,000 under the CDPA for each aggrieved member of the class. Plaintiffs contend that there may be in excess of 100,000 individuals in the class.

On February 23, 2004, the District Court granted Plaintiffs' motion for class certification. The District Court certified a Rule 23(b)(2) mandatory injunctive relief class of all individuals with disabilities who use wheelchairs or electric scooters for mobility who, at any time on or after December 17, 2001, were denied, or are currently being denied, on the basis of disability, the full and equal enjoyment of the California Restaurants. The class includes claims for injunctive relief and minimum statutory damages.

Pursuant to the parties' agreement, on or about August 31, 2004, the District Court ordered that the trial of this action be bifurcated so that stage one will resolve Plaintiffs' claims for equitable relief and stage two will resolve Plaintiffs' claims for damages. The parties are currently proceeding with the equitable relief stage of this action. During this stage, Taco Bell filed a motion to partially decertify the class to exclude from the Rule 23(b)(2) class claims for monetary damages. The District Court denied the motion. Plaintiffs filed their own motion for partial summary judgment as to liability relating to a subset of the California Restaurants. The District Court denied that motion as well.

On May 17, 2007, a hearing was held on Plaintiffs' Motion for Partial Summary Judgment seeking judicial declaration that Taco Bell was in violation of accessibility laws as to three specific issues: indoor seating, queue rails and door opening force. On August 8, 2007, the court granted Plaintiffs' motion in part with regard to dining room seating. In addition, the court granted Plaintiffs' motion in part with regard to door opening force at some restaurants (but not all) and denied the motion with regard to queue lines.

At a status conference on September 27, 2007, the court set a trial date of November 10, 2008 with respect to not more than 20 restaurants to determine the issue of liability and common issues. Discovery related to the subject of the mini-trial is underway. The parties are in discussions intended to get to mediation.

Taco Bell has denied liability and intends to vigorously defend against all claims in this lawsuit. Taco Bell has taken certain steps to address potential architectural and structural compliance issues at the restaurants in accordance with applicable state and federal disability access laws. The costs associated with addressing these issues have not, and are not expected to significantly impact our results of operations. It is not possible at this time to reasonably estimate the probability or amount of liability for monetary damages on a class wide basis to Taco Bell.

According to the Centers for Disease Control ("CDC"), there was an outbreak of illness associated with a particular strain of E. coli 0157:H7 in the northeast United States during November and December 2006. Also according to the CDC, the outbreak from this particular strain was associated with eating at Taco Bell restaurants in Pennsylvania, New Jersey, New York, and Delaware. The CDC concluded that the outbreak ended on or about December 6, 2006. The CDC has stated that it received reports of 71 persons who became ill in association with the outbreak in the above-mentioned area during the above time frame, and that no deaths have been reported.

On December 6, 2006, a lawsuit styled Tyler Vormittag, et. al. v. Taco Bell Corp, Taco Bell of America, Inc. and Yum! Brands, Inc. was filed in the Supreme Court of the State of New York, County of Suffolk. Mr. Vormittag, a minor, alleges he became ill after consuming food purchased from a Taco Bell restaurant in Riverhead, New York, which was allegedly contaminated with E. coli 0157:H7. Subsequently, twenty-six other cases have been filed naming the Company, Taco Bell Corp., Taco Bell of America, K.F.C. Company (alleged owner/operator of the Taco Bell restaurant claimed to be at issue in one case), and/or Yum! Restaurant Services Group, Inc. and alleging similar facts on behalf of other customers.

According to the allegations common to all the Complaints, each Taco Bell customer became ill after ingesting contaminated food in late November or early December 2006 from Taco Bell restaurants located in the northeast states implicated in the outbreak. Discovery is in the preliminary stages. However, the Company believes, based on the allegations, that the stores identified in fourteen of the Complaints are in fact not owned by the Company or any of its subsidiaries. As such, the Company believes that at a minimum it is not liable for any losses at these stores. Three of these Complaints have been dismissed without prejudice pending settlement discussions with plaintiffs' counsel. A fourth was dismissed with prejudice as against the Company on the ground that neither the Company nor any of its subsidiaries owned or operated the store at issue.

Additionally, the Company has received a number of claims from customers who have alleged injuries relating to the E.coli outbreak, but have not filed lawsuits. Several of these claims have been settled.

We have provided for the estimated costs of these claims and litigation, based on a projection of potential claims and their amounts as well as the results of settlement negotiations in similar matters. But in view of the inherent uncertainties of litigation, there can be no assurance that the outcome of the litigation will not result in losses in excess of those currently provided for in our Consolidated Financial Statements.

On March 14, 2007, a lawsuit styled Boskovich Farms, Inc. v. Taco Bell Corp. and Does 1 through 100 was filed in the Superior Court of the State of California, Orange County. Boskovich Farms, a supplier of produce to Taco Bell, alleges in

its Complaint, among other things, that it suffered damage to its reputation and business as a result of publications and/or statements it claims were made by Taco Bell in connection with Taco Bell's reporting of results of certain tests conducted during investigations on green onions used at Taco Bell restaurants. The Company believes that the Complaint should properly be heard in an alternative dispute resolution forum according to the contractual terms governing the relationship of the parties. The Company filed a motion to compel ADR and stay the litigation on May 1, 2007. The Court entered an order granting this motion on June 14, 2007. Boskovich filed a writ petition to set aside the trial court's ruling compelling ADR; the writ petition was denied in October 2007. The parties are currently in the process of selecting a mediator. The Company denies liability and intends to vigorously defend against all claims in any arbitration and the lawsuit. However, in view of the inherent uncertainties of litigation, the outcome of this case cannot be predicted at this time. Likewise, the amount of any potential loss cannot be reasonably estimated.

Proposed Internal Revenue Service Adjustments

In early 2007, the Internal Revenue Service (the "IRS") informed the Company of its intent to propose certain adjustments based on its position that the Company did not file Gain Recognition Agreements ("GRAs") in connection with certain transfers of foreign subsidiaries among its affiliated group. In the fourth quarter of 2007, prior to any adjustments being proposed, the Company and the IRS settled this matter for an amount that was not significant to the Company's financial results or condition.

N **ote 23 - Selected Quarterly Financial Data (Unaudited)**

	2007				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues:					
Company sales	$ 1,942	$ 2,073	$ 2,243	$ 2,842	$ 9,100
Franchise and license fees	281	294	321	420	1,316
Total revenues	2,223	2,367	2,564	3,262	10,416
Restaurant profit [(a)]	288	310	353	376	1,327
Operating profit	316	310	401	330	1,357
Net income	194	214	270	231	909
Diluted earnings per common share	0.35	0.39	0.50	0.44	1.68
Dividends declared per common share	—	0.15	—	0.30	0.45

	2006				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues:					
Company sales	$ 1,819	$ 1,912	$ 1,989	$ 2,645	$ 8,365
Franchise and license fees	266	270	289	371	1,196
Total revenues	2,085	2,182	2,278	3,016	9,561
Restaurant profit [(a)]	284	301	321	365	1,271
Operating profit	282	307	344	329	1,262
Net income	170	192	230	232	824
Diluted earnings per common share	0.30	0.34	0.41	0.41	1.46
Dividends declared per common share	0.0575	0.075	—	0.30	0.4325

(a) Restaurant profit is defined as Company sales less expenses incurred directly by Company restaurants in generating Company sales. These expenses are presented as subtotals on our Consolidated Statements of Income.

Management's Responsibility for Financial Statements

To Our Shareholders:

We are responsible for the preparation, integrity and fair presentation of the Consolidated Financial Statements, related notes and other information included in this annual report. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and include certain amounts based upon our estimates and assumptions, as required. Other financial information presented in the annual report is derived from the financial statements.

We maintain a system of internal control over financial reporting, designed to provide reasonable assurance as to the reliability of the financial statements, as well as to safeguard assets from unauthorized use or disposition. The system is supported by formal policies and procedures, including an active Code of Conduct program intended to ensure employees adhere to the highest standards of personal and professional integrity. We have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, we concluded that our internal control over financial reporting was effective as of December 29, 2007. Our internal audit function monitors and reports on the adequacy of and compliance with the internal control system, and appropriate actions are taken to address significant control deficiencies and other opportunities for improving the system as they are identified.

The Consolidated Financial Statements have been audited and reported on by our independent auditors, KPMG LLP, who were given free access to all financial records and related data, including minutes of the meetings of the Board of Directors and Committees of the Board. We believe that management representations made to the independent auditors were valid and appropriate. Additionally, the effectiveness of our internal control over financial reporting has been audited and reported on by KPMG LLP.

The Audit Committee of the Board of Directors, which is composed solely of outside directors, provides oversight to our financial reporting process and our controls to safeguard assets through periodic meetings with our independent auditors, internal auditors and management. Both our independent auditors and internal auditors have free access to the Audit Committee.

Although no cost-effective internal control system will preclude all errors and irregularities, we believe our controls as of December 29, 2007 provide reasonable assurance that our assets are reasonably safeguarded.

Richard T. Carucci
Chief Financial Officer

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based on the evaluation, performed under the supervision and with the participation of the Company's management, including the Chairman, Chief Executive Officer and President (the "CEO") and the Chief Financial Officer (the "CFO"), the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework* , our management concluded that our internal control over financial reporting was effective as of December 29, 2007.

Changes in Internal Control

There were no changes with respect to the Company's internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the quarter ended December 29, 2007.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information regarding Section 16(a) compliance, the Audit Committee and the Audit Committee financial expert, the Company's code of ethics and background of the directors appearing under the captions "Stock Ownership Information," "Governance of the Company," "Executive Compensation" and "Election of Directors" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 29, 2007.

Information regarding executive officers of the Company is included in Part I.

Item 11. Executive Compensation

Information regarding executive and director compensation and the Compensation Committee appearing under the captions "Governance of the Company" and "Executive Compensation" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 29, 2007.

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

Information regarding equity compensation plans and security ownership of certain beneficial owners and management appearing under the captions "Executive Compensation" and "Stock Ownership Information" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 29, 2007.

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

Information regarding certain relationships and related transactions and information regarding director independence appearing under the caption "Governance of the Company" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 29, 2007.

Item 14. Principal Accountant Fees and Services.

Information regarding principal accountant fees and services and audit committee pre-approval policies and procedures appearing under the caption "Item 2: Ratification of Independent Auditors" is incorporated by reference from the Company's definitive proxy statement which will be filed with the Securities and Exchange Commission no later than 120 days after December 29, 2007.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) (1) Financial Statements: Consolidated financial statements filed as part of this report are listed under Part II, Item 8 of this Form 10-K.

(2) Financial Statement Schedules: No schedules are required because either the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements or the related notes thereto filed as a part of this Form 10-K.

(3) Exhibits: The exhibits listed in the accompanying Index to Exhibits are filed as part of this Form 10-K. The Index to Exhibits specifically identifies each management contract or compensatory plan required to be filed as an exhibit to this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 22, 2008

YUM! BRANDS, INC.

By: /s/ David C. Novak

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

Signature	**Title**	**Date**
/s/ David C. Novak David C. Novak	Chairman of the Board, Chief Executive Officer and President (principal executive officer)	February 22, 2008
/s/ Richard T. Carucci Richard T. Carucci	Chief Financial Officer (principal financial officer)	February 22, 2008
/s/ Ted F. Knopf Ted F. Knopf	Senior Vice President Finance and Corporate Controller (principal accounting officer)	February 22, 2008
/s/ David W. Dorman David W. Dorman	Director	February 22, 2008
/s/ Massimo Ferragamo Massimo Ferragamo	Director	February 22, 2008
/s/ J. David Grissom J. David Grissom	Director	February 22, 2008

/s/ Bonnie G. Hill Bonnie G. Hill	Director	February 22, 2008
/s/ Robert Holland, Jr. Robert Holland, Jr.	Director	February 22, 2008
/s/ Kenneth G. Langone Kenneth G. Langone	Director	February 22, 2008
/s/ Jonathan S. Linen Jonathan S. Linen	Director	February 22, 2008
/s/ Thomas C. Nelson Thomas C. Nelson	Director	February 22, 2008
/s/ Thomas M. Ryan Thomas M. Ryan	Director	February 22, 2008
/s/ Jackie Trujillo Jackie Trujillo	Director	February 22, 2008

YUM! Brands, Inc.
Exhibit Index
(Item 15)

Exhibit Number	Description of Exhibits
3.1	Restated Articles of Incorporation of YUM, which are incorporated herein by reference from Exhibit 3.1 to YUM's Quarterly Report on Form 10-Q for the quarter ended September 3, 2005.
3.2	Amended and restated Bylaws of YUM, which are incorporated herein by reference from Exhibit 3.2 on Form 8-K filed on May 17, 2002.
4.1*	Indenture, dated as of May 1, 1998, between YUM and J.P. Morgan Chase Bank, National Association, successor in interest to The First National Bank of Chicago, pertaining to 7.65% Senior Notes due May 15, 2008, 8.5% Senior Notes and 8.875% Senior Notes due April 15, 2006 and April 15, 2011, respectively, and 7.70% Senior Notes due July 1, 2012, which is incorporated herein by reference from Exhibit 4.1 to YUM's Report on Form 8-K filed on May 13, 1998.
	(i) 6.25% Senior Notes due April 15, 2016 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed on April 17, 2006.
	(ii) 6.25% Senior Notes due March 15, 2018 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.2 to YUM's Report on Form 8-K filed on October 22, 2007.
	(iii) 6.875% Senior Notes due November 15, 2037 issued under the foregoing May 1, 1998 indenture, which notes are incorporated by reference from Exhibit 4.3 to YUM's Report on Form 8-K filed on October 22, 2007.
10.1	Separation Agreement between PepsiCo, Inc. and YUM effective as of August 26, 1997, and the First Amendment thereto dated as of October 6, 1997, which is incorporated herein by reference from Exhibit 10.1 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
10.2	Tax Separation Agreement between PepsiCo, Inc. and YUM effective as of August 26, 1997, which is incorporated herein by reference from Exhibit 10.2 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
10.5	Amended and Restated Sales and Distribution Agreement between AmeriServe Food Distribution, Inc., YUM, Pizza Hut, Taco Bell and KFC, effective as of November 1, 1998, which is incorporated herein by reference from Exhibit 10 to YUM's Annual Report on Form 10-K for the fiscal year ended December 26, 1998, as amended by the First Amendment thereto, which is incorporated herein by reference from Exhibit 10.5 to YUM's Annual Report on Form 10-K for the fiscal year ended December 30, 2000.
10.6	Amended and Restated Credit Agreement, dated November 29, 2007 among YUM, the lenders party thereto, JP Morgan Chase Bank, N.A., as Administrative Agent, J.P. Morgan Securities Inc. and Citigroup Global Markets Inc., as Lead Arrangers and Bookrunners and Citibank N.A., as Syndication Agent (as filed herewith).

10.7†	YUM Director Deferred Compensation Plan, as effective October 7, 1997, which is incorporated herein by reference from Exhibit 10.7 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
10.8†	YUM 1997 Long Term Incentive Plan, as effective October 7, 1997, which is incorporated herein by reference from Exhibit 10.8 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
10.9†	YUM Executive Incentive Compensation Plan, which is incorporated herein by reference from Exhibit A of YUM's Definitive Proxy Statement on Form DEF 14A for the Annual Meeting of Shareholders held on May 20, 2004.
10.10†	YUM Executive Income Deferral Program, as effective October 7, 1997, and as amended through May 16, 2002, which is incorporated herein by reference from Exhibit 10.10 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
10.13†	YUM Pension Equalization Plan, as effective October 7, 1997, which is incorporated herein by reference from Exhibit 10.14 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
10.16	Form of Directors' Indemnification Agreement, which is incorporated herein by reference from Exhibit 10.17 to YUM's Annual Report on Form 10-K for the fiscal year ended December 27, 1997.
10.17†	Amended and restated form of Severance Agreement (in the event of a change in control), which is incorporated herein by reference from Exhibit 10.17 to YUM's Annual Report on Form 10-K for the fiscal year ended December 30, 2000.
10.18†	YUM Long Term Incentive Plan, as Amended through the First Amendment, as effective May 20, 1999, which is incorporated herein by reference from Exhibit B to YUM's Definitive Proxy Statement on Form DEF 14A for the Annual Meeting of Shareholders held on May 15, 2003.
10.19†	Employment Agreement between YUM and Christian L. Campbell, dated as of September 3, 1997, which is incorporated herein by reference from Exhibit 10.19 to YUM's Annual Report on Form 10-K for fiscal year ended December 26, 1998.
10.20	Amended and Restated YUM Purchasing Co-op Agreement, dated as of August 26, 2002, between YUM and the Unified FoodService Purchasing Co-op, LLC, which is incorporated herein by reference from Exhibit 10.20 to YUM's Annual Report on Form 10-K for the fiscal year ended December 28, 2002.
10.22†	YUM Restaurant General Manager Stock Option Plan, as effective April 1, 1999, and as amended through June 23, 2003, which is incorporated herein by reference from Exhibit 10.22 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
10.23†	YUM SharePower Plan, as effective October 7, 1997, and as amended through June 23, 2003 , which is incorporated herein by reference from Exhibit 10.23 to YUM's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 .
10.24†	Employment agreement between YUM and David C. Novak, dated September 24, 2004, which is incorporated herein by reference from Exhibit 10.24 on Form 8-K filed on September 24, 2004.

10.25†	Form of YUM Director Stock Option Award Agreement, which is incorporated herein by reference from Exhibit 10.25 to YUM's Quarterly Report on Form 10-Q for the quarter ended September 4, 2004.
10.26†	Form of YUM 1999 Long Term Incentive Plan Award Agreement, which is incorporated herein by reference from Exhibit 10.26 to YUM's Quarterly Report on Form 10-Q for the quarter ended September 4, 2004.
10.27†	YUM! Brands, Inc. International Retirement Plan, as in effect January 1, 2005, which is incorporated herein by reference from Exhibit 10.27 to YUM's Annual Report on Form 10-K for the fiscal year ended December 25, 2004.
10.28†	Letter of Understanding, dated July 13, 2004, by and between the Company and Samuel Su, which is incorporated herein by reference from Exhibit 10.28 to YUM's Annual Report on Form 10-K for the fiscal year ended December 25, 2004.
10.29†	F orm of 1999 Long Term Incentive Plan Award Agreement (Stock Appreciation Rights) which is incorporated by reference from Exhibit 99.1 to YUM's Report on Form 8-K as filed on January 30, 2006.
10.30	Amended and Restated Credit Agreement, dated November 29, 2007, among YUM, the lenders party thereto, Citigroup Global Markets Ltd. and J.P. Morgan Securities Inc., as Lead Arrangers and Bookrunners, and Citigroup International Plc and Citibank, N.A., Canadian Branch, as Facility Agents (as filed herewith).
10.31†	Severance Agreement (in the event of change in control) for Emil Brolick, dated as of February 15, 2001, which is incorporated herein by reference from Exhibit 10.31 to YUM's Annual Report on Form 10-K for the fiscal year ended December 30, 2006.
10.32†	YUM! Brands Leadership Retirement Plan, as in effect January 1, 2005, which is incorporated herein by reference from Exhibit 10.32 to YUM's Quarterly Report on Form 10-Q for the quarter ended March 24, 2007.
10.33†	1999 Long Term Incentive Plan Award (Restricted Stock Unit Agreement) by and between the Company and David Novak, dated as of January 24, 2008 (as filed herewith).
12.1	Computation of ratio of earnings to fixed charges.
21.1	Active Subsidiaries of YUM.
23.1	Consent of KPMG LLP.
31.1	Certification of the Chairman, Chief Executive Officer and President pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chairman, Chief Executive Officer and President 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 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.

* Neither YUM nor any of its subsidiaries is party to any other long-term debt instrument under which securities authorized exceed 10 percent of the total assets of YUM and its subsidiaries on a consolidated basis. Copies of instruments with respect to long-term debt of lesser amounts will be furnished to the Commission upon request.

† Indicates a management contract or compensatory plan.

AMENDED AND RESTATED CREDIT AGREEMENT

dated as of

November 29, 2007

among

YUM! BRANDS, INC.,

Subsidiaries of Yum! Brands, Inc. Party Hereto,

The Lenders Party Hereto

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

CITIBANK, N.A.,
as Syndication Agent

J.P. MORGAN SECURITIES INC. and CITIGROUP GLOBAL MARKETS INC.,
as Lead Arrangers and Bookrunners

HSBC BANK USA, N.A., THE ROYAL BANK OF SCOTLAND PLC, and
WACHOVIA BANK, NATIONAL ASSOCIATION
as Documentation Agents

[CS&M Ref. No. 6701-745]

TABLE OF CONTENTS

Schedule 2.06 -- Existing Letters of Credit
Schedule 2.15 -- Mandatory Cost
Schedule 2.17 -- PTR Scheme
Schedule 3.06 -- Disclosed Matters
Schedule 3.11 -- Disclosure
Schedule 6.01 -- Existing Indebtedness
Schedule 6.02 -- Existing Liens

EXHIBITS :

Exhibit A -- Form of Assignment and Assumption Agreement
Exhibit B -- Form of Guarantee Agreement
Exhibit C-1 -- Form of Opinion of Mayer Brown LLP
Exhibit C-2 -- Form of Opinion of R. Scott Toop, Esq.
Exhibit D -- Form of Election to Participate
Exhibit E -- Form of Election to Terminate

AMENDED AND RESTATED CREDIT AGREEMENT dated as of November 29, 2007, among YUM! BRANDS, INC., the Subsidiaries of Yum! Brands, Inc. party hereto, the LENDERS party hereto and, JPMORGAN CHASE BANK, N.A., as Administrative Agent.

WHEREAS, the Company has requested, and the Lenders and the Administrative Agent have agreed, upon the terms and subject to the conditions set forth herein, that the Existing Credit Agreement be amended and restated in its entirety as provided herein effective upon satisfaction of the conditions set forth in Section 4.01 below;

NOW, THEREFORE, the Borrowers, each of the Lenders and the Administrative Agent hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

" ABR ", when used in reference to any Loan or Borrowing, refe r s to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquired Business" means any Person, property, business or asset acquired (or, as applicable, proposed to be acquired) by the Company or a Subsidiary pursuant to a Permitted Acquisition.

" Act " has the meaning assigned to such term in Section 9.16.

" Adjusted EBITDA " means, for any period, the Consolidated EBITDA of the Company for such period, adjusted (a) to include (to the extent not otherwise included) the Consolidated EBITDA of any Acquired Business acquired during such period (and, solely for purposes of determining whether a proposed acquisition is a Permitted Acquisition pursuant to clause (d) of the definition of the term Permitted Acquisition, any Acquired Business that, at the time of calculation of Adjusted EBITDA for such purpose, has been acquired subsequent to the end of such period and prior to such time as well as that proposed to be acquired) pursuant to a Permitted Acquisition and not subsequently sold, transferred or otherwise disposed of during such period (or, solely for purposes of determining whether a proposed acquisition is a Permitted Acquisition, subsequent to the end of such period and prior to such time), based on the actual Consolidated EBITDA of such Acquired Business for such period (including the portion thereof attributable to such period prior to the date of acquisition of such Acquired Business) and (b) to exclude the Consolidated EBITDA of any Sold Business

sold, transferred or otherwise disposed of during such period (and, solely for purposes of determining whether a proposed acquisition is a Permitted Acquisition pursuant to clause (d) of the definition of the term Permitted Acquisition, any Sold Business that, at the time of calculation of Adjusted EBITDA for such purpose, has been sold, transferred or otherwise disposed of subsequent to the end of such period and prior to such time), based on the actual Consolidated EBITDA of such Sold Business for such period (including the portion thereof attributable to such period prior to the date of sale, transfer or disposition of such Sold Business). For purposes of calculating Adjusted EBITDA for any period, the portion of the Consolidated EBITDA of any Acquired Business that is to be included in Adjusted EBITDA for such period that is attributable to the period prior to the date of acquisition of such Acquired Business shall be determined as though all net income of such Acquired Business for such period was distributed to the holders of the Equity Interests of such Acquired Business ratably.

" Adjusted EURIBO Rate " means, with respect to any EURIBOR Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the sum of (a) the EURIBO Rate for such Interest Period and (b) the Mandatory Cost.

" Adjusted LIBO Rate " means (a) with respect to any LIBOR Borrowing denominated in U.S. Dollars for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the product of (i) the LIBO Rate for U.S. Dollars for such Interest Period multiplied by (ii) the Statutory Reserve Rate and (b) with respect to any LIBOR Borrowing denominated in Sterling for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the sum of (x) the LIBO Rate for such currency and such Interest Period plus (y) the Mandatory Cost.

" Administrative Agent " means JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the Lenders hereunder.

" Administrative Questionnaire " means an Administrative Questionnaire in a form supplied by the Administrative Agent.

" Affiliate " means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

" Agents " means the Administrative Agent and the London Administrative Agent.

" Alternate Base Rate " means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively .

" Alternative Currency " means any currency other than U.S. Dollars which is freely transferable and convertible into U.S. Dollars.

" Alternative Currency Borrowing " means a Borrowing comprised of Alternative Currency Loans.

" Alternative Currency Equivalent " means, with respect to an amount in U.S. Dollars on any date in relation to a specified Alternative Currency, the amount of such specified Alternative Currency that may be purchased with such amount of U.S. Dollars at the Exchange Rate with respect to such Alternative Currency on such date.

" Alternative Currency Loan " means any Loan denominated in an Alternative Currency.

" Applicable Percentage " means, with respect to any Lender of any Class, the percentage of the total Commitments of such Class represented by such Lender's Commitment of such Class. If the Commitments of any Class have terminated or expired, the Applicable Percentages for such Class shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

" Applicable Rate " means, for any day, with respect to any ABR Loan, LIBOR Revolving Loan or EURIBOR Revolving Loan, or with respect to the facility fees or utilization fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "ABR Spread", "LIBOR/EURIBOR Spread", "Facility Fee Rate" or "Utilization Fee Rate", as the case may be, as determined in the manner set forth below based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt.

Category	Index Debt Ratings	Facility Fee Rate (basis points)	LIBOR /EURIBOR Spread (basis points)	ABR Spread (basis points)	Utilization Fee Rate (basis points)
1	A3 / A-	6.0	19.0	0	5.0
2	Baa1 / BBB+	8.0	27.0	0	5.0
3	Baa2 / BBB	10.0	35.0	0	5.0
4	Baa3 / BBB-	12.5	42.5	0	10.0
5	Ba1 / BB+	15.0	60.0	0	12.5
6	< Ba1 / BB+	25.0	75.0	0	25.0

For purposes of the foregoing, (i) if neither Moody's nor S&P shall have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this paragraph), then the Applicable Rate shall be as set forth in Category 6; (ii) if Moody's or S&P (but not both) shall have in effect a rating for the Index Debt, then the Applicable Rate shall be based on the rating of the Index Debt by the applicable rating agency; (iii) if both Moody's and S&P have in effect ratings for the Index Debt and the ratings established by Moody's and S&P for the Index Debt shall fall within different Categories, the Applicable Rate shall be based on the Category numerically lower (i.e., more favorable to the Borrowers) of the two ratings unless one of the two ratings is two or more Categories numerically lower (i.e., more favorable to the

Borrowers) than the other, in which case the Applicable Rate shall be determined by reference to the Category one numerically higher (i.e., less favorable to the Borrowers) than the Category numerically lower (i.e., more favorable to the Borrowers) of the two ratings; and (iv) if the ratings established by Moody's or S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P) (or if either such rating agency that has not been rating the Index Debt establishes a rating therefor), such change (or new rating) shall be effective as of the date on which it is first announced by the applicable rating agency, irrespective of when notice of such change (or new rating) shall have been furnished by the Company to the Administrative Agent and the Lenders pursuant to Section 5.01 or otherwise. Each change (or new rating) in the Applicable Rate shall apply during the period commencing on the effective date of such change (or new rating) and ending on the date immediately preceding the effective date of the next such change (or new rating). If Moody's or S&P is rating the Index Debt and its rating system shall change, or if only one such rating agency is rating the Index Debt and it shall cease to be in the business of rating corporate debt obligations, the Company and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined by reference to the rating most recently in effect prior to such change or cessation.

" Approved Fund " has the meaning assigned to such term in Section 9.04.

" Arrangers " means J.P. Morgan Securities Inc. and Citigroup Global Markets Inc., in their capacities as arrangers hereunder.

" Assignment and Assumption " means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

" Augmenting Lender " has the meaning set forth in Section 2.20.

" Availability Period " means, in respect of any Class of Commitments, the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments of such Class.

" Board " means the Board of Governors of the Federal Reserve System of the United States of America.

" Borrowers " means the Company and the Subsidiary Borrowers.

" Borrowing " means (a) Revolving Loans made to the same Borrower and of the same Class and Type, made, converted or continued on the same date and, in the case of LIBOR Loans or EURIBOR Loans, as to which a single Interest Period is in effect, (b) a Competitive Loan or group of Competitive Loans made to the same Borrower and of the same Type made on the same date and as to which a single Interest Period is in effect or (c) a Swingline Loan.

" Borrowing Minimum " means (a) in the case of a Borrowing denominated in U.S. Dollars, US$10,000,000, (b) in the case of a Borrowing denominated in Sterling, £3,500,000 and (c) in the case of a Borrowing denominated in Euros, €5,000,000.

" Borrowing Multiple " means (a) in the case of a Borrowing denominated in U.S. Dollars, US$1,000,000, (b) in the case of a Borrowing denominated in Sterling, £1,000,000 and (c) in the case of a Borrowing denominated in Euros, €1,000,000.

" Borrowing Request " means a request by a Borrower for a Revolving Borrowing in accordance with Section 2.03.

" Business Day " means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that (a) when used in connection with a LIBOR Loan in any currency , the term " Business Day " shall also exclude any day on which banks are not open for dealings in deposits in such currency in the London interbank market and (b) when used in connection with any EURIBOR Loan, the term "Business Day" shall also exclude any day on which TARGET is not open for the settlement of payments in Euro.

" Capital Expenditures " means, for any period, (a) the additions to property, plant and equipment and other capital expenditures of the Company and its Included Subsidiaries that are (or would be) set forth in a consolidated statement of cash flows of the Company for such period prepared in accordance with GAAP (except for the exclusion of Excluded Subsidiaries) and (b) Capital Lease Obligations incurred by the Company and its Included Subsidiaries during such period; provided that consideration paid for Permitted Acquisitions shall not be construed to constitute Capital Expenditures.

" Capital Lease Obligations " of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

" Change in Control " means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), of Equity Interests representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of the Company; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Company by Persons who were neither (i) nominated by the board of directors of the Company nor (ii) appointed by directors so nominated; or (c) the acquisition of direct or indirect Control of the Company by any Person or group.

" Change in Law " means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or any Issuing Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or such Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement that would be complied with by similarly situated banks acting reasonably.

" Class " means, when used in reference to (a) any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Tranche A Revolving Loans, Tranche B Revolving Loans, Competitive Loans or Swingline Loans, (b) any Commitment, refers to whether such Commitment is a Tranche A Commitment or a Tranche B Commitment, (c) any Competitive Loan, refers to whether such Competitive Loan is a Tranche A Competitive Loan or Tranche B Competitive Loan, (d) any Swingline Loan, refers to whether such Swingline Loan is a Tranche A Swingline Loan or Tranche B Swingline Loan and (e) any Letter of Credit, refers to whether such Letter of Credit is a Tranche A Letter of Credit or Tranche B Letter of Credit.

" CLO " has the meaning assigned to such term in Section 9.04.

" Code " means the Internal Revenue Code of 1986, as amended from time to time.

" Committed Alternative Currencies " means Euro and Sterling.

" Commitments " means the Tranche A Commitments and the Tranche B Commitments. The aggregate amount of the Commitments as of the Effective Date is US$1,150,000,000.

" Commitment Increase " has the meaning set forth in Section 2.20.

" Company " means Yum! Brands, Inc., a North Carolina corporation.

" Competitive Bid " means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

" Competitive Bid Rate " means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

" Competitive Bid Request " means a request by a Borrower for Competitive Bids in accordance with Section 2.04.

" Competitive Loan " means a Tranche A Competitive Loan or a Tranche B Competitive Loan.

" Consenting Lender " has the meaning set forth in Section 2.09(d).

" Consolidated EBITDA " means, for any Person for any period, Consolidated Net Income of such Person for such period, plus, without duplication and to the extent deducted from revenues in determining such Consolidated Net Income, the sum of (a) the aggregate amount of Consolidated Interest Expense of such Person for such period, (b) the aggregate amount of income tax expense of such Person for such period, (c) all amounts attributable to depreciation and amortization of such Person for such period, (d) all non-cash charges and non-cash losses of such Person during such period and (e) all losses from the sale of assets outside the ordinary course of business of such Person during such period and minus, without duplication and to the extent added to revenues in determining such Consolidated Net Income for such period, all gains from the sale of assets outside the ordinary course of business of such Person during such period, all as determined on a consolidated basis with respect to such Person and its subsidiaries in accordance with GAAP (except, in the case of the Company, for the exclusion of Excluded Subsidiaries). Unless the context otherwise requires, references to "Consolidated EBITDA" are to Consolidated EBITDA of the Company and the Included Subsidiaries.

" Consolidated EBITDAR " means, for any Person for any period, the sum of Consolidated EBITDA of such Person for such period and Rental Expense of such Person for such period. Unless the context otherwise requires, references to "Consolidated EBITDAR" are to Consolidated EBITDAR of the Company and the Included Subsidiaries.

" Consolidated Indebtedness " means, as of any date of determination, without duplication (a) the aggregate principal amount of Indebtedness of the Company and the Included Subsidiaries outstanding as of such date (including Indebtedness of Excluded Subsidiaries to the extent Guaranteed by the Company or any Included Subsidiary), plus (b) the Securitization Amount as of such date, minus (c) the aggregate amount of cash and Permitted Investments (other than any cash and Permitted Investments that are subject to a Lien) owned by the Company and the Included Subsidiaries as of such date, determined on a consolidated basis in accordance with GAAP (except for the exclusion of Excluded Subsidiaries); provided that, for purposes of this definition, the term "Indebtedness" shall exclude obligations as an account party in respect of letters of credit to the extent that such letters of credit have not been drawn upon.

" Consolidated Interest Expense " means, for any Person for any period, the interest expense, both expensed and capitalized (including the interest component in respect of Capital Lease Obligations), accrued or paid by such Person during such period, determined on a consolidated basis with respect to such Person and its Subsidiaries in accordance with GAAP (except, in the case of the Company, for the exclusion of Excluded Subsidiaries); provided that interest expense of an Excluded Subsidiary shall be deemed to be interest expense of the Company to the extent such interest expense relates to Indebtedness to the extent Guaranteed by the Company or an Included Subsidiary.

Unless the context otherwise requires, references to "Consolidated Interest Expense" are to Consolidated Interest Expense of the Company and the Included Subsidiaries.

" Consolidated Net Income " means, for any Person for any period, net income or loss of such Person for such period determined on a consolidated basis with respect to such Person and its subsidiaries in accordance with GAAP; provided that, in the case of the Company, there shall be excluded (a) the income of any Person (other than a Foreign Subsidiary) in which any other Person (other than the Company or any Domestic Subsidiary or any director holding qualifying shares in compliance with applicable law) has a joint interest, except to the extent of the Attributable Income (as defined below) of such Person, (b) the income of any Excluded Subsidiary, except to the extent of the amount of dividends or other distributions (including distributions made as a return of capital or repayment of principal of advances) actually paid to the Company or any Included Subsidiaries by such Excluded Subsidiary during such period and (c) the income (or loss) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Company or any of the Subsidiaries or the date such Person's assets are acquired by the Company or any of the Subsidiaries. Unless the context otherwise requires, references to "Consolidated Net Income" are to Consolidated Net Income of the Company and the Included Subsidiaries. For purposes hereof, "Attributable Income" means, for any period, (i) in the case of any Domestic Subsidiary at least 90% of the Equity Interests in which are owned (directly or indirectly) by the Company, a portion of the net income of such Subsidiary for such period equal to the Company's direct or indirect ownership percentage of the Equity Interests of such Subsidiary or (ii) in the case of any Domestic Subsidiary less than 90% of the Equity Interests in which are owned (directly or indirectly) by the Company, the amount of dividends or other distributions (including distributions made as a return of capital or repayment of principal of advances) actually paid by such Subsidiary to the Company or a wholly owned Domestic Subsidiary.

" Consolidated Net Tangible Assets " means, with respect to the Company as of any date, the total amount of assets (less applicable valuation allowances) after deducting (a) all current liabilities (excluding (i) the amount of liabilities which are by their terms extendable or renewable at the option of the obligor to a date more than 12 months after the date as of which the amount is being determined, (ii) the current portion of long-term Indebtedness and (iii) Loans outstanding hereunder) and (b) all goodwill, tradenames, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries included in financial statements of the Company delivered to the Administrative Agent on or prior to such date of determination pursuant to clause (a) or (b) of Section 5.01 and determined on a consolidated basis in accordance with GAAP.

" Control " means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. " Controlling " and " Controlled " have meanings correlative thereto.

" Declining Lender " has the meaning set forth in Section 2.09(d).

" Default " means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

" Denomination Date " means, in relation to any Alternative Currency Borrowing, the date that is three Business Days before the date such Borrowing is made.

" Disclosed Matters " means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

" Dollar Amount " means, in relation to any Competitive Borrowing denominated in an Alternative Currency, the amount designated by a Borrower as the U.S. Dollar amount of such Competitive Borrowing in the Competitive Bid Request for such Borrowing, subject to Section 2.04(g).

" Domestic Subsidiary " means a Subsidiary that is not a Foreign Subsidiary.

" Effective Date " means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

" Election to Participate " means an election by the Company to designate a Subsidiary as a Subsidiary Borrower hereunder executed by the Company and such Subsidiary Borrower substantially in the form of Exhibit D or any other form approved by the Administrative Agent.

" Election to Terminate " means an election by the Company to terminate a Subsidiary Borrower's status as a Borrower hereunder, executed by the Company substantially in the form of Exhibit E or any other form approved by the Administrative Agent.

" Environmental Laws " means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions or binding agreements issued, promulgated or entered into by or with any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the presence, management, Release or threatened Release of any Hazardous Material or to health and safety matters.

" Environmental Liability " means any liability, contingent or otherwise (including any liability for damages, costs of environmental compliance, investigation or remediation, fines, penalties or indemnities), of the Company or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the presence, Release or threatened Release of any Hazardous Materials or (e) any contract, agreement or other

consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

" Equity Interests " means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interests.

" Equity Payment " means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Company or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Company or any option, warrant or other right to acquire any such Equity Interests in the Company.

" Equivalent Amount " means, in connection with the determination of the amount of a Competitive Loan to be made in an Alternative Currency in relation to the Dollar Amount of such Loan, the amount of such Alternative Currency converted from such Dollar Amount at the spot buying rate of the Lender that is to make such Loan (based on the London interbank market rate then prevailing) for U.S. Dollars against such Alternative Currency as of approximately 9:00 a.m., New York City time, three Business Days before such date.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended from time to time.

" ERISA Affiliate " means any trade or business (whether or not incorporated) that, together with the Company, is treated as a single employer under Section 414 of the Code.

" ERISA Event " means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Company or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Company or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Company or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Company or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Company or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is,

or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

" EURIBO Rate " means, with respect to any EURIBOR Borrowing for any Interest Period, (a) the applicable Screen Rate or (b) if no Screen Rate is available for such Interest Period, the arithmetic mean (rounded up to four decimal places) of the rates quoted by the Reference Banks to leading banks in the Banking Federation of the European Union for the offering of deposits in Euros and for a period comparable to such Interest Period, in each case as of the Specified Time on the Quotation Day.

" EURIBOR ", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted EURIBO Rate.

" Euro " or " € " means the single currency adopted by participating member states of the European Communities in accordance with legislation of the European Community relating to Economic and Monetary Union.

" Event of Default " has the meaning assigned to such term in Article VII.

" Exchange Rate " means on any day, for purposes of determining the U.S. Dollar Equivalent of any other currency, the rate at which such other currency may be exchanged into U.S. Dollars at the time of determination on such day as set forth on the Reuters WRLD Page for such currency. In the event that such rate does not appear on any Reuters WRLD Page, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Company, or, in the absence of such an agreement, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such currency are then being conducted, at or about such time as the Administrative Agent shall elect after determining that such rates shall be the basis for determining the Exchange Rate, on such date for the purchase of U.S. Dollars for delivery two Business Days later; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

" Excluded Equity Interests " means, with respect to any Person, any Equity Interest that by its terms or otherwise (a) matures or is subject to mandatory redemption or repurchase pursuant to a sinking fund obligation or otherwise; (b) is convertible into or exchangeable or exercisable for Indebtedness or any Excluded Equity Interest at the option of the holder thereof; or (c) may be required to be redeemed or repurchased at the option of the holder thereof, in whole or in part.

" Excluded Subsidiary " means (a) a Foreign Subsidiary of which securities or other ownership interests representing less than 80% of the outstanding capital stock or other equity interests, as the case may be, are, at the time any determination is being

made, beneficially owned, whether directly or indirectly, by the Company or (b) a Non-Controlled Subsidiary.

" Excluded Taxes " means, with respect to the Administrative Agent, the London Administrative Agent, any Lender, any Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the recipient is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the applicable Borrower under Section 2.19(b)), any withholding tax that is imposed by the United States of America on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Lender's failure to comply with Section 2.17(e), except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the applicable Borrower with respect to such withholding tax pursuant to Section 2.17(a).

" Existing Credit Agreement " means the Amended and Restated Credit Agreement dated as of September 7, 2004, among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, as amended and in effect immediately prior to the Effective Date.

" Existing Letters of Credit " means each letter of credit previously issued for the account of the Company or a Subsidiary that (a) is outstanding under the Existing Credit Agreement on the Effective Date and (b) is listed on Schedule 2.06.

" Existing Maturity Date " has the meaning set forth in Section 2.09(d).

" Extension Date " has the meaning set forth in Section 2.09(d).

" Federal Funds Effective Rate " means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

" Financial Officer " means the chief financial officer, principal accounting officer, treasurer or controller of the Company.

" Fixed Charge Coverage Ratio " means, for any period, the ratio of (i) Consolidated EBITDAR of the Company for such period minus Capital Expenditures for

such period to (ii) the sum of Consolidated Interest Expense of the Company for such period plus Rental Expense of the Company for such period.

" Fixed Rate " means, with respect to any Competitive Loan (other than a LIBOR Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

" Fixed Rate Loan " means a Competitive Loan bearing interest at a Fixed Rate.

" Foreign Lender " means, in respect of any payments to be made by or on account of any obligation of any Borrower hereunder, any Lender that is organized under the laws of a jurisdiction other than the jurisdiction in which such Borrower is organized.

" Foreign Subsidiary " means a Subsidiary organized under the laws of a jurisdiction other than the United States of America, any State thereof or the District of Columbia.

" Foreign Subsidiary Borrower " means a Subsidiary Borrower that is a Foreign Subsidiary.

" GAAP " means generally accepted accounting principles in the United States of America.

" Governmental Authority " means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

" Guarantee " of or by any Person (the " guarantor ") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the " primary obligor ") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

" Guarantee Agreement " means the Guarantee Agreement substantially in the form of Exhibit B among the Company, the Subsidiary Borrowers, the Guarantors, the Administrative Agent.

" Guarantors
" means the Company, the Initial Guarantors and any other Subsidiaries that become parties to the Guarantee Agreement.

" Hazardous Materials " means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates or byproducts, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

" Hedging Agreement " means any interest rate protection agreement, foreign currency exchange agreement or other interest or currency exchange rate hedging arrangement.

" Included Subsidiary " means any Subsidiary that is not an Excluded Subsidiary.

" Increase Effective Date " has the meaning set forth in Section 2.20.

" Increasing Lender " has the meaning set forth in Section 2.20.

" Indebtedness " of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of outstanding Indebtedness of others (other than Guarantees of contingent lease payments related to sales of restaurants by the Company and the Subsidiaries or their predecessors in interest (howsoever effected)), (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

" Indemnified Taxes " means Taxes other than Excluded Taxes.

" Index Debt " means (a) indebtedness in respect of the obligations of the Company under this Agreement or, if such indebtedness is rated by neither Moody's nor S&P, then (b) senior unsecured, long-term indebtedness for borrowed money of the

Company that is not guaranteed by any other Person or subject to any other credit enhancement (regardless of whether there is any such indebtedness outstanding).

" Information Memorandum " means the Confidential Information Memorandum dated October 2007 relating to the Company and the Transactions.

" Initial Guarantors " means the Subsidiaries listed on Schedule A.

" Interest Election Request " means a request by a Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08.

" Interest Payment Date " means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any LIBOR Loan or EURIBOR Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a LIBOR Borrowing or a EURIBOR Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing and (d) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

" Interest Period " means (a) with respect to any LIBOR Borrowing or EURIBOR Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six (or with the consent of each Lender participating in such Borrowing, nine or twelve months) months thereafter, as the applicable Borrower may elect and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than one day or more than 360 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a LIBOR Borrowing or a EURIBOR Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a LIBOR Borrowing or a EURIBOR Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

" Issuing Bank " means, as the context may require, (a) JPMorgan Chase Bank, N.A., with respect to Letters of Credit issued by it, (b) Citibank, N.A., with respect to Letters of Credit issued by it, (c) any other Lender that becomes an Issuing Bank pursuant to Section 2.06(j), with respect to Letters of Credit issued by it, and (d) any Person that has issued an Existing Letter of Credit, with respect to such Existing Letter of Credit and, in each case, its successors in such capacity as provided in Section 2.06 (i). An Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

" LC Commitment " means, with respect to any Issuing Bank at any time, the maximum amount of LC Exposure at such time that may be attributable to Letters of Credit issued by such Issuing Bank and its Affiliates. The initial LC Commitment of JPMorgan Chase Bank, N.A. is US$250,000,000 and the initial LC Commitment of Citibank, N.A., is US$250,000,000. The initial LC Commitment of each other Issuing Bank shall be the amount agreed between the Company and such Issuing Bank.

" LC Disbursement " means a payment made by an Issuing Bank pursuant to a Letter of Credit.

" LC Exposure " means Tranche A LC Exposure or Tranche B LC Exposure (or both), as the context requires.

" Lenders " means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

" Letter of Credit " means a Tranche A Letter of Credit or a Tranche B Letter of Credit.

" Leverage Ratio " means, on any date, the ratio of (a) Consolidated Indebtedness as of such date to (b) Adjusted EBITDA for the period of four consecutive fiscal quarters of the Company ended on such date (or, if such date is not the last day of a fiscal quarter, ended on the last day of the fiscal quarter of the Company most recently ended prior to such date).

" LIBO Rate " means, with respect to any LIBOR Borrowing denominated in any currency for any Interest Period, (a) the applicable Screen Rate or (b) if no Screen Rate is available for such currency or for such Interest Period, the arithmetic mean (rounded up to four decimal places) of the rates quoted by the Reference Banks to leading banks in the London interbank market for the offering of deposits in such currency and for a period comparable to such Interest Period, in each case as of the Specified Time on the Quotation Day.

" LIBOR ", when used in reference to any Loan or Borrowing, refers to whether such Loan or Borrowing, or the Loans comprising such Borrowing, are bearing

interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

" Lien " means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party (other than any such rights of a financial institution under repurchase agreements described in clause (d) of the definition of "Permitted Investments" entered into with such financial institution) with respect to such securities.

" Lien Basket Amount " means, at any time, the sum of (a) the Securitization Amount at such time, plus (b) the aggregate principal amount of obligations (including contingent obligations, in the case of Guarantees or letters of credit) at such time secured by Liens permitted under clause (h) of Section 6.02, plus (c) the fair market value of all property sold or transferred after the Effective Date pursuant to Sale and Lease-Back Transactions permitted by clause (b) of Section 6.12.

" Loan " means any loan made by a Lender to a Borrower pursuant to this Agreement.

" Loan Documents " means this Agreement, the Guarantee Agreement, any promissory notes issued pursuant to Section 2.10(e) and any Elections to Participate and Elections to Terminate delivered pursuant to Section 2.21.

" Loan Parties " means the Borrowers and the Guarantors.

" Local Time " means (a) with respect to a Loan or Borrowing denominated in U.S. Dollars to or by a Borrower or any Letter of Credit, New York City time and (b) with respect to a Loan or Borrowing denominated in Sterling or Euros or a Loan or Borrowing denominated in U.S. Dollars to or by a Borrower that is not organized under the laws of the United States of America, London time.

" London Administrative Agent " means J.P. Morgan Europe Ltd, in its capacity as administrative sub-agent for the Lenders hereunder.

" Mandatory Cost " has the meaning set forth in Schedule 2.15.

" Margin " means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

" Material Adverse Effect " means a material adverse effect on (a) the business, assets, operations or condition, financial or otherwise, of the Company and the Subsidiaries taken as a whole, (b) the ability of the Company or any Subsidiary Borrower

to perform any of its obligations under any Loan Document or (c) the rights and remedies available to the Lenders under any Loan Document.

" Material Indebtedness " means Indebtedness (other than (a) the Loans and Letters of Credit and (b) Indebtedness owing to the Company or a Subsidiary), or obligations in respect of one or more Hedging Agreements, of any one or more of the Company and its Subsidiaries in an aggregate principal amount exceeding $100,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Company or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Company or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

" Maturity Date " means November 29, 2012, as such date may be extended pursuant to Section 2.09.

" Maturity Date Extension Request " has the meaning set forth in Section 2.09(d).

" Moody's " means Moody's Investors Service, Inc.

" Multiemployer Plan " means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

" New Class " has the meaning set forth in Section 9.02(d).

" New Lender " has the meaning set forth in Section 2.09.

" Non-Controlled Subsidiary " means any direct or indirect subsidiary of the Company with respect to which the Company (a) has reasonably determined that it does not have sufficient operational control over such subsidiary to ensure that such subsidiary (i) complies with the warranties and covenants applicable to other Subsidiaries hereunder or (ii) does not take or omit to take any actions that would constitute or lead to an Event of Default hereunder and (b) has notified the Administrative Agent in writing that such subsidiary is a "Non-Controlled Subsidiary" hereunder and such notice specifies, in reasonable detail, the reasons for such a determination as described in clause (a) above; provided that (A) no Subsidiary Borrower, Subsidiary Guarantor, or Principal Domestic Subsidiary shall be a Non-Controlled Subsidiary, (B) no subsidiary of which securities or other ownership interests representing more than 80% of the outstanding Equity Interests at the time any determination is being made, beneficially owned , whether directly or indirectly, by the Company shall be a Non-Controlled Subsidiary and (C) as of any date of determination, the Consolidated EBITDAR, calculated for the period of four consecutive fiscal quarters most recently ended of all Non-Controlled Subsidiaries (combined) shall not exceed 7.5% of the Company's Consolidated EBITDAR for such period, in each case determined as though the Non-Controlled Subsidiaries were Included Subsidiaries for this purpose.

" Other Taxes " means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

" Participant " has the meaning set forth in Section 9.04.

" PBGC " means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

" Permitted Acquisition " means the acquisition by the Company or a Subsidiary of the assets of a Person constituting a business unit or any Equity Interests of a Person; provided that (a) immediately after giving effect thereto no Default shall have occurred and be continuing or would result therefrom, (b) all transactions related thereto shall be consummated in accordance with applicable laws, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, (c) in the case of an acquisition of Equity Interests in a Person, after giving effect to such acquisition, at least 90% of the Equity Interests in such Person, and any other Subsidiary resulting from such acquisition, shall be owned directly or indirectly by the Company or any of its wholly owned Subsidiaries and all actions required to be taken, if any, with respect to each Subsidiary resulting from such acquisition under Section 5.09 shall be taken, (d) the Company and its Subsidiaries are in compliance, on a pro forma basis after giving effect to such acquisition, with the covenants contained in Sections 6.09 and 6.10 recomputed as of the last day of the most recently ended fiscal quarter of the Company for which financial statements are available as if such acquisition had occurred on the first day of each relevant period for testing such compliance (using Adjusted EBITDA in lieu of Consolidated EBITDA for the relevant period and including, for purposes of Section 6.10, pro forma adjustments to Consolidated Interest Expense and Rental Expense for the relevant period as if such acquisition had occurred on the first day of such period), (e) the Company has delivered to the Administrative Agent a certificate of a Financial Officer to the effect set forth in clauses (a), (c) and (d) above, together with all relevant financial information for the business or entity being acquired and (f) in the case of an acquisition of a publicly-owned entity, such acquisition shall not have been preceded by an unsolicited tender offer.

" Permitted Encumbrances " means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations ;

(d) deposits to secure the performance of bids , trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (l) of Section 7.01; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Company or any Subsidiary;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

" Permitted Investments " means:

(a) direct obligations of, or obligations on which the principal of and interest are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within three years from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and rated, at such date of acquisition, at least A-1 by S&P or P-1 by Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any Lender, any Affiliate of any Lender, or any other commercial bank organized under the laws of the United States of America or any State thereof (or domestic office of any commercial bank that is organized under the laws of any country that is a member of the OECD) which has a combined capital and surplus and undivided profits of not less than US$500,000,000;

(d) fully collateralized repurchase agreements (i) with a term ending on the next Business Day for direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United Sates of America) and entered into with a financial institution satisfying the criteria described in clause (c) above, or (ii) with a term

of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above;

(e) investments in money market funds (i) with a policy to invest substantially all their assets in one or more investments described in the foregoing items (a), (b), (c) and (d) or (ii) having the highest credit rating obtainable from S&P or from Moody's;

(f) investments in (i) any debt securities rated AA- or above by S&P and Aa3 or above by Moody's and maturing within one year from the date of acquisition thereof and (ii) mutual funds with assets of at least US$5,000,000,000 and that invest 100% of their assets in securities described in clause (a) above or subclause (i) of this clause (f); and

(g) in the case of any Foreign Subsidiary, investments by such Subsidiary that are denominated in U.S. Dollars, Euros or the currency of the jurisdiction where such Foreign Subsidiary's principal business activities are conducted and are available in the principal financial markets of the jurisdiction and otherwise are comparable (as nearly as practicable) to the investments described above; provided that, for purposes of this clause (g), (i) the foregoing clause (a) shall be deemed to refer to obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the government of the jurisdiction in which such Foreign Subsidiary is located, in each case maturing within one year from the date of acquisition thereof, and (ii) commercial banks referred to in the foregoing clause (c) shall be deemed to include commercial banks located in the applicable jurisdiction that the applicable Foreign Subsidiary determines in good faith to be among the most creditworthy banks available for deposits in the location where such deposits are being made.

" Permitted Securitization Transaction " means any sale, assignment or other transfer (or series of related sales, assignments or other transfers) by the Company or any Subsidiary of receivables or royalty payments owing to the Company or such Subsidiary or any interest in any of the foregoing pursuant to a securitization transaction, together in each case with any collections and other proceeds thereof, any collection or deposit account related thereto, and any collateral, guarantees or other property or claims supporting or securing payment by the obligor thereon of, or otherwise related to, any such receivables or royalty payments.

" Person " means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

" Plan " means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Company or any ERISA

Affiliate is (or, if such plan were terminated, would under ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

" Prime Rate " means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

" Principal Domestic Subsidiary " means (a) any Subsidiary organized in the United States of America whose consolidated assets exceed 5% of the consolidated assets of the Company and its consolidated Subsidiaries or whose revenues exceed 5% of the consolidated revenues of the Company and its consolidated Subsidiaries, in each case as of the end of the most recent fiscal quarter or for the most recently ended four consecutive fiscal quarters, respectively, or (b) any Subsidiary that holds any material trademark (including any Kentucky Fried Chicken, KFC, Pizza Hut, A&W, Long John Silver's or Taco Bell trademark) for use in the United States of America or any jurisdiction therein.

" Quotation Day " means (a) with respect to any currency (other than Sterling) for any Interest Period, two Business Days prior to the first day of such Interest Period and (b) with respect to Sterling for any Interest Period, the first day of such Interest Period, in each case unless market practice differs in the Relevant Interbank Market for any currency, in which case the Quotation Day for such currency shall be determined by the applicable Agent in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day shall be the last of those days).

" Reference Banks " means with respect to the LIBO Rate or the EURIBO Rate, the principal London offices of JPMorgan Chase Bank, N.A. and Citibank NA, London, or such other banks as may be appointed by the Administrative Agent in consultation with the Company.

" Refranchising Transaction " means a transaction in which the Company or any of its Subsidiaries sells, transfers, leases or otherwise disposes of assets (excluding the sale, transfer or disposition of intellectual property, except for licenses of intellectual property to franchisees or prospective franchisees) comprising one or more restaurants to the franchisee or prospective franchisee thereof.

" Register " has the meaning set forth in Section 9.04.

" Related Parties " means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

" Release " means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing or migrating into or through the environment or any facility, building or structure.

" Relevant Interbank Market " means (a) with respect to any currency (other than Euros), the London interbank market and (b) with respect to Euros, the European interbank market.

" Rental Expense " means, for any Person for any period, the minimum rental expense of such Person deducted in determining Consolidated Net Income of such Person for such period. Unless the context otherwise requires, references to "Rental Expense" are to Rental Expense of the Company and the Included Subsidiaries.

" Required Lenders " means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided that for purposes of declaring the Loans to be due and payable pursuant to Section 7.01, and for all purposes after the Loans become due and payable pursuant to Article VII or the Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders.

" Revaluation Date " means, with respect to an Alternative Currency Borrowing, the last day of each Interest Period with respect to such Borrowing and, if a Borrower elects a new Interest Period prior to the end of the existing Interest Period with respect to such Borrowing, the date of commencement of such new Interest Period.

" Revolving Borrowing " means a Borrowing made pursuant to Section 2.01.

" Revolving Credit Exposure " means Tranche A Revolving Credit Exposure or Tranche B Revolving Credit Exposure (or both), as the context requires.

" Revolving Loan " means a Tranche A Revolving Loan or Tranche B Revolving Loan.

" S&P " means Standard & Poor's.

" Screen Rate " means (a) in respect of the LIBO Rate for any currency for any Interest Period, the British Bankers Association Interest Settlement Rate for such currency and such Interest Period as set forth on the applicable page of the Reuters Service (and if such page is replaced or such service ceases to be available, another page or service displaying the appropriate rate designated by the applicable Agent after consultation with the Company) and (b) in respect of the EURIBO Rate for any Interest Period, the percentage per annum determined by the Banking Federation of the European Union for such Interest Period as set forth on the applicable page of the Reuters Service (and if such page is replaced or such service ceases to be available, another page or service displaying the appropriate rate designated by the applicable Agent after consultation with the Company).

" Sale and Lease-Back Transaction " has the meaning assigned to such term in Section 6.11.

" Securitization Amount " means, at any date of determination thereof and in respect of any Permitted Securitization Transaction, (a) in the case of a Permitted Securitization Transaction structured as a borrowing of loans secured by receivables or royalty payments, the outstanding principal amount of Indebtedness incurred in respect of such Permitted Securitization Transaction that is secured by such receivables or royalty payments and (b) in the case of a Permitted Securitization Transaction structured as a sale or other transfer of receivables or royalty payments (other than a sale or transfer of such receivables or royalty payments to a Subsidiary), the aggregate amount of cash consideration received by the Company or any of its Subsidiaries from such sale or transfer, but only to the extent representing the outstanding equivalent of principal, capital or comparable interests in respect of such receivables or royalty payments that remain uncollected at such time and would not be distributed to the Company or a Subsidiary if such Permitted Securitization Transactions were to be terminated at such time.

" Securitization Subsidiary " means any Subsidiary that is formed by the Company or any of its Subsidiaries for the sole purpose of effecting or facilitating a Permitted Securitization Transaction and that (a) owns no assets other than receivables, royalty payments and other assets that are related to such Permitted Securitization Transaction and (b) engages in no business and incurs no Indebtedness, in each case, other than those related to such Permitted Securitization Transaction.

" Sold Business " means any Person, property, business or asset sold, transferred or otherwise disposed of by the Company or any Subsidiary, other than in the ordinary course of business.

" Specified Currency " has the meaning assigned to such term in Section 9.14.

" Specified Time " means (a) with respect to the LIBO Rate, 11:00 a.m., London time and (b) with respect to the EURIBO Rate, 11:00 a.m., Frankfurt time.

" Statutory Reserve Rate " means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. LIBOR Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

" Sterling " or " £ "means lawful currency of the United Kingdom.

" subsidiary " means, with respect to any Person (the " parent ") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

" Subsidiary " means any subsidiary of the Company; provided that except for purposes of Sections 3.04, 3.11, 5.01(a), 5.01(b) and 5.01(f), the term "Subsidiary" shall not include a Non-Controlled Subsidiary.

" Subsidiary Borrowers " means each Subsidiary as to which an Election to Participate shall have been delivered to the Administrative Agent, but in each case excluding any such Subsidiary as to which an Election to Terminate shall have been delivered to the Administrative Agent, in each case pursuant to Section 2.21.

" Swingline Exposure " means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

" Swingline Lenders " means JPMorgan Chase Bank, N.A., in its capacity as lender of Swingline Loans hereunder, and Citibank, N.A., in its capacity as lender of Swingline Loans hereunder.

" Swingline Loan " means a Tranche A Swingline Loan or Tranche B Swingline Loan.

" Syndication Agent " means Citibank, N.A., in its capacity as syndication agent hereunder.

" System Unit " means any restaurant operated under the name Kentucky Fried Chicken, KFC, Pizza Hut, Taco Bell, A&W, Long John Silver's or any other brand that is acquired and operated by the Company or a Subsidiary or franchised or licensed by the Company or a Subsidiary to any of its franchisees or licensees.

" TARGET " means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system.

" Taxes " means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

" Tranche A Commitment " means, with respect to each Lender, the commitment of such Lender to make Tranche A Revolving Loans and to acquire

participations in Tranche A Letters of Credit and Tranche A Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Tranche A Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09, (b) increased from time to time pursuant to Section 2.20 and (c) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Tranche A Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Tranche A Commitment, as the case may be. The aggregate amount of Tranche A Commitments on the Effective Date is US$25,000,000.

" Tranche A Competitive Loan " means a Competitive Loan that is made pursuant to a Competitive Bid Request that designates such Competitive Loan to be made in response thereto as a Tranche A Competitive Loan.

" Tranche A LC Exposure " means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Tranche A Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements made in respect of Tranche A Letters of Credit that have not yet been reimbursed by or on behalf of the Borrowers at such time. The Tranche A LC Exposure of any Tranche A Lender at any time shall be its Applicable Percentage of the total Tranche A LC Exposure at such time.

" Tranche A Lender " means a Lender with a Tranche A Commitment or Tranche A Revolving Credit Exposure.

" Tranche A Letter of Credit " means a Letter of Credit that is designated as a Tranche A Letter of Credit pursuant to the notice of the applicable Borrower requesting such Letter of Credit as contemplated by Section 2.06(b). As of the Effective Date, each Existing Letter of Credit shall constitute a Tranche A Letter of Credit as though issued pursuant to this Agreement on the Effective Date.

" Tranche A Revolving Credit Exposure " means, with respect to any Tranche A Lender at any time, the sum of (a) the outstanding principal amount of such Tranche A Lender's Tranche A Revolving Loans and (b) its Tranche A LC Exposure and Tranche A Swingline Exposure at such time.

" Tranche A Revolving Loan " means a Loan made pursuant to Section 2.01(a). Each Tranche A Revolving Loan shall be an ABR Loan or a LIBOR Loan.

" Tranche A Swingline Exposure " means, at any time, the aggregate principal amount of all Tranche A Swingline Loans outstanding at such time. The Tranche A Swingline Exposure of any Tranche A Lender at any time shall be its Applicable Percentage of the total Tranche A Swingline Exposure at such time.

" Tranche A Swingline Loan " means a Loan made pursuant to Section 2.05 and designated in the notice delivered by the applicable Borrower pursuant to paragraph (b) of such Section as a Tranche A Swingline Loan.

" Tranche B Commitment " means, with respect to each Lender, the commitment of such Lender to make Tranche B Revolving Loans and to acquire participations in Tranche B Letters of Credit and Tranche B Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Tranche B Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09, (b) increased from time to time pursuant to Section 2.20 and (c) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Tranche B Commitment is set forth on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Tranche B Commitment, as the case may be. The aggregate amount of Tranche B Commitments on the Effective Date is US$1,125,000,000.

" Tranche B Competitive Loan " means a Competitive Loan that is made pursuant to a Competitive Bid Request that designates such Competitive Loan to be made in response thereto as a Tranche B Competitive Loan.

" Tranche B LC Exposure " means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Tranche B Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements made in respect of Tranche A Letters of Credit that have not yet been reimbursed by or on behalf of the Borrowers at such time. The Tranche B LC Exposure of any Tranche A Lender at any time shall be its Applicable Percentage of the total Tranche B LC Exposure at such time.

" Tranche B Lender " means a Lender with a Tranche B Commitment or a Tranche B Revolving Credit Exposure.

" Tranche B Letter of Credit " means a Letter of Credit that is designated as a Tranche B Letter of Credit pursuant to the notice of the applicable Borrower requesting such Letter of Credit as contemplated by Section 2.06(b).

" Tranche B Revolving Credit Exposure " means, with respect to any Tranche B Lender at any time, the aggregate amount of the sum (a) the U.S. Dollar Equivalents of such Tranche B Lender's outstanding Tranche B Revolving Loans and (b) its Tranche B LC Exposure and Tranche B Swingline Exposure at such time.

" Tranche B Revolving Loan " means a Loan made pursuant to Section 2.01(b). Each Tranche B Revolving Loan denominated in U.S. Dollars shall be an ABR Loan or a LIBOR Loan. Each Tranche B Revolving Loan denominated in Sterling shall e a LIBOR Loan. Each Tranche B Revolving Loan denominated in Euros shall be a EURIBOR Loan.

" Tranche B Swingline Exposure " means, at any time, the aggregate principal amount of all Tranche B Swingline Loans outstanding at such time. The Tranche B Swingline Exposure of any Tranche B Lender at any time shall be its Applicable Percentage of the total Tranche B Swingline Exposure at such time.

" Tranche B Swingline Loan " means a Loan made pursuant to Section 2.05 and designated in the notice delivered by the applicable Borrower pursuant to paragraph (b) of such Section as a Tranche B Swingline Loan.

" Transactions " means the execution, delivery and performance by the Loan Parties of the Loan Documents, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

" Type ", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the Adjusted EURIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate.

" U.S. Dollar Equivalent " means, on any Determination Date, (a) with respect to any amount in U.S. Dollars, such amount and (b) with respect to any amount in any currency other than U.S. Dollars, the equivalent in U.S. Dollars of such amount, determined by the Administrative Agent pursuant to Section 1.05 using the Exchange Rate with respect to such currency at the time in effect under the provisions of such Section.

" U.S. Dollars " or " US$ " or " $ " refers to lawful money of the United States of America.

" Withdrawal Liability " means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02 Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g. , a "Tranche A Revolving Loan") or by Type (e.g. , a "LIBOR Revolving Loan") or by Class and Type (e.g. , a "Tranche A LIBOR Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g. , a "Tranche A Revolving Borrowing") or by Type (e.g. , a "LIBOR Revolving Borrowing") or by Class and Type (e.g. , a "Tranche A LIBOR Revolving Borrowing").

SECTION 1.03 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's

successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that if the Company notifies the Administrative Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application or interpretation thereof on the operation of such provision (or if the Administrative Agent notifies the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

SECTION 1.05 Currency Translation. The Administrative Agent shall determine the U.S. Dollar Equivalent of any Revolving Borrowing denominated in a Committed Alternative Currency, as of the date of the commencement of the initial Interest Period therefor and as of the date of the commencement of each subsequent Interest Period therefor, in each case using the Exchange Rate for such currency in relation to U.S. Dollars in effect on the date that is three Business Days prior to the date on which the applicable Interest Period shall commence, and each such amount shall be the U.S. Dollar Equivalent of such Borrowing until the next required calculation thereof pursuant to this sentence. The Administrative Agent shall notify the Company and the Tranche B Lenders of each calculation of the U.S. Dollar Equivalent of each such Revolving Borrowing.

ARTICLE II

The Credits

SECTION 2.01. Commitments. (a) Tranche A Commitments. Subject to the terms and conditions set forth herein, each Tranche A Lender agrees to make Tranche A Revolving Loans denominated in U.S. Dollars to any Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Tranche A Lender's Tranche A Revolving Credit Exposure exceeding such Tranche A Lender's Tranche A Commitment or (ii) the sum of the total Tranche A Revolving Credit Exposures plus the aggregate principal amount of outstanding Tranche A Competitive Loans exceeding the total Tranche A Commitments. Within the foregoing

limits and subject to the terms and conditions set forth herein, a Borrower may borrow, prepay and reborrow Tranche A Revolving Loans.

(b) Tranche B Commitments. Subject to the terms and conditions set forth herein, each Tranche B Lender agrees to make Tranche B Revolving Loans denominated in U.S. Dollars or in any Committed Alternative Currency to any Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Tranche B Lender's Tranche B Revolving Credit Exposure exceeding such Tranche B Lender's Tranche B Commitment or (ii) the sum of the total Tranche B Revolving Credit Exposures plus the aggregate principal amount of outstanding Tranche B Competitive Loans exceeding the total Tranche B Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, a Borrower may borrow, prepay and reborrow Tranche B Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Tranche A Revolving Loan shall be made as part of a Tranche A Revolving Borrowing consisting of Tranche A Revolving Loans of the same Type made by the Tranche A Lenders ratably in accordance with their respective Tranche A Commitments. Each Tranche B Revolving Loan shall be made as part of a Tranche B Revolving Borrowing consisting of Tranche B Revolving Loans of the same Type and currency made by the Tranche B Lenders ratably in accordance with their respective Tranche B Commitments. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, (i) each Revolving Borrowing denominated in U.S. Dollars shall be comprised entirely of ABR Loans or LIBOR Loans, (ii) each Revolving Borrowing denominated in Sterling shall be comprised entirely of LIBOR Loans, (iii) each Revolving Borrowing denominated in Euros shall be comprised entirely of EURIBOR Loans and (iv) each Competitive Borrowing shall be comprised entirely of LIBOR Loans, EURIBOR Loans or Fixed Rate Loans, in each case as the applicable Borrower may request in accordance herewith. Each Swingline Loan shall be an ABR Loan unless otherwise agreed by the applicable Borrower and the Swingline Lender pursuant to Section 2.13(d). Each Lender at its option may make any Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the applicable Borrower to repay such Loan in accordance with the terms of this Agreement and shall not result in any increased costs under Section 2.15 or any obligation by the applicable Borrower to make any payment under Section 2.17 in excess of the amounts, if any, that such Lender would be entitled to claim under Section 2.15 or 2.17, as applicable, without giving effect to such change in lending office.

(c) At the commencement of each Interest Period for any LIBOR Revolving Borrowing or EURIBOR Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of the Borrowing Multiple and not less than

the Borrowing Minimum. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of US$1,000,000 and not less than US$10,000,000; provided that an ABR Revolving Borrowing of either Class may be in an aggregate amount (i) that is equal to the entire unused balance of the total Commitments of such Class, (ii) that is required to finance the reimbursement of an LC Disbursement of such Class or that is required to finance the repayment of outstanding Swingline Loans of such Class as contemplated by paragraph (d) below. Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of US$1,000,000 and not less than US$10,000,000 (or, in the case of a Competitive Borrowing made in an Alternative Currency, a Dollar Amount of not less than US$10,000,000). Each Swingline Loan shall be in an amount that is an integral multiple of US$100,000 and not less than US$500,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of fifteen LIBOR Revolving Borrowings and EURIBOR Revolving Borrowings outstanding.

(d) Subject to Section 2.05, at the request of a Swingline Lender, the Lenders of the applicable Class will be required to make ABR Revolving Loans of the applicable Class on the Business Day immediately preceding the last day of any calendar quarter in an aggregate amount equal to the principal amount of such Swingline Lender's Swingline Loans of such Class then outstanding, the proceeds of which shall be applied to repay such Swingline Loans.

(e) Notwithstanding any other provision of this Agreement, no Borrower shall be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03 Requests for Revolving Borrowings. To request a Revolving Borrowing, the applicable Borrower shall notify the Administrative Agent (and, in the case of an Alternative Currency Borrowing, with a copy to the London Administrative Agent) of such request by telephone (a) in the case of a LIBOR Borrowing denominated in U.S. Dollars, not later than 11:00 a.m., Local Time, three Business Days before the date of the proposed Borrowing, (b) in the case of a LIBOR Borrowing denominated in Sterling or a EURIBOR Borrowing, not later than 11:00 a.m., Local Time, three Business Days before the date of the proposed Borrowing and (c) in the case of an ABR Borrowing, not later than 10:00 a.m., Local Time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the applicable Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the applicable Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the identity of the Borrower in respect of the requested Borrowing;

(ii) the Class of such Borrowing;

(iii) the currency and the aggregate principal amount of such Borrowing;

(iv) the date of such Borrowing, which shall be a Business Day;

(v) the Type of such Borrowing;

(vi) in the case of a LIBOR Borrowing or a EURIBOR Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(vii) the location and number of the applicable Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

Any Borrowing Request that shall fail to specify any of the information required by the preceding provisions of this paragraph may be rejected by the applicable Agent if such failure is not corrected promptly after such Agent shall give written or telephonic notice thereof to the applicable Borrower and, if so rejected, will be of no force or effect. Promptly following receipt of a Borrowing Request in accordance with this Section, the applicable Agent shall advise each Lender that will make a Loan as part of the requested Borrowing of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04 Competitive Bid Procedure . (a) Subject to the terms and conditions set forth herein, from time to time during the Availability Period any Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans of either Class; provided that the sum of the total Revolving Credit Exposures of a Class plus the aggregate principal amount of outstanding Competitive Loans of such Class at any time shall not exceed the total Commitments of such Class. To request Competitive Bids, the applicable Borrower shall notify the applicable Agent of such request by telephone (x) in the case of a LIBOR Borrowing denominated in U.S. Dollars, not later than 11:00 a.m., Local Time, four Business Days before the date of the proposed Borrowing, (y) in the case of a Fixed Rate Borrowing denominated in U.S. Dollars, not later than 10:00 a.m., Local Time, one Business Day before the date of the proposed Borrowing and (z) in the case of a Competitive Borrowing to be made in an Alternative Currency in accordance with subsection (g) of this Section, not later than 10:00 a.m., Local Time, six Business Days before the date of the proposed Borrowing; provided that the Borrowers may submit up to (but not more than) three Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the applicable Agent of a written Competitive Bid Request in a form approved by such Agent and signed by the applicable Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

(i) the identity of the Borrower in respect of the requested Borrowing;

(ii) whether such Borrowing is to be a Borrowing of Tranche A Competitive Loans or Tranche B Competitive Loans;

(iii) the aggregate principal amount of the requested Borrowing (expressed in U.S. Dollars);

(iv) the date of such Borrowing, which shall be a Business Day;

(v) the Type of such Borrowing;

(vi) the currency in which the proposed Borrowing is to be made, which shall be U.S. Dollars or, subject to paragraph (g) of this Section, an Alternative Currency;

(vii) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and

(viii) the location and number of the applicable Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

Promptly following receipt of a Competitive Bid Request in accordance with this Section, the applicable Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender of the applicable Class may (but shall not have any obligation to) make one or more Competitive Bids to the applicable Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the applicable Agent and must be received by such Agent by telecopy, in the case of (i) a LIBOR Competitive Borrowing denominated in U.S. Dollars, not later than 9:30 a.m., Local Time, three Business Days before the proposed date of such Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., Local Time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the applicable Agent may be rejected by such Agent, and such Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be expressed in U.S. Dollars and be a minimum of US$5,000,000 and an integral multiple of US$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the applicable Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places), (iii) the currency in which such Loan or Loans will be made and (iv) the Interest Period applicable to each such Loan and the last day thereof.

(c) The applicable Agent shall promptly notify the applicable Borrower by telecopy of the Competitive Bid Rate and the principal amount specified in each

Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the applicable Borrower may accept or reject any Competitive Bid. The applicable Borrower shall notify the applicable Agent by telephone, confirmed by telecopy in a form approved by such Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, (i) in the case of a LIBOR Competitive Borrowing or a EURIBOR Competitive Borrowing, not later than 10:30 a.m., Local Time, three Business Days before the date of the proposed Competitive Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., Local Time, on the proposed date of the Competitive Borrowing; provided that (i) the failure of such Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) such Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if such Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by such Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, such Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of US$5,000,000 and an integral multiple of US$1,000,000; provided further that if a Competitive Loan must be in an amount less than US$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of US$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of US$1,000,000 in a manner determined by such Borrower. A notice given by the applicable Borrower pursuant to this paragraph shall be irrevocable.

(e) The applicable Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If an Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the applicable Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the applicable Agent pursuant to paragraph (b) of this Section.

(g) Any Borrower may request Competitive Loans in an Alternative Currency, subject to the terms and conditions of this subsection (g), in addition to the

other conditions applicable to such Loans hereunder. Any request for Competitive Loans in an Alternative Currency shall be subject to the following conditions:

(i) after giving effect to any Competitive Borrowing in an Alternative Currency, the aggregate Dollar Amount of all outstanding Competitive Loans denominated in Alternative Currencies (other than Committed Alternative Currencies) shall not exceed US$250,000,000, and

(ii) if there shall occur at or prior to 10:00 a.m., Local Time, on the date of any Competitive Borrowing to be denominated in an Alternative Currency any change in national or international financial, political or economic conditions or currency exchange rates or exchange controls which would, in the reasonable opinion of any Lender that shall have offered to make any Competitive Loan in connection with such Borrowing, make it impracticable for such Lender's Loan to be denominated in such Alternative Currency, then such Lender may by notice to the applicable Borrower and the applicable Agent withdraw its offer to make such Loan.

Any Competitive Loan which is to be made in an Alternative Currency in accordance with this subsection (g) shall be advanced in the Equivalent Amount of the Dollar Amount thereof and shall be repaid or prepaid in such Alternative Currency in the amount borrowed. Interest payable on any Loan denominated in an Alternative Currency shall be paid in such Alternative Currency.

For purposes of determining whether the aggregate principal amount of Loans outstanding hereunder exceeds any applicable limitation expressed in U.S. Dollars, each Competitive Loan denominated in an Alternative Currency shall be deemed to be in a principal amount equal to the Dollar Amount thereof. The Dollar Amount of any Competitive Loan with an Interest Period exceeding three months in duration shall be adjusted on each date that would have been the last day of an Interest Period for such Loan if such Loan had successive Interest Periods of three months duration. Each such adjustment shall be made by the Lender holding such Loan by determining the amount in U.S. Dollars that would be required in order to result in an Equivalent Amount in the applicable Alternative Currency equal to the principal amount of the applicable Loan outstanding on the date of the adjustment, and the amount in U.S. Dollars so determined shall be the Dollar Amount of such Loan unless and until another adjustment is required hereby. Each Lender that makes a Competitive Loan denominated in an Alternative Currency agrees to determine any such adjustments if and when required to be made pursuant to this paragraph and to notify the applicable Borrower and the applicable Agent of each such adjustment promptly upon making such determination.

SECTION 2.05. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lenders agree to make Swingline Loans denominated in U.S. Dollars to any Borrower from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of all outstanding Swingline Loans exceeding US$150,000,000 or (ii) the sum of the total Revolving Credit Exposures of the applicable

Class plus the aggregate principal amount of outstanding Competitive Loans of such Class exceeding the total Commitments of such Class; provided that (A) no Swingline Loans will be made on the last day of any calendar quarter and (B) if any Swingline Loans of either Class are outstanding on the Business Day immediately preceding the last day of any calendar quarter, the Lenders will be required, if requested by a Swingline Lender, to make ABR Revolving Loans of such Class on such day in an equivalent amount, the proceeds of which will be applied to repay such Swingline Loans. Within the foregoing limits and subject to the terms and conditions set forth herein, a Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the applicable Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, Local Time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan and whether such Swingline Loan is to be a Tranche A Swingline Loan or a Tranche B Swingline Loan. The Administrative Agent will promptly advise the Swingline Lenders of any such notice received from such Borrower. The Swingline Lenders shall make each Swingline Loan available to the applicable Borrower by means of a credit to the general deposit account of such Borrower with the Administrative Agent (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the applicable Issuing Bank) by 3:00 p.m., Local Time, on the requested date of such Swingline Loan. Each Swingline Lender shall be required to make available 50% of each Swingline Loan requested by such Borrower. No Swingline Lender shall be required to make available any Swingline Loan if such Loan would cause the aggregate amount of outstanding Swingline Loans of such Swingline Lender to exceed US$75,000,000.

(c) A Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., Local Time, on any Business Day (i) require the Tranche A Lenders to acquire participations on such Business Day in all or a portion of such Swingline Lender's Tranche A Swingline Loans outstanding or (ii) require the Tranche B Lenders to acquire participations on such Business Day in all or a portion of such Swingline Lender's Tranche B Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which the Tranche A Lenders or Tranche B Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Tranche A Lender or Tranche B Lender, as the case maybe, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the applicable Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Tranche A Lender and Tranche B Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Tranche A Commitments or Tranche B Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Tranche A Lender and Tranche B Lender shall comply with its obligations under this

paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis , to the payment obligations of the Tranche A Lenders and Tranche B Lenders), and the Administrative Agent shall promptly pay to the applicable Swingline Lender the amounts so received by it from the Tranche A Lenders or Tranche B Lenders, as the case may be. The Administrative Agent shall notify the Company of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the applicable Swingline Lender. Any amounts received by a Swingline Lender from a Borrower (or other party on behalf of a Borrower) in respect of a Swingline Loan after receipt by such Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders of the applicable Class that shall have made their payments pursuant to this paragraph and to such Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to such Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to such Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve any Borrower of any default in the payment thereof.

SECTION 2.06. Letters of Credit. (a) General. Upon the satisfaction (or waiver in accordance with Section 9.02) of the conditions specified in Section 4.01, on the Effective Date, each Existing Letter of Credit will automatically, without any action on the part of any Person, be deemed to be a Tranche A Letter of Credit issued hereunder for the account of the applicable Borrower that is the account party for such Existing Letter of Credit for all purposes of this Agreement and the other Loan Documents. In addition, subject to the terms and conditions set forth herein, any Borrower may request the issuance of Letters of Credit for its own account (for its own behalf or on behalf of any Subsidiary), denominated in U.S. Dollars and in a form reasonably acceptable to the Administrative Agent and the applicable Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by such Borrower to, or entered into by such Borrower with, any Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control, and any obligations or liabilities imposed on such Borrower under any such letter of credit application (including by reason of rights or remedies granted to an Issuing Bank) shall be disregarded (it being understood that this Agreement sets forth all obligations and liabilities of such Borrower with respect to Letters of Credit).

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the applicable Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the applicable Issuing Bank) to the relevant Issuing Bank selected by such Borrower to issue such Letter of Credit and the Administrative Agent (reasonably in

advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. In the case of any such notice requesting the issuance of a Letter of Credit, such notice also shall specify whether such Letter of Credit is to be a Tranche A Letter of Credit or a Tranche B Letter of Credit. If requested by the applicable Issuing Bank, the applicable Borrower also shall submit a letter of credit application on such Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the applicable Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed US$500,000,000, (ii) the sum of the total Revolving Credit Exposures of the applicable Class plus the aggregate principal amount of outstanding Competitive Loans of such Class shall not exceed the total Commitments of such Class and (iii) the LC Exposure attributable to the Letters of Credit issued by any Issuing Bank (and its Affiliates) shall not exceed such Issuing Bank's LC Commitments.

(c) Expiration Date. Except as set forth in Section 2.06(l), each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date; provided that any Letter of Credit may provide for the automatic renewal or extension thereof at the scheduled expiry thereof if (A) such Letter of Credit also provides that the Issuing Bank in respect thereof may, by notice to the beneficiary, elect not to so renew or extend such Letter of Credit and (B) any such renewal or extension shall be for a period that expires at a date that complies (except as set forth in Section 2.06(l)) with clauses (i) and (ii) above.

(d) Participations. By the issuance of a Letter of Credit of either Class (or an amendment to a Letter of Credit of either Class increasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Lenders, the Issuing Bank in respect of such Letter of Credit hereby grants to each Lender of such Class, and each such Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit (including each Existing Letter of Credit) equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender of a Class hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the applicable Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement of such Class made by such Issuing Bank and not reimbursed by the applicable Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to such Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations

pursuant to this paragraph in respect of Letters of Credit of the applicable Class is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments of either Class, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever; provided that the foregoing shall not be construed to excuse the applicable Issuing Bank from liability to the Lenders for damages caused by such Issuing Bank's gross negligence or willful misconduct.

(e) Reimbursement. If an Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the applicable Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on the date that such LC Disbursement is made, if such Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York City time, on such date, or, if such notice has not been received by such Borrower prior to such time on such date, then not later than 12:00 noon, New York City time, on (i) the Business Day that such Borrower receives such notice, if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that such Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that such Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing (if such LC Disbursement is not less than US$10,000,000) or Swingline Loan (if such LC Disbursement is not less than US$500,000) in an equivalent amount and, to the extent so financed, such Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan, as applicable. If such Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable Class of the applicable LC Disbursement, the payment then due from such Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender of the applicable Class shall pay to the Administrative Agent its Applicable Percentage of the payment then due from such Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis , to the payment obligations of the Lenders of the applicable Class), and the Administrative Agent shall promptly pay to the applicable Issuing Bank the amounts so received by it from the Lenders of the applicable Class. Promptly following receipt by the Administrative Agent of any payment from such Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the applicable Issuing Bank or, to the extent that Lenders of the applicable Class have made payments pursuant to this paragraph to reimburse such Issuing Bank, then to such Lenders and such Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the applicable Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve such Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The applicable Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by an Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, such Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor any Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of any Issuing Bank; provided that the foregoing shall not be construed to excuse an Issuing Bank from liability to such Borrower to the extent of any direct or actual damages (as opposed to consequential damages, claims in respect of which are hereby waived by such Borrower to the extent permitted by applicable law) suffered by such Borrower that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit issued by it comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of an Issuing Bank (as finally determined by a court of competent jurisdiction), such Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the applicable Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. An Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit issued by it. Such Issuing Bank shall promptly notify the Administrative Agent and the applicable Borrower by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve such Borrower of its obligation to reimburse such Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If an Issuing Bank shall make any LC Disbursement, then, unless the applicable Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that such Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that if such Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(e) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the applicable Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse such Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of Issuing Bank. Any Issuing Bank may be replaced at any time by written agreement among the Company, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of an Issuing Bank. At the time any such replacement shall become effective, the applicable Borrower or Borrowers shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Addition of Issuing Bank. The Company may, at any time and from time to time with the consent of the Administrative Agent (which consent shall not be unreasonably withheld) and such Lender, designate one or more additional Lenders to act as an issuing bank under the terms of this Agreement. Any Lender designated as an Issuing Bank pursuant to this paragraph (j) shall be deemed to be an "Issuing Bank" for the purposes of this Agreement (in addition to being a Lender) with respect to Letters of Credit issued by such Lender.

(k) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Company receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, each Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date in respect of Letters of Credit issued for the account of such Borrower plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon

the occurrence of any Event of Default with respect to the Company or such Borrower described in clause (i) or (j) of Section 7.01. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Company and such Borrower under the Loan Documents. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the applicable Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys received from a Borrower and deposited in such account shall be applied by the Administrative Agent to reimburse any Issuing Bank for LC Disbursements in respect of Letters of Credit issued for such Borrower's account and for which such Issuing Bank has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the such Borrower for such LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other obligations of such Borrower under this Agreement. If a Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, (i) such amount (to the extent not applied as aforesaid) shall be returned to such Borrower within three Business Days after all Events of Default have been cured or waived and (ii) from time to time there shall be returned to such Borrower an amount equal to the excess, if any, of the amount of cash collateral then held hereunder over the amount of LC Exposure and accrued and unpaid interest thereon.

(l) Any Borrower may request that an Issuing Bank allow, and an Issuing Bank may (in its sole discretion) agree to allow, one or more Letters of Credit issued by it to expire later than permitted by Section 2.06(c). Any such Letter of Credit is referred to herein as an " Extended Letter of Credit ". The following provisions shall apply to any Extended Letter of Credit, notwithstanding any contrary provision set forth in this Agreement.

(i) The participations of each Lender in each Extended Letter of Credit shall terminate at the close of business on the date that is five Business Days prior to the Maturity Date, with the effect that the Lenders shall not have any obligations to acquire participations in any LC Disbursement made thereafter(other than in respect of demands for drawings submitted prior to such termination).

(ii) On a date to be determined by the applicable Issuing Bank (in its sole discretion), the applicable Borrower shall deposit with such Issuing Bank an amount in cash equal to the LC Exposure as of such date attributable to the Extended Letters of Credit issued by such Issuing Bank for the account of such Borrower. Each such deposit shall be held by the applicable Issuing Bank as collateral for the obligations of such Borrower in respect of such Extended Letters of Credit. The applicable Issuing Bank shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which

investments shall be made at the option and sole discretion of the applicable Issuing Bank and at applicable Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the applicable Issuing Bank to reimburse LC Disbursements in respect of such Extended Letters of Credit issued for the account of the applicable Borrower for which such Issuing Bank has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of such Borrower for the LC Exposure at such time. If any Extended Letter of Credit expires or is terminated, then within three Business Days thereafter the relevant Issuing Bank shall return to such Borrower cash collateral then held attributable to such Extended Letter of Credit (after deducting therefrom any amounts owed to such Issuing Bank by such Borrower that are then due).

(iii) After the close of business on the date that is five Business Days prior to the Maturity Date, the fees that would have accrued pursuant to clause (i) of Section 2.12(b) (if the participations of the Lenders in the Extended Letters of Credit had not terminated) shall continue to accrue on the LC Exposure in respect of each Extended Letter of Credit and shall be payable to the applicable Issuing Bank for its own account.

SECTION 2.07. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof (i) in the case of Loans denominated in U.S. Dollars or Revolving Loans denominated in a Committed Alternative Currency, by wire transfer of immediately available funds in the applicable currency by 12:00 noon, Local Time, to the account of the applicable Agent most recently designated by it for such purpose by notice to the Lenders or (ii) subject to the provisions of Section 2.04, if such Borrowing is a Borrowing of Competitive Loans to be made in an Alternative Currency, by making available the Equivalent Amount of such Alternative Currency (in such funds as may then be customary for the settlement of international transactions in the Alternative Currency) by 12:00 noon, local time at the place of payment, to the account of the applicable Agent at such place as shall have been notified by such Agent to the Lenders participating in such Borrowing by not less than five Business Days' notice; provided that Swingline Loans shall be made as provided in Section 2.05. The applicable Agent will make such Loans available to the applicable Borrower by promptly crediting the amounts so received, in like funds, to an account of the such Borrower maintained with such Agent in New York City or London, as applicable, and designated by such Borrower in the applicable Borrowing Request or Competitive Bid Request (or, in the case of a Borrowing made in an Alternative Currency, to an account mutually agreed between such Borrower and the applicable Agent for funding such Borrowing); provided that (i) ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the applicable Issuing Bank and (ii) ABR Revolving Loans made to refinance outstanding Swingline Loans as provided in Section 2.02(d) shall be remitted by the Administrative Agent to the applicable Swingline Lender.

(b) Unless an Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to such Agent such Lender's share of such Borrowing, such Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the applicable Agent, then the applicable Lender and the applicable Borrower severally agree to pay to such Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to such Borrower to but excluding the date of payment to such Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the applicable Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of such Borrower, the interest rate applicable to the Loans included in such Borrowing. If such Lender pays such amount to the applicable Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a LIBOR Revolving Borrowing or a EURIBOR Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the applicable Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a LIBOR Revolving Borrowing or a EURIBOR Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The applicable Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings or Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the applicable Borrower shall notify the applicable Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Revolving Borrowing in the same currency and of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the applicable Agent of a written Interest Election Request in a form approved by such Agent and signed by the applicable Borrower. Without limiting the rights of any Borrower to repay outstanding Borrowings or to make Borrowings in any currency permitted hereunder, no Borrower shall be permitted to change the Borrower or currency of any particular Borrowing once it has been made.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) the Type of the resulting Borrowing; and

(iv) if the resulting Borrowing is to be a LIBOR Borrowing or a EURIBOR Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a LIBOR or EURIBOR Borrowing but does not specify an Interest Period, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the applicable Agent shall advise each affected Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the applicable Borrower fails to deliver a timely Interest Election Request (i) with respect to a LIBOR Revolving Borrowing denominated in U.S. Dollars prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing or (ii) with respect to a LIBOR Revolving Borrowing or EURIBOR Revolving Borrower denominated in a Committed Alternative Currency, then, unless such Borrowing is repaid as provided herein, at the end of the Interest Period such Borrowing shall be continued as a Borrowing of the same Type with an Interest Period of one month's duration. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the applicable Agent, at the request of the Required Lenders, so notifies the applicable Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing denominated in U.S. Dollars may be converted to or continued as a LIBOR Borrowing, (ii) unless repaid, each LIBOR Borrowing denominated in U.S. Dollars shall be converted to an ABR Borrowing at the end of the Interest Period thereto and (iii) unless repaid, each Revolving Borrowing denominated in a Committed Alternative Currency shall be continued as a LIBOR Borrowing or a EURIBOR Borrowing, as the case may be, with an Interest Period of one month's duration.

SECTION 2.09. Termination, Reduction and Extension of Commitments. (a) Unless previously terminated, the Commitments of each Class shall terminate on the Maturity Date.

(b) The Company may at any time terminate, or from time to time reduce, the Commitments of either Class; provided that (i) each reduction of the Commitments of either Class shall be in an amount that is an integral multiple of US$5,000,000 and not less than US$10,000,000 and (ii) the Company shall not terminate or reduce the Commitments of either Class if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the sum of the Revolving Credit Exposures of such Class plus the aggregate principal amount of outstanding Competitive Loans of such Class would exceed the total Commitments of such Class.

(c) The Company shall notify the Administrative Agent of any election to terminate or reduce the Commitments of either Class under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Company pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments of either Class delivered by the Company may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Company (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments of either Class shall be permanent. Each reduction of the Commitments of either Class shall be made ratably among the Lenders of such Class in accordance with their respective Commitments of such Class.

(d) (i) The Company may, by delivery of a written request (a " Maturity Date Extension Request ") to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders) not less than 30 days and not more than 60 days prior to the first or second anniversary of the Effective Date, request that the Lenders extend the Maturity Date for an additional period of one year (the " Extended Maturity Date "); provided that there shall be no more than two extensions of the Maturity Date pursuant to this Section. Each Lender shall, by notice to the Company and the Administrative Agent given not later than the 15 th day after the date of the Administrative Agent's receipt of the Company's Maturity Date Extension Request (or such other date as the Company and the Administrative Agent may otherwise agree, which may include extensions of any previously announced date; such date, the " Extension Date "), advise the Company whether or not it agrees to the requested extension (each such Lender agreeing to a requested extension being called a " Consenting Lender ", and each such Lender declining to agree to a requested extension being called a " Declining Lender "). Any Lender that has not so advised the Company and the Administrative Agent by such Extension Date shall be deemed to have declined to agree to such extension and shall be a Declining Lender. If Lenders holding 66⅔% of the aggregate Commitments shall have agreed to a Maturity Date Extension Request by the Extension Date, then the Maturity Date shall, as to the Consenting Lenders, be extended to the first anniversary of the Maturity Date theretofore in effect. The decision to agree or withhold agreement to any Maturity Date Extension Request shall be at the sole discretion of each Lender. The Commitment of any Declining Lender shall terminate on the Maturity Date in effect prior to giving effect to any such extension (such Maturity Date being called the " Existing Maturity Date ").

(ii) It is understood that the Company shall have the right, pursuant to Section 2.19(b), at any time prior to the Existing Maturity Date, to replace a Declining Lender with a Lender or other financial institution that will agree to the applicable Maturity Date Extension Request, and any such replacement Lender shall for all purposes constitute a Consenting Lender as of the date it agrees to replace such Declining Lender.

(iii) Notwithstanding the foregoing provisions of this Section 2.09, no extension of the Existing Maturity Date shall be effective with respect to any Lender unless, on and as of the Extension Date in respect of such extension, the conditions set forth in Section 4.02 shall be satisfied (with all references in such Section to a Borrowing being deemed to be references to such extension) and the Administrative Agent shall have received a certificate to that effect, dated as of such Extension Date, and executed by a Financial Officer.

(iv) On the Existing Maturity Date, if there remain any Declining Lenders and any Revolving Loans are outstanding, each Borrower (A) shall prepay all Revolving Loans then outstanding (including all accrued but unpaid interest thereon) and (B) may, at its option, fund such prepayment by simultaneously borrowing Revolving Loans of Class or Classes and the Types and for the Interest Periods specified in a Borrowing Request delivered pursuant to Section 2.03, which Revolving Loans shall be made by the Lenders ratably in accordance with their respective Commitments of the applicable Class or Classes (calculated after giving effect to the termination of the Commitments of the Declining Lenders). The payments made pursuant to clause (A) above in respect of each LIBOR Loan or EURIBOR Loan shall be subject to Section 2.16.

SECTION 2.10. Repayment of Loans; Evidence of Debt. (a) Each Borrower hereby unconditionally promises to pay (i) to the Administrative Agent (and, in the case of an Alternative Currency Loan, with a copy to the London Administrative Agent) for the account of each Lender the then unpaid principal amount of each Revolving Loan of such Lender owing by such Borrower on the Maturity Date, (ii) to the applicable Agent for the account of each Lender the then unpaid principal amount of each Competitive Loan owing by such Borrower on the last day of the Interest Period applicable to such Loan and (iii) to each Swingline Lender the then unpaid principal amount of each Swingline Loan of such Swingline Lender owing by such Borrower on the earlier of the Maturity Date and the date that is five Business Days after such Swingline Loan is made; provided that on each date that a Revolving Borrowing or Competitive Borrowing (other than a Revolving Borrowing or Competitive Borrowing denominated in an Alternative Currency) is made by a Borrower, such Borrower shall repay all Swingline Loans of such Borrower which were outstanding at the time such Borrowing was requested.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender

resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The applicable Agent shall maintain accounts in which it shall record (i) the amount and currency of each Loan made to each Borrower hereunder, the Class and Type thereof and, in the case of any LIBOR or EURIBOR Borrowing, the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by such Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or any Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of any Borrower to repay its Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans of any Class made by it to any Borrower be evidenced by a promissory note. In such event, the applicable Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the applicable Agent. Thereafter, the Loans of the applicable Borrower evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. Prepayment of Loans. (a) Each Borrower shall have the right at any time and from time to time to prepay any of its Borrowings in whole or in part, subject to prior notice in accordance with paragraph (d) of this Section; provided that such Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof.

(b) If, as of any Revaluation Date, the sum of the total Revolving Credit Exposures of either Class plus the aggregate principal amount of Competitive Loans of such Class exceeds 105% of the total Commitments of such Class, then the applicable Borrowers shall, not later than the date that is four Business Days after the Company receives notice thereof from the Administrative Agent, prepay one or more Revolving Borrowings or Swingline Borrowings in an aggregate amount sufficient to reduce such sum to an amount that does not exceed the total Commitments of such Class.

(c) Prior to any optional or mandatory prepayment of Borrowings hereunder, the applicable Borrower shall select the Borrowing or Borrowings to be prepaid and shall specify such selection in the notice of such prepayment pursuant to paragraph (d) of this Section.

(d) The applicable Borrower shall notify the applicable Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment by such Borrower hereunder (i) in the case of prepayment of a LIBOR Revolving Borrowing or EURIBOR Revolving Borrowing, not later than 11:00 a.m., Local Time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., Local Time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, Local Time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that if a notice of optional prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Revolving Borrowing, the applicable Agent shall advise the participating Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same currency and Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

SECTION 2.12. Fees. (a) The Company agrees to pay to the Administrative Agent, for the account of each Lender, a facility fee, which shall accrue at the Applicable Rate on the daily amount of each Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that if any Lender continues to have any Revolving Credit Exposure of either Class after its Commitment of such Class terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure of such Class from and including the date on which such Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments of such Class terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing with respect to a Class after the date on which the Commitments of such Class terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) Each Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender of the applicable Class, a participation fee with respect to its participations in Letters of Credit of such Class issued for the account of such Borrower, which shall accrue at the same Applicable Rate as the spread over the Adjusted LIBO rate applicable to LIBOR Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) attributable to such Letters of Credit during the period from and

including the Effective Date to but excluding the later of the date on which such Lender's Commitment of the applicable Class terminates and the date on which such Lender ceases to have any LC Exposure attributable to such Letters of Credit, and (ii) to each Issuing Bank a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon between the Company and such Issuing Bank on the average daily amount of the LC Exposure attributable to such Letters of Credit issued by such Issuing Bank (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any such LC Exposure attributable to such Letters of Credit, as well as such Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any such Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees with respect to Letters of Credit of a Class shall be payable on the date on which the Commitments of such Class terminate and any such fees accruing after the date on which the Commitments of such Class terminate shall be payable on demand. Any other fees payable to such Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) Each Borrower agrees to pay to the Administrative Agent for the account of each Lender its Applicable Percentage of a utilization fee that shall accrue at the Applicable Rate on the daily total amount of such Borrower's outstanding Loans (including Competitive Loans and Swingline Loans but excluding Letters of Credit) during any period in which the total amount of outstanding Loans of all Borrowers (including Competitive Loans and Swingline Loans but excluding Letters of Credit) is greater than 50% of the total Commitments; provided that if such Lender continues to have any Revolving Credit Exposure to such Borrower (other than pursuant to Section 2.07(l)) after such Lender's Commitment terminates, then such utilization fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure to such Borrower from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any such Revolving Credit Exposure. Accrued utilization fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any utilization fees accruing after the date on which the Commitments terminate shall be payable on demand. All utilization fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(d) The Company agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Company and the Administrative Agent.

(e) All fees payable hereunder shall be paid in U.S. Dollars on the dates due, in immediately available funds, to the Administrative Agent (or to the applicable Issuing Bank, in the case of fees payable to it) for distribution, in the case of facility fees, participation fees and utilization fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest. (a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each LIBOR Borrowing shall bear interest (i) in the case of a LIBOR Revolving Loan, at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate or (ii) in the case of a LIBOR Competitive Loan, at the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) The Loans comprising each EURIBOR Borrowing shall bear interest (i) in the case of a EURIBOR Revolving Loan, at the Adjusted EURIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate or (ii) in the case of a EURIBOR Competitive Loan, at the Adjusted EURIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan..

(d) Each Fixed Rate Loan shall bear interest at the Fixed Rate applicable to such Loan.

(e) Each Swingline Loan shall bear interest at the rate then applicable to ABR Loans pursuant to paragraph (a) of this Section unless the applicable Borrower (or the Company) and the applicable Swingline Lender shall have agreed in writing that a different rate shall apply (in which case such different rate shall apply).

(f) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section, (ii) in the case of any other amount denominated in U.S. Dollars, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section or (iii) in the case of any other amount denominated in an Alternative Currency, 2% plus (A) in the event that there is only one LIBOR Borrowing or one EURIBOR Borrowing outstanding at such time in such Alternative Currency, the rate applicable to LIBOR Loans or EURIBOR Loans comprising such LIBOR Borrowing or EURIBOR Borrowing, as the case may be, in such Alternative Currency as provided in paragraph (b) of this Section, (B) in the event that there are more than one LIBOR Borrowing or one EURIBOR Borrowing outstanding at such time in such Alternative Currency, the weighted average of the rates applicable to the LIBOR Loans or EURIBOR Loans comprising such LIBOR Borrowing or EURIBOR

Borrowing, as the case may be, in such Alternative Currency as provided in paragraph (b) of this Section and (C) in the event that there are no LIBOR Borrowings or EURIBOR Borrowings outstanding at such time, the rate that would be applicable to a LIBOR Loan or EURIBOR Loan having an Interest Period of one month assuming that such LIBOR Loan or EURIBOR Loan, as the case may be, were made at such time.

(g) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans of either Class, upon termination of the Commitments of such Class; provided that (i) interest accrued pursuant to paragraph (f) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the applicable Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any LIBOR Revolving Loan or EURIBOR Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion. All interest shall be payable in the currency in which the applicable Loan is denominated.

(h) All interest hereunder shall be computed on the basis of a year of 360 days, except that (i) interest on Borrowings denominated in Sterling and (ii) interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate, Adjusted EURIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a LIBOR Borrowing or a EURIBOR Borrowing:

(a) the applicable Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate, the LIBO Rate or the Adjusted EURIBO Rate, as applicable, for such Interest Period; or

(b) the applicable Agent is advised by the Required Lenders (or, in the case of a LIBOR Competitive Loan or EURIBOR Competitive Loan, the Lender that is required to make such Loan) that the Adjusted LIBO Rate, the LIBO Rate or the Adjusted EURIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the applicable Agent shall give notice thereof to the Company and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until such Agent notifies the Company and the Lenders that the circumstances giving rise to such notice no longer

exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a LIBOR Borrowing or EURIBOR Borrowing, as the case may be, shall be ineffective, (ii) if any Borrowing Request requests a LIBOR Borrowing denominated in U.S. Dollars, such Borrowing shall be made as an ABR Borrowing and (iii) any request by the Company for a LIBOR Competitive Borrowing, EURIBOR Competitive Borrowing or a Revolving Borrowing in a Committed Alternative Currency shall be ineffective; provided that (A) if the circumstances giving rise to such notice do not affect all the Lenders, then requests by any Borrower for LIBOR Competitive Borrowings may be made to Lenders that are not affected thereby, (B) if the circumstances giving rise to such notice affect Borrowings of only one Type or currency, then the other Type or currencies of Borrowings shall be permitted and (C) if the circumstances giving rise to such notice affect one or more Borrowers but not all Borrowers, then Borrowings by the unaffected Borrower or Borrowers shall not be affected thereby.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate or the Adjusted EURIBO Rate) or any Issuing Bank; or

(ii) impose on any Lender, any Issuing Bank or the London or European interbank market any other condition affecting this Agreement or LIBOR Loans, EURIBOR Loans or Fixed Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any LIBOR Loan, EURIBOR Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or such Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or such Issuing Bank hereunder (whether of principal, interest or otherwise), then the applicable Borrower or the Company will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or any Issuing Bank reasonably determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Bank's capital or on the capital of such Lender's or such Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Bank's policies and the policies of such Lender's or such Issuing Bank's holding company with respect to capital adequacy), then from time to

time the applicable Borrower or the Company will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or an Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or such Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Company and shall be conclusive absent manifest error. The applicable Borrower or the Company shall pay such Lender or such Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or any Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Bank's right to demand such compensation; provided that the applicable Borrower and the Company shall not be required to compensate a Lender or an Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or such Issuing Bank, as the case may be, notifies the Company of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any LIBOR Loan, EURIBOR Loan or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any LIBOR Loan or EURIBOR Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any LIBOR Loan, EURIBOR Loan or Fixed Rate Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith), (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any LIBOR Loan, EURIBOR Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Company pursuant to Section 2.19, then, in any such event, the applicable Borrower shall compensate each affected Lender for the loss, cost and expense attributable to such event. In the case of a LIBOR Loan or EURIBOR Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate or the

Adjusted EURIBO Rate, as the case may be, that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for deposits in the applicable currency and of a comparable amount and period from other banks in the London or European interbank market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Company and shall be conclusive absent manifest error. The applicable Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes. (a) Any and all payments by or on account of any obligation of any Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if a Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the applicable Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, each Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The applicable Borrower shall indemnify each Agent, each Lender and each Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by such Agent, such Lender or such Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of such Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the applicable Borrower by a Lender or an Issuing Bank, or by an Agent on its own behalf or on behalf of a Lender or an Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by any Borrower to a Governmental Authority, the applicable Borrower shall deliver to the applicable Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to such Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which any Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to such Borrower (with a copy to the applicable Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by such Borrower as will permit such payments to be made without withholding or at a reduced rate; provided that with respect to amounts payable by a Foreign Subsidiary Borrower, such Lender has received written notice from such Foreign Subsidiary Borrower advising it of the availability of such exemption or reduction and such Foreign Subsidiary Borrower shall cooperate with such Lender in preparing all applicable documentation.

(f) The Company, each Borrower in the United Kingdom and each Lender in the United Kingdom that is a Foreign Lender also agree to the matters set forth in Schedule 2.17 to this Agreement.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) Except for payments required to be made hereunder in a Committed Alternative Currency in respect of principal of and interest on Revolving Loans denominated in such currency, or in an Alternative Currency as expressly provided in Section 2.04(g), each Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) in U.S. Dollars prior to 12:00 noon, Local Time, on the date when due, in immediately available funds, without set-off or counterclaim. All such payments in U.S. Dollars shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except payments to be made directly to an Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto, without set-off or counterclaim. All payments to be made by a Borrower in an Alternative Currency shall be made in such Alternative Currency in such funds as may then be customary for the settlement of international transactions in such Alternative Currency for the account of the London Administrative Agent at such time and at such place as shall have been notified by the London Administrative Agent to the applicable Borrower by not less than four Business Days' notice. Any amounts received after the time required to be received hereunder on any date may, in the discretion of the applicable Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. The applicable Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments under any Loan Document of principal or interest in respect of any Loan denominated in an Alternative Currency or of any breakage indemnity in respect of any such Loan shall be made in the currency in which such Loan is denominated. All other payments required to be made by any Loan Party under any Loan Document shall be made in U.S. Dollars except that any amounts payable under Section 2.15, 2.17 or 9.03

(or any indemnification or expense reimbursement provision of any other Loan Document) that are invoiced in a currency other than U.S. Dollars shall be payable in the currency so invoiced. Any payment required to be made by an Agent hereunder shall be deemed to have been made by the time required if such Agent shall, at or before such time, have taken the necessary steps to make such payment in accordance with the regulations or operating procedures of the clearing or settlement system used by such Agent to make such payment.

(b) If at any time insufficient funds are received by and available to any Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties; provided that all funds received by such Agent in an Alternative Currency shall be applied ratably to the payment of amounts due with respect to Loans denominated in such Alternative Currency in accordance with the provisions of this paragraph to the parties entitled thereto in accordance with the amounts then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Company or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(d) Unless an Agent shall have received notice from the applicable Borrower prior to the date on which any payment is due to such Agent for the account of any Lenders or any Issuing Bank hereunder that such Borrower will not make such payment, such Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the applicable Lenders or Issuing Bank, as the case may be, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the applicable Lenders or each Issuing Bank, as the case may be, severally agrees to repay to such Agent forthwith on demand the amount so distributed to such Lender or such Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to such Agent, at the greater of the Federal Funds Effective Rate and a rate determined by such Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b), 2.18(d) or 9.03(c), then the applicable Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by such Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to file any certificate or document reasonably requested by the Company or designate a different lending office for funding or booking its affected Loans hereunder or to assign its affected rights and obligations hereunder to another of its offices, branches or affiliates, if such filing, designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) in the judgment of such Lender, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender is a Declining Lender in respect of any Maturity Date Extension Request, or if any Lender requests compensation under Section 2.15, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, or if the Company is entitled to replace a Lender pursuant to Section 9.02(c), then the Company may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement (other than in respect of any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Company shall have received the prior

written consent of the Administrative Agent, which consent shall not be unreasonably withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans) and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the applicable Borrower or the Company (in the case of all other amounts), (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments and (iv) in the case of any such assignment resulting from a Lender being a Declining Lender, the assignee shall have agreed to the applicable Maturity Date Extension Request; provided further that, in the case of any such right to require assignment by a Lender that becomes a Declining Lender, such right shall not apply after the applicable Extension Date unless the applicable Maturity Date Extension Request shall have become effective. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

SECTION 2.20. Increase in Commitments. (a) The Company may, by written notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders of the applicable Class), request that the Tranche A Commitments or the Tranche B Commitments be increased; provided that the total Commitments shall not be increased by more than US$500,000,000 during the term of this Agreement pursuant to this Section. Such notice shall set forth the amount of the requested increase in the total Commitments, the Class to be so increased and the date on which such increase is requested to become effective (which shall be not less than 10 Business Days or more than 60 days after the date of such notice), and shall offer each Lender of such Class the opportunity to increase its Commitment of such Class by its Applicable Percentage of the proposed increased amount. Each Lender shall, by notice to the Company and the Administrative Agent given not more than 10 days after the date of the Company's notice, either agree to increase its Commitment of the applicable Class by all or a portion of the offered amount (each Lender so agreeing being an " Increasing Lender ") or decline to increase its Commitment of the applicable Class (and any Lender that does not deliver such a notice within such period of 10 days shall be deemed to have declined to increase its Commitment of such Class). In the event that, on the 10 th day after the Company shall have delivered a notice pursuant to the first sentence of this paragraph, the Lenders of the applicable Class shall have agreed pursuant to the preceding sentence to increase their Commitments of such Class by an aggregate amount less than the increase in the total Commitments of such Class requested by the Company, the Company may arrange for one or more banks or other financial institutions (any such bank or other financial institution being called an " Augmenting Lender "), which may include any Lender, to extend Commitments of such Class or increase their existing Commitments of such Class in an aggregate amount equal to the unsubscribed amount; provided that each Augmenting Lender, if not already a Lender of either Class hereunder, shall be subject to the approval of the Administrative Agent, each Issuing Bank and each Swingline Lender (such approvals not to be unreasonably withheld), and the Company and each

Augmenting Lender shall execute all such documentation as the Administrative Agent shall reasonably specify to evidence its Commitment of such Class and/or its status as a Lender of such Class hereunder. Any increase in the total Commitments of either Class may be made in an amount which is less than the increase requested by the Company if the Company is unable to arrange for, or chooses not to arrange for, Augmenting Lenders.

(b) On the effective date (the " Increase Effective Date ") of any increase in the total Commitments of either Class pursuant to this Section 2.20 (the " Commitment Increase "), if any Revolving Loans of such Class are outstanding, then (unless all Lenders of such Class participate ratably in such Commitment Increase in accordance with their Commitments of such Class in effect prior to giving effect to such Commitment Increase) each Borrower (i) shall prepay all its Revolving Loans of such Class then outstanding (including all accrued but unpaid interest thereon) and (ii) may, at its option, fund such prepayment by simultaneously borrowing Revolving Loans of the Types and for the Interest Periods specified in a Borrowing Request delivered pursuant to Section 2.03, which Revolving Loans of such Class shall be made by the Lenders of such Class (including the Increasing Lenders and the Augmenting Lenders, if any) ratably in accordance with their respective Commitments of such Class (calculated after giving effect to the Commitment Increase). The payments made pursuant to clause (i) above in respect of each LIBOR Loan shall be subject to Section 2.16.

(c) Increases and new Commitments of either Class created pursuant to this Section 2.20 shall become effective on the date specified in the notice delivered by the Company pursuant to the first sentence of paragraph (a) above; provided that the Company may, with the consent of the Administrative Agent (such consent not to be unreasonably withheld), extend such date by up to 30 days by delivering written notice to the Administrative Agent no less than three Business Days prior to the date specified in the notice delivered by the Company pursuant to the first sentence of paragraph (a) above.

(d) Notwithstanding the foregoing, no increase in the total Commitments of either Class (or in the Commitment of such Class of any Lender of such Class) or addition of an Augmenting Lender shall become effective under this Section unless (i) on the date of such increase, the conditions set forth in paragraphs (a) and (b) of Section 4.02 shall be satisfied and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Company, and (ii) the Administrative Agent shall have received (with sufficient copies for each of the Lenders of such Class) documents consistent with those delivered on the Effective Date under clauses (c) and (d) of Section 4.01.

SECTION 2.21. Subsidiary Borrowers. (a) The Company may at any time and from time to time elect that any wholly owned Subsidiary become a Borrower eligible to borrow Revolving Loans or Swingline Loans, or to have Letters of Credit issued for its account, by delivering to the Administrative Agent an Election to Participate with respect to such Subsidiary. The eligibility of any Subsidiary Borrower to borrow hereunder, and to have Letters of Credit issued for its account, shall terminate

when the Administrative Agent receives an Election to Terminate with respect to such Subsidiary. Each Election to Participate delivered to the Administrative Agent shall be duly executed on behalf of the relevant Subsidiary and the Company, and each Election to Terminate delivered to the Administrative Agent shall be duly executed on behalf of the Company, in such number of copies as the Administrative Agent may request. The delivery of an Election to Terminate shall not affect any obligation of the relevant Subsidiary theretofore incurred. The Administrative Agent shall promptly give notice to the Lenders of its receipt of any Election to Participate or Election to Terminate.

(b) Any election, notice or other action that may be given or taken by a Subsidiary Borrower hereunder may be given or taken by the Company on behalf of such Subsidiary Borrower, and the Administrative Agent and the Lenders shall be entitled to rely thereon, conclusively, without inquiry, and such election, notice or other action shall be binding upon such Subsidiary Borrower. Each Subsidiary Borrower hereby consents to the foregoing, and assumes all responsibility for elections, notices or actions hereunder given or taken on its behalf by the Company.

ARTICLE III

Representations and Warranties

The Company represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each of the Company and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, in each case except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.02. Authorization; Enforceability. The Transactions to be entered into by each Loan Party are within such Loan Party's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement (or, in the case of a Subsidiary Borrower, its Election to Participate, as applicable) and any promissory notes issued pursuant to Section 2.10(e) have been duly executed and delivered by the Company and each Subsidiary that is a Subsidiary Borrower and constitute, and the Guarantee Agreement when executed and delivered by any Loan Party that becomes party thereto will constitute, a legal, valid and binding obligation of the Company, such Subsidiary Borrower or such Loan Party, as the case may be, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Company or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Company or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment (other than pursuant to this Agreement or repayment of amounts owing under the Existing Credit Agreement) to be made by the Company or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries, except, with respect to clauses (b) and (c), any such violations, defaults and payments which, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect and except, with respect to clause (d), any such Liens set forth in Schedule 6.02.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Company has heretofore furnished to the Lenders (i) its consolidated balance sheet and statements of income, stockholder's equity and cash flows as of and for the fiscal year ended December 30, 2006, reported on by KPMG LLP, independent public accountants, and (ii) its condensed consolidated balance sheet as of September 8, 2007, its condensed consolidated statements of income for the 12 week periods ended September 8, 2007 and September 9, 2006, and its condensed consolidated statements of cash flows for the 12 week periods ended September 8, 2007 and September 9, 2006, certified by its Financial Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Company and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) As of the Effective Date, there has been no material adverse change in the business, assets, operations or condition, financial or otherwise, of the Company and its Subsidiaries, taken as a whole, since December 30, 2006.

SECTION 3.05. Properties. (a) Each of the Company and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to the business of the Company and its Subsidiaries on a consolidated basis, except for minor defects in title and other matters that do not interfere with their ability to conduct their businesses on a consolidated basis as currently conducted or to utilize such properties for their intended purposes on a consolidated basis.

(b) Each of the Company and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to the business of the Company and its Subsidiaries on a consolidated basis, and the use thereof by the Company and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings (and, to the knowledge of the Company, there are no investigations) by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries (i) as to which there is a reasonable likelihood of an adverse determination and that, if adversely determined, would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that, other than actions, suits or proceedings commenced by any Agent or any Lender, involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, neither the Company nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or would reasonably be expected to result in, a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements. Each of the Company and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.08. Investment Company Status. Neither the Company nor any of its Subsidiaries is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

SECTION 3.09. Taxes. Each of the Company and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Company or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial

Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of all such underfunded Plans by an amount which, if it were required to be fully paid, would reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11. Disclosure. The Company has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject (to its knowledge, in the case of those to which only its Non-Controlled Subsidiaries are subject), and all other matters known to it, that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect; provided that for purposes of this sentence, any information disclosed in any publicly available filing made by the Company with the Securities and Exchange Commission pursuant to the rules and regulations of the Securities and Exchange Commission shall be considered to have been disclosed to the Lenders. Except as set forth in Schedule 3.11, neither the Information Memorandum nor any of the other reports, financial statements, certificates or other information furnished by or on behalf of the Company by any of its authorized representatives to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished), when taken as a whole, contained, at the time so furnished, any material misstatement of fact or omitted, at the time so furnished, to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made and the nature and scope of the report, financial statement, certificate or other information being furnished, not materially misleading; provided that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12. Initial Guarantors. As of the Effective Date, there are no Principal Domestic Subsidiaries other than the Initial Guarantors.

ARTIVLE IV

Conditions

SECTION 4.01. Effective Date. The amendment and restatement of the Existing Credit Agreement as provided herein and the obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent (or its counsel) shall have received from each of the Company and the Initial Guarantors either (i) a counterpart of the Guarantee Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of the Guarantee Agreement) that such party has signed a counterpart of the Guarantee Agreement.

(c) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of each of Mayer Brown LLP and R. Scott Toop, Esq., counsel for the Loan Parties, substantially in the form of Exhibits C-1 and C-2, respectively, and covering such other matters relating to the Loan Parties, the Loan Documents or the Transactions as the Required Lenders shall reasonably request. The Company hereby requests such counsel to deliver such opinions.

(d) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Loan Parties, the authorization of the Transactions and any other legal matters relating to the Loan Parties, the Loan Documents or the Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(e) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Company, solely in his capacity as such and not individually, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(f) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Company hereunder.

(g) All outstanding loans, accrued and unpaid interest thereon and accrued an unpaid fees and other amounts accrued and owing under the Existing Credit Agreement shall be paid in full (without prejudice to any Borrower's right to borrow hereunder in order to finance such payment) and all commitments under the Existing Credit Agreement (except those that are continuing as Commitments hereunder) shall have been terminated.

(h) To the extent requested, the Lenders shall have received all documentation and other information required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including information required under the Act.

The Administrative Agent shall notify the Company and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the amendment and restatement of the Existing Credit Agreement and the obligations of

the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New York City time, on December 14, 2007 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of any Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Company set forth in this Agreement shall be true and correct (or, in the case of any representation or warranty not qualified as to materiality, true and correct in all material respects) on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, except to the extent that any such representations and warranties expressly relate to an earlier date in which case any such representations and warranties shall be true and correct (or, in the case of any such representation or warranty not qualified as to materiality, true and correct in all material respects) at and as of such earlier date.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Company and the applicable Subsidiary Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

SECTION 4.03. Borrowings by Subsidiary Borrowers; Letters of Credit for Subsidiary Borrowers. The obligation of each Lender to make the initial Loan to any Subsidiary Borrower, and of each Issuing Bank to issue, amend, renew or extend any Letter of Credit on the first occasion for the account of any Subsidiary Borrower, is subject to the satisfaction of the following further conditions (in addition to the applicable conditions set forth in Section 4.02):

(a) If reasonably requested by the Administrative Agent, the Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders) of one or more counsel for such Subsidiary Borrower, reasonably acceptable to the Administrative Agent, in a form reasonably acceptable to the Administrative Agent.

(b) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of such Subsidiary Borrower, its authorization to be a Subsidiary Borrower hereunder and any other

legal matters relating to such Subsidiary Borrower or its status as a Subsidiary Borrower, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(c) The Administrative Agent and each Lender shall have received notice of an Election to Participate at least 10 Business Days prior to the date on which such initial Loan is to be made to such Subsidiary Borrower or such Letter of Credit is to be issued, amended, renewed or extended for the account of such Subsidiary Borrower.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Company covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. The Company will furnish to the Administrative Agent (with sufficient copies for each Lender):

(a) within 90 days after the end of each fiscal year of the Company, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by KPMG LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP (identifying in an explanatory paragraph any material accounting changes); provided that delivery of the Company's form 10-K containing the information required to be contained therein pursuant to the rules and regulations of the Securities and Exchange Commission, including the financial statements described above reported on by KPMG LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit), shall be deemed to satisfy the requirements of this clause (a);

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, its condensed consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the

case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes; provided that delivery of the Company's Form 10-Q, containing the information required to be contained therein pursuant to the rules and regulations of the Securities and Exchange Commission, together with the certificate of a Financial Officer as described above, shall be deemed to satisfy the requirements of this clause (b);

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Company (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.01, 6.09 and 6.10 (including any adjustments necessary to reflect the existence of any Excluded Subsidiaries) and (iii) stating whether any material change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Company or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Company to its shareholders generally, as the case may be; and

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Company or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request; provided that any request by a Lender for any information pursuant to this clause (f) shall be made through the Administrative Agent.

Any financial statement, report, proxy statement or other material required to be delivered pursuant to clause (a), (b) or (e) of this Section shall be deemed to have been furnished to the Administrative Agent and each Lender on the date that the Company notifies the Administrative Agent that such financial statement, report, proxy statement or other material is posted on the Securities and Exchange Commission's website at www.sec.gov ; provided that the Administrative Agent will promptly inform the Lenders of any such notification by the Company; provided further that, the Company will furnish

paper copies of such financial statement, report, proxy statement or material to the Administrative Agent or any Lender that requests, by notice to the Company, that the Company do so, until the Company receives notice from the Administrative Agent or such Lender, as applicable, to cease delivering such paper copies.

SECTION 5.02. Notices of Material Events. The Company will furnish to the Administrative Agent written notice of any of the following promptly after a Financial Officer or other executive officer of the Company becomes aware thereof:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Company or any Affiliate thereof that, if adversely determined, would reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Company and its Subsidiaries in an aggregate amount exceeding US$100,000,000; and

(d) any other development (except any change in general economic conditions) that results in, or would reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Company setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. The Company will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of the business of the Company and its Subsidiaries on a consolidated basis; provided that the foregoing shall not prohibit any merger, consolidation, liquidation, dissolution or sale of assets permitted under Section 6.03.

SECTION 5.04. Payment of Obligations. The Company will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, would reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Company or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties; Insurance. The Company will, and will cause each of its Subsidiaries to, (a) keep and maintain all property material to the conduct of their business on a consolidated basis in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies (or pursuant to self-insurance arrangements that are consistent with those used by other companies that are similarly situated), insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 5.06. Books and Records; Inspection Rights. The Company will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Company will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all during normal business hours; provided that in the case of any Lender, unless an Event of Default has occurred and is continuing, the Company shall not be required to permit any such visits by such Lender or its representatives pursuant to this Section more than once during any calendar year (and the Lenders will exercise reasonable efforts to coordinate such visits through the Administrative Agent).

SECTION 5.07. Compliance with Laws. The Company will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds and Letters of Credit. The proceeds of all Loans will be used only for general corporate purposes, including acquisitions. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X. Letters of Credit will be issued only for general corporate purposes.

SECTION 5.09. Principal Domestic Subsidiaries. Promptly after any Subsidiary (including any Subsidiary formed or acquired after the date of execution and delivery of this Agreement) that is not a Guarantor becomes a Principal Domestic Subsidiary, the Company will cause such Subsidiary to enter into the Guarantee Agreement and become a Guarantor as provided in the Guarantee Agreement; provided that (a) the foregoing shall not apply to any Securitization Subsidiary and (b) this Section shall not apply after all the Guarantees (other than the Guarantee of the Company) under the Guarantee Agreement have been released and terminated pursuant to Section 11 thereof.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Company covenants and agrees with the Lenders that:

SECTION 6.01. Subsidiary Indebtedness. The Company will not permit the aggregate principal amount of Indebtedness of its Domestic Subsidiaries (excluding (a) any Indebtedness of a Domestic Subsidiary owed to the Company or another Domestic Subsidiary, (b) any Indebtedness of a Guarantor, so long as its Guarantee under the Guarantee Agreement remains in effect, (c) any Indebtedness of a Securitization Subsidiary that is included in calculating the Securitization Amount, (d) any Guarantee by a Domestic Subsidiary of Indebtedness of a Foreign Subsidiary, if the assets of such Domestic Subsidiary consist solely of investments in Foreign Subsidiaries and a de minimis amount of other assets, (e) Indebtedness existing as of the Effective Date and set forth on Schedule 6.01 and (f) Indebtedness of Subsidiary Borrowers in respect of Loans and Letters of Credit under this Agreement, but including (except as provided in clause (d) above) any Guarantee by a Domestic Subsidiary (other than a Guarantor) of Indebtedness of any other Person, including the Company, a Guarantor or a Foreign Subsidiary) at any time to exceed US$200,000,000.

SECTION 6.02. Liens. The Company will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Company or any Domestic Subsidiary existing on the date hereof; provided that (i) such Lien shall not apply to any other property or asset of the Company or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and refinancings, extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof; provided further that, any such Lien securing obligations in excess of US$2,000,000 shall not be permitted under this clause (b) unless such Lien is set forth in Schedule 6.02;

(c) any Lien existing on any property or asset prior to the acquisition thereof by the Company or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Company or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the

date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens on fixed or capital assets (including equipment) hereafter acquired, constructed or improved by the Company or any Subsidiary; provided that (i) such security interests secure Indebtedness incurred to finance the acquisition, construction or improvement of such fixed or capital assets, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 90% of the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the Company or any Subsidiary;

(e) Liens securing Capital Lease Obligations arising out of Sale and Lease-Back Transactions; provided that (i) such Sale and Lease-Back Transaction is consummated within 90 days after the purchase by the Company or a Subsidiary of the property or assets which are the subject of such Sale and Lease-Back Transaction and (ii) such Liens do not at any time encumber any property or assets other than the property or assets that are the subject of such Sale and Lease-Back Transaction;

(f) any Lien on any property or asset of any Subsidiary securing obligations in favor of the Company or any other Subsidiary;

(g) any Lien on any property or asset of any Foreign Subsidiary securing obligations of any Foreign Subsidiary; and

(h) Permitted Securitization Transactions, Liens arising in connection with any Permitted Securitization Transaction and other Liens not otherwise permitted by the foregoing clauses of this Section; provided that the Lien Basket Amount shall not at any time exceed 15% of the Consolidated Net Tangible Assets of the Company.

SECTION 6.03. Fundamental Changes. (a) The Company will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of the assets of the Company and the Subsidiaries (taken as a whole), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Event of Default shall have occurred and be continuing and no Default shall result therefrom (i) any Person may merge into the Company in a transaction in which the Company is the surviving corporation, (ii) any Person may merge with any Subsidiary in a transaction in which the surviving entity is a Subsidiary, (iii) any Subsidiary (other than a Borrower) may liquidate or dissolve if the Company determines in good faith that such liquidation or dissolution is in the best interests of the Company and is not materially disadvantageous to the Lenders and (iv) this Section shall not be construed to restrict Permitted Securitization Transactions; provided that for purposes of this Section 6.03,

one or more Refranchising Transactions shall not constitute the sale, transfer or disposition of all or substantially all of the assets of the Company and the Subsidiaries.

(b) A substantial majority of the business engaged in by the Company and its Subsidiaries will continue to be businesses of the type conducted by the Company and its Subsidiaries on the Effective Date and businesses reasonably related thereto; provided that the foregoing shall not be construed to restrict the conduct of businesses that are limited to serving the Company and its Subsidiaries and their respective franchisees and licensees, such as the creation of Subsidiaries to conduct insurance or inventory purchasing activities for the Company and its Subsidiaries and their respective franchisees and licensees.

SECTION 6.04. [Intentionally omitted.]

SECTION 6.05. Hedging Agreements. The Company will not, and will not permit any of its Subsidiaries to, enter into any Hedging Agreement or commodity price protection agreement or other commodity price hedging arrangement, other than Hedging Agreements, commodity price protection agreements and other commodity price hedging arrangements entered into in the ordinary course of business to hedge or mitigate risks to which the Company or any Subsidiary is exposed in the conduct of its business or the management of its liabilities.

SECTION 6.06. [Intentionally omitted.]

SECTION 6.07. Transactions with Affiliates. The Company will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its then Affiliates, except (a) in the ordinary course of business for consideration and on terms and conditions not less favorable to the Company or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties (including pursuant to joint venture agreements entered into after the Effective Date with third parties that are not Affiliates), (b) transactions between or among the Company and its wholly owned Subsidiaries or between or among wholly owned Subsidiaries, in each case not involving any other Affiliate, (c) the Company may declare and pay dividends with respect to its capital stock payable solely in additional shares of its capital stock, (d) the Company and its Subsidiaries may make Equity Payments in respect of any of their respective Equity Interests, or pursuant to or in accordance with stock option plans or employee benefit plans for management or employees of the Company and its Subsidiaries and (e) the foregoing shall not prevent the Company or any Subsidiary from performing its obligations under agreements existing on the date hereof between the Company or any of its Subsidiaries and any joint venture of the Company or any of its Subsidiaries in accordance with the terms of such agreements as in effect on the date hereof or pursuant to amendments or modifications to any such agreements that are not adverse to the interests of the Lenders.

SECTION 6.08. Issuances of Equity Interests by Principal Domestic Subsidiaries. The Company will not permit any Principal Domestic Subsidiary to issue

any additional Equity Interest in such Principal Domestic Subsidiary other than (a) to the Company, (b) to another Subsidiary in which the Company owns, directly or indirectly, a percentage interest not less than the percentage interest owned in the Principal Domestic Subsidiary issuing such Equity Interest, (c) any such issuance that does not reduce the Company's direct or indirect percentage ownership interest in such Principal Domestic Subsidiary and (d) issuances of Equity Interests after the date hereof which are not otherwise permitted by the foregoing clauses of this Section, provided that the aggregate consideration received therefor (net of all consideration paid in connection with all repurchases or redemptions thereof) does not exceed US$100,000,000 during the term of this Agreement.

SECTION 6.09. Leverage Ratio. The Company will not permit the Leverage Ratio as of any date to exceed 2.75 to 1.0.

SECTION 6.10. Fixed Charge Coverage Ratio. The Company will not permit the Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters ending after the Effective Date to be less than 1.40 to 1.00.

SECTION 6.11. Sale and Lease-Back Transactions. The Company will not, and will not permit any of its Domestic Subsidiaries to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereinafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred (a " Sale and Lease-Back Transaction "), except (a) any Sale and Lease-Back Transaction consummated within 90 days after the purchase by the Company or a Domestic Subsidiary of the property or assets (other than assets acquired pursuant to any Permitted Acquisition) which are the subject of such Sale and Lease-Back Transaction and (b) other Sale and Lease-Back Transactions; provided that any Sale and Lease-Back Transaction permitted by clause (b) above shall be subject to compliance with the limitation set forth in the proviso to clause (h) of Section 6.02.

SECTION 6.12. Ownership of Subsidiary Borrowers. The Company will not permit a Subsidiary Borrower to cease to be a direct or indirect wholly owned subsidiary (other than to the extent of director's qualifying shares) of the Company, unless an Election to Terminate shall have been delivered with respect to such Subsidiary Borrower and all obligations of such Subsidiary Borrower in respect of Loans made to it have been repaid and there is no remaining Revolving Credit Exposure to such Subsidiary Borrower.

ARTICLE VII

Events of Default

SECTION 7.01. Events of Default. If any of the following events (" Events of Default ") shall occur:

(a) any Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement payable by it when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) any Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable by it under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of the Company or any Subsidiary in or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Company shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to the Company's existence) or 5.08 or in Article VI;

(e) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Company (which notice will be given at the request of any Lender);

(f) the Company or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity; provided that this clause (g) shall not apply to (i) Indebtedness that becomes due as a result of the voluntary sale or transfer of property or assets by the Company or a Subsidiary or (ii) any amount that becomes due under a Hedging Agreement as a result of the termination thereof, other than a termination by the applicable counterparty attributable to an event or condition that constitutes or is in the nature of an event of default in respect of the Company or a Subsidiary;

(h) [Intentionally omitted];

(i) subject to Section 7.02, an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Company or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or any

Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(j) subject to Section 7.02, the Company or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(k) subject to Section 7.02, the Company or any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(l) subject to Section 7.02, one or more judgments for the payment of money in an aggregate amount in excess of US$100,000,000 (excluding amounts believed in good faith by the Company to be covered by insurance from financially sound insurance companies) shall be rendered against the Company, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Company or any Subsidiary to enforce any such judgment;

(m) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred, would reasonably be expected to result in a Material Adverse Effect;

(n) a Change in Control shall occur; or

(o) any Guarantee by any Guarantor under the Guarantee Agreement shall be determined by a court of competent jurisdiction, or shall be asserted by a Borrower or a Guarantor, to be unenforceable, or any Guarantor shall fail to observe or perform any material covenant, condition or agreement contained in the Guarantee Agreement; provided that the foregoing shall not apply with respect to the termination of any or all the Guarantees (other than the Guarantee of the Company) under the Guarantee Agreement pursuant to Section 11 thereof or Section 9.02(b) hereof;

then, and in every such event (other than an event with respect to any Borrower described in clause (i) or (j) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Company, take any or all of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall

terminate immediately, (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Company and the Subsidiary Borrowers accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company and the Subsidiary Borrowers, and (iii) enforce its rights under the Guarantee Agreement on behalf of the Lenders and the Issuing Banks; and in case of any event with respect to any Borrower described in clause (i) or (j) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers.

SECTION 7.02. Exclusion of Immaterial Subsidiaries. Solely for purposes of determining whether a Default has occurred under clause (i), (j), (k) or (l) of Section 7.01, any reference in any such clause to any "Subsidiary" shall be deemed not to include any Subsidiary affected by any event or circumstance referred to in any such clause that (a) is not a Principal Domestic Subsidiary or a Subsidiary Borrower, (b) does not have consolidated assets accounting for more than 3% of the consolidated assets of the Company and its Subsidiaries, (c) did not, for the most recent period of four consecutive fiscal quarters, have consolidated revenues accounting for more than 3% of the consolidated revenues of the Company and its Subsidiaries and (d) did not, for the most recent period of four consecutive fiscal quarters, have Consolidated EBITDAR in an amount exceeding 3% of the Company's Consolidated EBITDAR for such period; provided that if it is necessary to exclude more than one Subsidiary from clause (i), (j), (k) and (l) of Section 7.01 pursuant to this Section in order to avoid a Default thereunder, all excluded Subsidiaries shall be considered to be a single consolidated Subsidiary for purposes of determining whether the conditions specified in clauses (b), (c) and (d) above are satisfied.

ARTICLE VIII

The Agents

Each of the Lenders and the Issuing Banks hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent, and each of the Lenders also hereby irrevocably appoints the London Administrative Agent as its sub-agent and authorizes the London Administrative Agent, to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent and the London Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

The bank serving as an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not such Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Company or any Subsidiary or other Affiliate thereof as if it were not an Agent hereunder.

The bank serving as an Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) such Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) such Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that such Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, such Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company or any of its Subsidiaries that is communicated to or obtained by the bank serving as such Agent or any of its Affiliates in any capacity. An Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or wilful misconduct. An Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to such Agent by a Borrower or a Lender, and such Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent.

An Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. An Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. An Agent may consult with legal counsel (who may be counsel for a Loan Party), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

An Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by such Agent. Such Agent and any such sub-agent may perform any and all its duties and exercise its rights and

powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of (i) the Administrative Agent and any such sub-agent and (ii) the London Administrative Agent and any sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent and as London Administrative Agent, respectively.

Subject to the appointment and acceptance of a successor Administrative Agent or successor London Administrative Agent, as the case may be, as provided in this paragraph, an Agent may resign at any time by notifying the Lenders, the Issuing Banks, the Company and the other Agent. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Company (which consent shall not be unreasonably withheld, and shall not be required so long as any Event of Default set forth in clause (i) or (j) of Section 7.01 has occurred and is continuing) and the other Agent (which consent shall not be unreasonably withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then such retiring Agent may, on behalf of the Lenders and the Issuing Banks, appoint a successor Agent which shall be (i) a bank with an office in New York, New York, or an Affiliate of any such bank, for the successor Administrative Agent and (ii) a bank with an office in London, United Kingdom, or an Affiliate of any such bank, for the successor London Administrative Agent. Upon the acceptance of its appointment as Administrative Agent or London Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Company or any Subsidiary Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Company and such successor. After an Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Agent.

Each Lender acknowledges that it has, independently and without reliance upon either Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon either Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

Each party hereto agrees and acknowledges that the Syndication Agent and the Arrangers do not have any duties or responsibilities in their capacities as Syndication Agents and Arrangers, respectively, hereunder and shall not have, or become subject to, any liability hereunder in such capacities.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy , as follows:

(i) if to the Company or any Subsidiary Borrower, to it at Yum! Brands, Inc., P.O. Box 32070, Louisville, KY 40232, (or, in the case of overnight packages, 1900 Colonel Sanders Lane, Louisville, KY 40213-1963), Attention of Tim Jerzyk, Senior Vice President and Treasurer (Telecopy No. (502) 874-2410);

(iii) if to JPMorgan Chase Bank, N.A. as Issuing Bank, to it at Loan and Agency Services Group, 10420 Highland Manor Drive, 4 th Floor, Tampa, FL

33647, Attention of Vera Kostic (Telecopy No. (813) 432-6350);

(iv) if to Citibank, N.A. as Issuing Bank, to it at Citibank, NA, 2 Penns Way, Suite 110, New Castle, DE 19720, Attention of Alex Iannelli (Telecopy No. (212) 994-0847);

(vi) if to Citibank, N.A. as a Swingline Lender, to it at Citibank, NA, 2 Penns Way, Suite 110, New Castle, DE 19720, Attention of Alex Iannelli (Telecopy No. (212) 994-0847));

(vii) if to the London Administrative Agent, to J.P. Morgan Europe Ltd, Agency Department, 125 London Wall, London, EC2Y 5AJ, England, Attention of Steve Clarke Agency Department (Telecopy No. 44 (0) 207 777 2360); and

(viii) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire .

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent and the Company; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the applicable Agent, the

Company and the applicable Lenders. The Administrative Agent, the London Administrative Agent, the Company or any Subsidiary Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, the London Administrative Agent, any Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of each Agent, the Issuing Banks and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or any Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any other Loan Document nor any provision thereof may be waived, amended or modified except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Company, the Subsidiary Borrowers and the Required Lenders or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent and the Loan Party or Loan Parties that are parties thereto, in each case with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan (or the date of any payment required pursuant to Section 2.11(b)) or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby or release or limit the Company's Guarantee under the Guarantee Agreement, in each case without the written consent of each Lender, or (v) change any of the provisions of this Section or the definition of "Required Lenders"

or any other provision of any Loan Document specifying the number or percentage of Lenders required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender; provided further that, (i) no such agreement shall amend, modify or otherwise affect the rights or duties of any Agent, an Issuing Bank or a Swingline Lender hereunder without the prior written consent of such Agent, such Issuing Bank or such Swingline Lender, as the case may be and (ii) any waiver, amendment or modification of this Agreement or any other Loan Document that by its terms affects the rights or duties under this Agreement of one Class (but not of both Classes) may be effected by an agreement or agreements in writing entered into by the Company and requisite percentage in interest of the affected Lenders under the applicable Class.

(c) If, in connection with any proposed waiver, amendment or modification of this Agreement or any other Loan Document or any provision hereof or thereof, the consent of one or more of the Lenders whose consent is required is not obtained, then the Company shall have the right to replace each such non-consenting Lender with one or more assignees pursuant to Section 2.19(b); provided that at the time of such replacement, each such assignee consents to the proposed waiver, amendment or modification.

(d) Notwithstanding anything in paragraph (b) of this Section to the contrary, this Agreement and the other Loan Documents may be amended at any time and from time to time to establish one or more new Classes (a " New Class ") of revolving credit commitments to be made available to any or all of the Borrowers, by an agreement in writing entered into by the Company, the Administrative Agent and each Person (including any Lender) that shall agree to provide any portion of such New Class of revolving credit commitments so established (but without the consent of any other Lender), and each Person that shall not already be a Lender shall, at the time the agreement becomes effective, become a Lender with the same effect as if it had originally been a Lender under this Agreement with the commitments set forth in such agreement; provided that the establishment of a New Class shall not result in the aggregate amount of the sum of the Commitments plus the commitments under such New Class exceeding the aggregate amount of the Commitments outstanding immediately prior to the establishment of such New Class; provided further that, any Person that is Lender immediately prior to the establishment of such New Class and that wishes to participate as a Lender in such New Class may, with the consent of both the Company and the Administrative Agent (in each such case, such consent not to be unreasonably withheld or delayed), reduce the existing Commitment of such Lender, on a dollar-for-dollar basis, by the aggregate amount of such Lender's commitment under such New Class. Any such agreement shall amend the provisions of this Agreement and the other Loan Documents to set forth the terms of each New Class of revolving credit commitments established thereby (including the amount and final maturity thereof (which shall not be earlier than the Maturity Date), the interest to accrue and be payable thereon and any fees to be payable in respect thereof) and to effect such other changes (including changes to the provisions of this Section, Section 2.17 and the definition of "Required Lenders") as the Company and the Administrative Agent shall deem necessary or advisable in connection with the establishment of any such New Class of revolving credit commitments;

provided , however , that no such agreement shall (i) effect any changes described in any of clauses (i), (ii), (iii) or (iv) of paragraph (b) of this Section without the consent of each Person required to consent to such change under such clause (it being agreed, however, that the establishment of any New Class of revolving credit commitments will not, of itself, be deemed to effect any of the changes described in clauses (iv) or (v) of such paragraph (b)), or (ii) establish any covenant, Event of Default or remedy that by its terms benefits one or more Classes, but not all Classes, of Loans or Borrowing without the prior written consent of Lenders holding a majority in interest of the Loans and Commitments of each Class not so benefited. The loans, commitments and borrowings of any New Class established pursuant to this paragraph shall constitute Loans, Commitments and Borrowings under, and shall be entitled to all the benefits afforded by, this Agreement and the other Loan Documents and shall, without limiting the foregoing, benefit equally and ratably from the Guarantee by the Company and the Guarantees by the Subsidiary Guarantors under the Guarantee Agreement. The Company shall take any actions reasonably required by the Administrative Agent to ensure and/or demonstrate that the Guarantee by the Company and the Guarantees by the Subsidiary Guarantors under the Guarantee Agreement continue to be in full force and effect after the establishment of any New Class of revolving credit commitments.

SECTION 9.03 Expenses; Indemnity; Damage Waiver. (a) The Company shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the London Administrative Agent, the Arrangers and their respective Affiliates, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore LLP, counsel for the Agents and the Arrangers, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by any Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by either Agent, any Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Agents, any Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Company shall indemnify either Agent, the Syndication Agent, each Arranger, any Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an " Indemnitee ") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any other agreement or instrument contemplated hereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the

Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by any Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by the Company or any of its Subsidiaries, or any Environmental Liability related in any way to the Company or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available (i) to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee (it being understood that, for purposes of this clause, each of an Arranger, an Agent or a Lender, on the one hand, and their respective officers, directors, employees, agents and controlling persons, on the other hand, shall be considered to be a single party seeking indemnification) or (ii) with respect to any amounts paid pursuant to any settlement made by such Indemnitee without the consent of the Company, which consent shall not be unreasonably withheld.

(c) To the extent that the Company fails to pay any amount required to be paid by it to an Agent, an Issuing Bank or a Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to such Agent, such Issuing Bank or such Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be (i) was incurred by or asserted against such Agent, such Issuing Bank or such Swingline Lender in its capacity as such and (ii) in respect of Extended Letters of Credit issued under Section 2.06(l), was incurred at or prior to the close of business on the date that is five Business Days prior to the Maturity Date. Any payment by a Lender hereunder shall not relieve the Company of its liability in respect thereof.

(d) To the extent permitted by applicable law, each of the Company and the Subsidiary Borrowers shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit), except that (i) neither the Company nor

any Subsidiary Borrower may assign or otherwise transfer any of their rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Company or any Subsidiary Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each Agent, the Issuing Banks and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment of either Class and the Loans of such Class at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Company; provided that no consent of the Company shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund (as defined below) with respect to a Lender or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent; provided that no consent of the Administrative Agent shall be required for an assignment to an assignee that is (i) a Lender immediately prior to giving effect to such assignment, (ii) an Affiliate of any such Lender or (iii) an Approved Fund with respect to such Lender; and

(C) each Issuing Bank.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment of a Class, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than US$5,000,000 unless each of the Company and the Administrative Agent otherwise consent; provided that no such consent of the Company shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement; provided that (x) this clause shall not apply to rights in respect of outstanding Competitive Loans and (y) this clause shall not be construed to

prevent an assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of US$3,500;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(E) in the case of an assignment by a Lender to a CLO (as defined below) administered or managed by such Lender or by an Affiliate of such Lender, the assigning Lender may retain the sole right to approve any amendment, modification or waiver of any provision of this Agreement, provided that the Assignment and Assumption between such Lender and such CLO may provide that such Lender will not, without the consent of such CLO, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such CLO.

For purposes of this Section 9.04(b), the terms "Approved Fund" and "CLO" have the following meanings:

" Approved Fund " means, with respect to any Lender, (a) a CLO administered or managed by such Lender or an Affiliate of such Lender and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

" CLO " means any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an Affiliate of such Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a

participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment or Commitments of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the " Register "), and shall give prompt written notice to the Company of each Assignment and Assumption so accepted and recorded. The entries in the Register shall be conclusive, and the Company, the Subsidiary Borrowers, the Agents, the Issuing Banks and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company, the Subsidiary Borrowers, any Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of any Borrower, any Agent, any Issuing Bank or any Swingline Lender, sell participations to one or more banks or other entities (a " Participant ") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment or Commitments and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Company, the Subsidiary Borrowers, the Agents, the Issuing Banks and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02 (b) that affects such Participant. Subject to paragraph (c)(ii) of this Section, each of the Company and the Subsidiary Borrowers agree that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of

Section 9.08 as though it were a Lender, provided that such Participant agrees to be subject to Section 2.18(c) as though it were a Lender. Each Lender that sells a participating interest in any Loan, Commitment or other interest to a Participant shall, as agent of the Company solely for the purpose of this Section 9.04, record in book entries maintained by such Lender the name and the amount of the participating interest of each Participant entitled to receive payments in respect of such participating interests.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the prior written consent of the Company. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Company is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Company and the Subsidiary Borrowers, to comply with Section 2.17(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Agent, any Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the Guarantee Agreement and any separate letter agreements with respect to fees payable to the Administrative

Agent and the Issuing Banks constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Company or any Subsidiary Borrower against any of and all the obligations of the Company or such Subsidiary Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement, but only to the extent such obligations are then due and payable. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each of the Company and the Subsidiary Borrowers hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right

that the Administrative Agent, any Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Company or any Subsidiary Borrower or its properties in the courts of any jurisdiction.

(c) Each of the Company and the Subsidiary Borrowers hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE GUARANTEE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the London Administrative Agent, the Issuing Banks and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process (subject to the last sentence of

this paragraph), (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Company and its obligations, (g) with the consent of the Company or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to any Agent, any Issuing Bank or any Lender on a nonconfidential basis from a source other than the Company or any Subsidiary Borrower. For the purposes of this Section, " Information " means all information received from the Company or any Subsidiary Borrower relating to the Company, any Subsidiary Borrower or its business, other than any such information that is available to any Agent, any Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by the Company or any Subsidiary Borrower. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. If any Lender receives any subpoena or similar legal process referred to in clause (c) above, such Lender will endeavor, to the extent practicable, to notify the Company and afford the Company an opportunity to challenge the same before disclosing any confidential Information pursuant thereto.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the " Charges "), shall exceed the maximum lawful rate (the " Maximum Rate ") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.14. Judgment Currency. If for the purposes of obtaining judgment in any court it is necessary to convert a sum due from any Borrower hereunder in the currency expressed to be payable herein (the " Specified Currency ") into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the Specified Currency with such other currency at the Administrative Agent's New York office on the Business Day preceding that on which final judgment is given. The obligations of each Borrower in

respect of any sum due to any Lender or any Agent hereunder shall, notwithstanding any judgment in a currency other than the Specified Currency, be discharged only to the extent that on the Business Day following receipt by such Lender or such Agent (as the case may be) of any sum adjudged to be so due in such other currency such Lender or such Agent (as the case may be) may in accordance with normal banking procedures purchase the Specified Currency with such other currency; if the amount of the Specified Currency so purchased is less than the sum originally due to such Lender or such Agent, as the case may be, in the Specified Currency, the applicable Borrower agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or such Agent, as the case may be, against such loss.

SECTION 9.15. Existing Credit Agreement; Effectiveness of Amendment and Restatement. Until this Agreement becomes effective in accordance with the terms of Section 4.01, the Existing Credit Agreement shall remain in full force and effect and shall not be affected hereby. After the Effective Date, the provisions of the Existing Credit Agreement shall be superseded by the provisions hereof. The parties hereto agree to waive any notices required under Section 2.09(c) of the Existing Credit Agreement in connection with the effectiveness of this Agreement.

SECTION 9.16. USA Patriot Act. Each Lender hereby notifies the Borrowers that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), (the " Act "), it is required to obtain, verify and record information that identifies the Company and each Subsidiary Borrower, which information includes the name and address of the Company and each Subsidiary Borrower and other information that will allow such Lender to identify the Company and each Subsidiary Borrower in accordance with the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

YUM! BRANDS, INC.,

by

_____

Name: R. Scott Toop
Title: Vice President, Associate General Counsel and Assistant Secretary

[[NYCORP:3024149v15:4452W:11/30/07--12:40 p]]

JPMORGAN CHASE BANK, N.A.,
individually and as
Administrative Agent,

by

_____
Name:
Title:

CITIBANK, N.A.,

by

_____
Name:
Title:

LENDERS UNDER THE CREDIT AGREEMENT

SIGNATURE PAGE TO AMENDED AND RESTATED CREDIT AGREEMENT DATED AS OF _____ ___, 2007, AMONG YUM! BRANDS, INC., THE SUBSIDIARIES OF YUM! BRANDS, INC. PARTY THERETO, THE LENDERS PARTY THERETO, AND JPMORGAN CHASE BANK, N.A., AS ADMINISTRATIVE AGENT.

Name of Institution:

_____

by

_____

Name:
Title:

by

_____

Name:
Title:

Acknowledge and agreed:

J.P. MORGAN EUROPE LTD,
individually and as London
Administrative Agent

by

_____

Name:
Title:

SCHEDULE A
TO
CREDIT AGREEMENT

INITIAL GUARANTORS

Subsidiary (Jurisdiction of Incorporation)

A&W Restaurants, Inc. (Michigan)
Kentucky Fried Chicken Corporate Holdings Ltd. (Delaware)
Kentucky Fried Chicken International Holdings, Inc. (Delaware)
KFC Corporation (Delaware)
KFC Holding Co. (Delaware)
KFC U.S. Properties, Inc. (Delaware)
LJS Restaurants, Inc. (Delaware)
Long John Silver's, Inc. (Delaware)
Pizza Hut, Inc. (California)
Pizza Hut International, LLC (Delaware)
Pizza Hut of America, Inc. (Delaware)
Taco Bell Corp. (California)
Taco Bell of America, Inc. (Delaware)
YGR America, Inc. (Delaware)
Yorkshire Global Restaurants, Inc. (Maryland)
YUM Restaurant Services Group, Inc. (Delaware)

SCHEDULE 2.01
To Credit Agreement

TRANCHE A COMMITMENTS

Lenders	Tranche A Commitments
Branch Banking and Trust Company	US$25,000,000
Total	**US$25,000,000**

TRANCHE B COMMITMENTS

Lenders	Tranche B Commitments
JPMorgan Chase Bank, N.A.	US$95,000,000
Citibank, N.A.	US$95,000,000
The Royal Bank of Scotland plc	US$100,000,000
HSBC Bank USA, N.A.	US$90,000,000
Bank of America, N.A.	US$70,000,000
SunTrust Bank	US$70,000,000
Wachovia Bank, National Association	US$65,000,000
Banco Bilbao Vizcaya Argentaria	US$47,500,000
Comerica Bank	US$47,500,000
Morgan Stanley Bank	US$47,500,000
US Bank, N.A.	US$47,500,000
Wells Fargo Bank, N.A.	US$47,500,000
William Street Commitment Corporation	US$47,500,000
The Bank of Nova Scotia	US$35,000,000
Barclays Bank PLC	US$25,000,000
Fifth Third Bank	US$25,000,000
Huntington National Bank	US$25,000,000
National City Bank	US$25,000,000
The Bank of New York Mellon	US$25,000,000
The Northern Trust Company	US$25,000,000
US AgBank, FCB	US$25,000,000
Westpac Banking Corporation	US$25,000,000
Cooperatieve Centrale Raiffeisen-Boerenleenbank, B.A. “Rabobank Nederland”	US$20,000,000
Total	**US$1,125,000,000**

SCHEDULE 2.06
To Credit Agreement

EXISTING LETTERS OF CREDIT

See Attached Chart of Existing Letters of Credit

[[NYCORP:3024149v15:4452W:11/30/07--12:40 p]]

CALCULATION OF THE MANDATORY COST

1. General

(d) The Mandatory Cost is to compensate a Lender for the cost of compliance with:

(i) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces any of its functions); or

(ii) the requirements of the European Central Bank.

(e) The Mandatory Cost is expressed as a percentage rate per annum.

(f) The "Mandatory Cost" is the weighted average (weighted in proportion to the percentage share of each Lender in the relevant Loan) of the rates for the Lenders calculated by the Administrative Agent in accordance with this Schedule 2.15 on the first day of an Interest Period (or as soon as possible thereafter).

(g) The Administrative Agent must distribute each amount of Mandatory Cost among the Lenders on the basis of the rate for each Lender.

(h) Any determination by the Administrative Agent pursuant to this Schedule 2.15 will be, in the absence of manifest error, conclusive and binding on all the Parties.

2. For a Lender lending from a Facility Office in the U.K.

(a) The relevant rate for a Lender lending from a Facility Office in the U.K. is calculated in accordance with the following formula:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum}$$

where on the day of application of the formula, E is calculated by the Administrative Agent as being the average of the rates of charge under the Fees Rules supplied by the Reference Banks to the Administrative Agent under paragraph (d) below and expressed in pounds per £1 million.

(b) For the purposes of this paragraph 2:

(i) " Facility Office " means, for the purposes of this Schedule 2.15, the office or offices notified by a Lender to the Administrative Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement;

(ii) " Fees Rules " means the then current rules on periodic fees in the FSA Supervision Manual or any other law or regulation as may then be in force for the payment of fees for the acceptance of deposits;

(iii) " Fee Tariffs " means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but applying any applicable discount rate);

(iv) " FSA " means the Financial Services Authority;

(v) " Participating Member State " means any member state of the European Community that adopts or has adopted the Euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union;

(vi) " Tariff Base " has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

(c) Each rate calculated in accordance with the formula is, if necessary, rounded to four decimal places.

(d) If requested by the Administrative Agent, each Reference Bank must, as soon as practicable after publication by the FSA, supply to the Administrative Agent the rate of charge payable by that Reference Bank to the FSA under the Fees Rules for that financial year of the FSA (calculated by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1 million of the Tariff Base of that Reference Bank.

(e) Each Lender must supply to the Administrative Agent the information required by it to make a calculation of the rate for that Lender. In particular, each Lender must supply the following information on or prior to the date on which it becomes a Lender:

(i) the jurisdiction of its Facility Office; and

(ii) any other information that the Administrative Agent reasonably requires for that purpose.

Each Lender must promptly notify the Administrative Agent of any change to the information supplied to it under this paragraph.

(f) The rates of charge of each Reference Bank for the purpose of E above are determined by the Administrative Agent based upon the information supplied to it under paragraphs (d) and (e) above.

(g) The Administrative Agent has no liability to any Party if its calculation over or under compensates any Lender. The Administrative Agent is entitled to assume that the

information provided by any Lender or Reference Bank under this Schedule is true and correct in all respects.

3. For a Lender lending from a Facility Office in a Participating Member State

(a) The relevant rate for a Lender lending from a Facility Office in a Participating Member State is the percentage rate per annum notified by that Lender to the Administrative Agent. This percentage rate per annum must be certified by that Lender in its notice to the Administrative Agent as its reasonable determination of the cost (expressed as a percentage of that Lender's share in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of Loans made from that Facility Office.

(b) If a Lender fails to specify a rate under paragraph (a) above, the Administrative Agent will assume that the Lender has not incurred any such cost.

4. Changes

(a) The Administrative Agent may, after consultation with the Company and the Lenders, determine and notify all the Parties of any amendment to this Schedule 2.15 which is required in order to comply with:

(i) any change in law or regulation; or

(ii) any requirement imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any successor authority).

(b) If the Administrative Agent, after consultation with the Company, determines that the Mandatory Cost for a Lender lending from a Facility Office in the U.K. can be calculated by reference to a screen, the Administrative Agent may notify all the Parties of any amendment to this Agreement which is required to reflect this.

PTR SCHEME

(a) Each Treaty Lender:

(ii) irrevocably appoints the Administrative Agent to act as syndicate manager under, and authorizes the Administrative Agent to operate, and take any action necessary or desirable under, the PTR Scheme in connection with the Loans made to a Borrower organized under the laws of England and Wales (a " UK Borrower ");

(iii) shall co-operate with the Administrative Agent in completing any procedural formalities necessary under the PTR Scheme, and shall promptly supply to the Administrative Agent such information as the Administrative Agent may request in connection with the operation of the PTR Scheme;

(iv) without limiting the liability of a UK Borrower or the Company under this Agreement, shall, within 5 Business Days of demand, indemnify the Administrative Agent for any liability or loss incurred by the Administrative Agent as a result of the Administrative Agent acting as syndicate manager under the PTR Scheme in connection with the Treaty Lender's participation in any Revolving Loan or Swingline Loan denominated in Sterling; and

(v) shall, within 5 Business Days of demand, indemnify each such UK Borrower and the Company for any Tax which such UK Borrower or the Company, as applicable, becomes liable to pay in respect of any payments made to such Treaty Lender arising as a result of any provisional authority issued in respect of such Treaty Lender by the UK HM Revenue & Customs (" HMRC ") under the PTR Scheme being withdrawn, except and only to the extent that such Treaty Lender would, if a deduction had been required in respect of such payments, have been entitled to receive additional amounts under Section 2.17.

(b) Each such UK Borrower and the Company acknowledges that it is fully aware of its contingent obligations under the PTR Scheme and shall:

(i) promptly supply to the Administrative Agent such information as the Administrative Agent may reasonably request in connection with the operation of the PTR Scheme; and

(ii) act in accordance with any provisional notice issued by HMRC under the PTR Scheme.

(c) The Administrative Agent agrees to provide, as soon as reasonably practicable, a copy of any provisional authority issued to it under the PTR Scheme in connection with any Revolving Loan or Swingline Loan denominated in Sterling to a UK Borrower specified in such provisional authority.

(d) Each of the Company, any UK Borrower and each Lender that is a Foreign Lender with respect to such UK Borrower acknowledge that the Administrative Agent:

(i) is entitled to rely completely upon information provided to it in connection with paragraphs (a) or (b) above;

(ii) is not obliged to undertake any enquiry into the accuracy of such information, nor into the status of the Treaty Lender or, as the case may be, such UK Borrower or the Company providing such information;

(iii) shall have no liability to any person for the accuracy of any information it submits in connection with paragraph (a)(i) above; and

(e) For the avoidance of doubt, nothing in this Schedule 2.17 shall cause the Administrative Agent to be liable for (a) any act taken by it (or omission); or (b) any costs, loss or liability suffered by a Treaty Lender, in acting as syndicate manager for the Treaty Lenders under the PTR Scheme.

In this Schedule, the following terms are defined as follows:

" PTR Scheme " means the Provisional Treaty Relief scheme as described in Inland Revenue Guidelines dated January 2003 and administered by the HMRC's Centre for Non-Residents.

" Treaty Lender " means a Lender which (i) is treated as a resident of a Treaty State for the purposes of the Treaty and (ii) does not carry on a business in the United Kingdom through a permanent establishment with which that Lender's participation in Loans made to a UK Borrower is effectively connected.

" Treaty State " means a jurisdiction having a double taxation agreement (a " Treaty ") with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

SCHEDULE 3.06
To Credit Agreement

DISCLOSED MATTERS

1. The matters described in the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2006 under the captions "Item 3 – Legal Proceedings" and in "Note 22 – Guarantees, Commitments and Contingencies" in the Notes to Consolidated Financial Statements under "Item 8 – Financial Statements and Supplementary Data."

2. The matters described in the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 8, 2007 under the captions "Part II – Item 1 – Legal Proceedings" and "Note 11 – Guarantees, Commitments and Contingencies" in the Notes to Condensed Consolidated Financial Statements under "Part I – Item 1 – Financial Statements."

DISCLOSURE

None.

SCHEDULE 6.01
To Credit Agreement

EXISTING INDEBTEDNESS

1. Indebtedness of Domestic Subsidiaries (relates to Capital Lease Obligations) as ofNovember 3, 2007: US$ 98,175,000.

2. Aircraft lease obligation of KFC U.S. Properties, Inc. (lessee) to Caremark Aviation, LLC (sublessor)*.

* As of the Effective Date, the nature of the lease and accounting treatment for this obligation (i.e., whether it is an operating lease or a Capital Lease Obligation) is still being determined. The aircraft lease obligation is expected to be no greater than US$60,000,000.

EXISTING LIENS

1. Liens created and existing pursuant to the sale-leaseback agreements, Master Lease Agreements and related agreements entered into by certain subsidiaries of the Borrower and evidencing the following sale-leasebacktransactions:

Original Transaction Date	Lessor	Lessee
April 30, 2003	GE Capital Franchise Finance Corporation, successor in interest to FFCA Acquistion Corporation	KFC U.S. Properties, Inc.
April 30, 2003 Amended August 15, 2003	LoJon Property II LLC	KFC U.S. Properties, Inc.

AMENDED AND RESTATED CREDIT AGREEMENT

dated as of

November 29, 2007,

among

YUM! BRANDS, INC.,
YUM! RESTAURANT HOLDINGS,
YUM! RESTAURANTS INTERNATIONAL S.à r.L., LLC (U.S. BRANCH),
YUM! RESTAURANTS INTERNATIONAL (CANADA) LP,

The Lenders Party Hereto

and

CITIBANK INTERNATIONAL PLC,
as Facility Agent

CITIBANK, N.A., CANADIAN BRANCH,
as Canadian Facility Agent

CITIGROUP GLOBAL MARKETS LIMITED,
J.P. MORGAN SECURITIES INC.,
as Lead Arrangers and Bookrunners

HSBC BANK USA, N.A., and
COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A.
"RABOBANK INTERNATIONAL", NEW YORK BRANCH
as Co-Arrangers

TABLE OF CONTENTS

Schedule 6.01 -- Existing Indebtedness
Schedule 6.02 -- Existing Liens

EXHIBITS:

Exhibit A -- Form of Assignment and Assumption Agreement
Exhibit B -- Form of Guarantee Agreement
Exhibit C-1 -- Form of Opinion of Mayer Brown LLP
Exhibit C-2 -- Form of Opinion of Stikeman Elliot LLP
Exhibit C-3 -- Form of Opinion of Kaufhold Ossola & Associés
Exhibit C-4 -- Form of Opinion of Linklaters
Exhibit C-5 -- Form of Opinion of counsel to Yum! Brands, Inc.

AMENDED AND RESTATED CREDIT AGREEMENT dated as of November 29, 2007, as amended and restated as of September 15, 2006, among YUM! BRANDS, INC., YUM! RESTAURANT HOLDINGS, YUM! RESTAURANTS INTERNATIONAL S.à r.L., LLC (U.S. BRANCH) and YUM! RESTAURANTS INTERNATIONAL (CANADA) LP, the LENDERS party hereto, CITIBANK INTERNATIONAL PLC, as Facility Agent and CITIBANK, N.A., CANADIAN BRANCH, as Canadian Facility Agent.

WHEREAS, the Company and the Borrowers have requested, and the Lenders and the Agents have agreed, upon the terms and subject to the conditions set forth herein, that the Existing Credit Agreement be amended and restated in its entirety as provided herein effective upon satisfaction of the conditions set forth in Section 4.01 below:

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

" Acquired Business " means any Person, property, business or asset acquired (or, as applicable, proposed to be acquired) by the Company or a Subsidiary pursuant to a Permitted Acquisition.

" Act " has the meaning assigned to such term in Section 9.15.

" Adjusted EBITDA " means, for any period, the Consolidated EBITDA of the Company for such period, adjusted (a) to include (to the extent not otherwise included) the Consolidated EBITDA of any Acquired Business acquired during such period (and, solely for purposes of determining whether a proposed acquisition is a Permitted Acquisition pursuant to clause (d) of the definition of the term Permitted Acquisition, any Acquired Business that, at the time of calculation of Adjusted EBITDA for such purpose, has been acquired subsequent to the end of such period and prior to such time as well as that proposed to be acquired) pursuant to a Permitted Acquisition and not subsequently sold, transferred or otherwise disposed of during such period (or, solely for purposes of determining whether a proposed acquisition is a Permitted Acquisition, subsequent to the end of such period and prior to such time), based on the actual Consolidated EBITDA of such Acquired Business for such period (including the portion thereof attributable to such period prior to the date of acquisition of such Acquired Business) and (b) to exclude the Consolidated EBITDA of any Sold Business sold, transferred or otherwise disposed of during such period (and, solely for purposes of

determining whether a proposed acquisition is a Permitted Acquisition pursuant to clause (d) of the definition of the term Permitted Acquisition, any Sold Business that, at the time of calculation of Adjusted EBITDA for such purpose, has been sold, transferred or otherwise disposed of subsequent to the end of such period and prior to such time), based on the actual Consolidated EBITDA of such Sold Business for such period (including the portion thereof attributable to such period prior to the date of sale, transfer or disposition of such Sold Business). For purposes of calculating Adjusted EBITDA for any period, the portion of the Consolidated EBITDA of any Acquired Business that is to be included in Adjusted EBITDA for such period that is attributable to the period prior to the date of acquisition of such Acquired Business shall be determined as though all net income of such Acquired Business for such period was distributed to the holders of the Equity Interests of such Acquired Business ratably.

" Adjusted LIBO Rate " means (a) with respect to any LIBOR Borrowing denominated in U.S. Dollars for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the product of (i) the LIBO Rate for U.S. Dollars for such Interest Period multiplied by (ii) the Statutory Reserve Rate and (b) with respect to any LIBOR Borrowing denominated in Sterling for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the sum of (x) the LIBO Rate for such currency and such Interest Period plus (y) the Mandatory Cost.

" Administrative Questionnaire " means an Administrative Questionnaire in a form supplied by the Agent.

" Affiliate " means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

" Agents " means the Facility Agent and the Canadian Facility Agent.

" Alternative Currency " means Sterling, with respect to the Loans made to the UK Borrower, or Canadian Dollars, with respect to the Loans made to the Canadian Borrower.

" Alternative Currency Borrowing " means a Borrowing comprised of Alternative Currency Loans.

" Alternative Currency Equivalent " means, with respect to an amount in U.S. Dollars on any date in relation to a specified Alternative Currency, the amount of such specified Alternative Currency that may be purchased with such amount of U.S. Dollars at the Spot Exchange Rate with respect to such Alternative Currency on such date.

" Alternative Currency Loan " means any Loan denominated in an Alternative Currency.

" Applicable Percentage " means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

" Applicable Margin " means, for any day, with respect to any Loan hereunder, or with respect to the commitment fees or the utilization fees payable hereunder, as the case may be, the applicable margin per annum set forth below under the caption "Applicable Margin", "Commitment Fee Rate" or "Utilization Fee Rate", as the case may be, as determined in the manner set forth below based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt.

Category	Index Debt Ratings	Commitment Fee Rate (basis points)	Applicable Margin (basis points)	Utilization Fee Rate (basis points)
1	A3 / A-	6.0	25.0	5.0
2	Baa1 / BBB+	8.0	35.0	5.0
3	Baa2 / BBB	10.0	45.0	5.0
4	Baa3 / BBB-	12.5	55.0	10.0
5	Ba1 / BB+	15.0	75.0	12.5
6	< Ba1 / BB+	25.0	100.0	25.0

For purposes of the foregoing, (i) if neither Moody's nor S&P shall have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this paragraph), then the Applicable Margin shall be as set forth in Category 6; (ii) if Moody's or S&P (but not both) shall have in effect a rating for the Index Debt, then the Applicable Margin shall be based on the rating for the Index Debt by the applicable rating agency; (iii) if both Moody's and S&P have in effect ratings for the Index Debt and the ratings established by Moody's and S&P for the Index Debt shall fall within different Categories, the Applicable Margin shall be based on the Category numerically lower (i.e., more favorable to the Borrowers) of the two ratings unless one of the two ratings is two or more Categories numerically lower (i.e., more favorable to the Borrowers) than the other, in which case the Applicable Margin shall be determined by reference to the Category one numerically higher (i.e., less favorable to the Borrowers) than the Category numerically lower (i.e., more favorable to the Borrowers) of the two ratings; and (iv) if the ratings established by Moody's or S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), (or if either such rating agency that has not been rating the Index Debt establishes a rating therefor), such change (or new rating) shall be effective as of the date on which it is first announced by the applicable rating agency, irrespective of when notice of such change (or new rating) shall have been furnished by the Company to the Agent and the Lenders pursuant to Section 5.01 or otherwise. Each change (or new rating) in the Applicable Margin shall apply during the period commencing on the effective date of such change (or new rating) and ending on the date immediately preceding the effective date of the next such change (or new rating). If Moody's or S&P is rating the Index Debt and its rating system shall change, or if only one such rating agency is rating the Index Debt and it shall cease to be in the business of rating corporate debt obligations, the Company, the

Borrowers and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Margin shall be determined by reference to the rating most recently in effect prior to such change or cessation.

" Applicable Swingline Percentage " means (a) in respect of any funding of Luxembourg Swingline Loans, 43.75% for each of Citibank N.A., London and JPMorgan Chase Bank, N.A. and 12.50% for Wachovia Bank N.A., and (b) in respect of any funding of UK Swingline Loans, 41.77215% for each of Citibank N.A., London and JPMorgan Chase Bank, N.A., and 16.4557% for Wachovia Bank N.A.

" Approved Fund " has the meaning assigned to such term in Section 9.04.

" Assigned Dollar Value " has the meaning assigned to such term in Section 2.06.

" Assignment and Assumption " means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Facility Agent, in the form of Exhibit A or any other form approved by the Facility Agent.

" Augmenting Lender " has the meaning set forth in Section 2.06.

" Availability Period " means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

" B/A " and " Banker's Acceptances " means a bill of exchange, including a depository bill issued in accordance with the Depository Bills and Notes Act (Canada), denominated in Canadian Dollars, drawn by the Canadian Borrower and accepted by a Lender in accordance with the terms of this Agreement.

" B/A Drawing " means B/As accepted and purchased on the same date and as to which a single Contract Period is in effect including any B/A Equivalent Loans accepted and purchased on the same date and as to which a single Contract Period is in effect. For greater certainty, all provisions of this Agreement which are applicable to B/As are also applicable, mutatis mutandis, to B/A Equivalent Loans.

" B/A Equivalent Loan " has the meaning assigned to such term in Section 2.04.

" Board " means the Board of Governors of the Federal Reserve System of the United States of America.

" Borrowers " means the UK Borrower, the Luxembourg Borrower and the Canadian Borrower.

" Borrowing " means (a) Revolving Loans of the same Class and Type, made, converted or continued on the same date and, in the case of LIBOR Loans, as to which a single Interest Period is in effect or (b) Swingline Loans of the same Class made on the same date.

" Borrowing Request " means a request by a Borrower for a Revolving Borrowing in accordance with Section 2.03 or a Swingline Borrowing pursuant to Section 2.05.

" Business Day " means any day that is not a Saturday, Sunday or other day on which commercial banks in London or New York City are authorized or required by law to remain closed; provided that, (a) when used in connection with a LIBOR Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in deposits in the applicable currency in the London interbank market, and (b) when used in connection with any Loan or B/A made to or drawn by the Canadian Borrower, the term "Business Day" shall also exclude any day on which banks are not open for business in Toronto.

" Canadian Alternate Base Rate " means, for any day, a rate per annum equal to the greater of (a) the interest rate per annum publicly announced from time to time by the Canadian Facility Agent as its reference rate in effect on such day at its principal office in Toronto for determining interest rates applicable to commercial loans denominated in Canadian Dollars in Canada (each change in such reference rate being effective from and including the date such change is publicly announced as being effective) and (b) the interest rate per annum equal to the sum of (i) the CDOR Rate on such day (or, if such rate is not so reported on the Reuters Screen CDOR Page, the average of the rate quotes for bankers' acceptances denominated in Canadian Dollars with a term of 30 days received by the Canadian Facility Agent at approximately 10:00 a.m., Toronto time, on such day (or, if such day is not a Business Day, on the next preceding Business Day) from one or more banks of recognized standing selected by it) and (ii) 0.50% per annum.

" CABR ", when used with respect to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Canadian Alternate Base Rate.

" Canadian Borrower " means Yum! Restaurants International (Canada) LP, a limited partnership organized and existing under the laws of the Province of Ontario, Canada.

" Canadian Dollars " or " Cdn.$ " means lawful currency of Canada.

" Canadian Facility Agent " means Citibank N.A., Canadian Branch in its capacity as facility sub-agent for the Lenders hereunder.

" Canadian Revolving Borrowing " means a Borrowing comprised of Canadian Revolving Loans.

" Canadian Revolving Credit Exposure " means, with respect to any Lender at any time, the sum of (a) the aggregate principal amount of such Lender's Canadian Revolving Loans denominated in U.S. Dollars outstanding at such time, (b) the Assigned Dollar Value of the aggregate principal amount of such Lender's Canadian Revolving Loans denominated in Canadian Dollars outstanding at such time and (c) the Assigned Dollar Value of the aggregate face amount of the B/As accepted by such Lender and outstanding at such time.

" Canadian Resident " means at any time, a Person who at that time (i) is resident in Canada for purposes of the Income Tax Act (Canada) or (ii) is an authorized foreign bank which at all times holds all of its interest in the Loans made to the Canadian Borrower hereunder in the course of its Canadian banking business for the purposes of the Income Tax Act (Canada).

" Canadian Revolving Loan " means a Loan made pursuant to Section 2.01(a).

" Capital Expenditures " means, for any period, (a) the additions to property, plant and equipment and other capital expenditures of the Company and its Included Subsidiaries that are (or would be) set forth in a consolidated statement of cash flows of the Company for such period prepared in accordance with GAAP (except for the exclusion of Excluded Subsidiaries) and (b) Capital Lease Obligations incurred by the Company and its Included Subsidiaries during such period; provided that consideration paid for Permitted Acquisitions shall not be construed to constitute Capital Expenditures.

" Capital Lease Obligations " of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

" CDOR Rate " means, on any date, an interest rate per annum equal to the average discount rate applicable to bankers' acceptances denominated in Canadian Dollars with a term of 30 days (for purposes of the definition of " Canadian Alternate Base Rate ") or with a term equal to the Contract Period of the relevant B/As (for purposes of the definition of " Discount Rate ") appearing on the Reuters Screen CDOR Page (or on any successor or substitute page of such Screen, or any successor to or substitute for such Screen, providing rate quotations comparable to those currently provided on such page of such Screen, as determined by the Canadian Facility Agent from time to time acting reasonably) at approximately 10:00 a.m., Toronto time, on such date (or, if such date is not a Business Day, on the next preceding Business Day)

" Change in Control " means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), of Equity Interests representing

more than 30% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of the Company; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Company by Persons who were neither (i) nominated by the board of directors of the Company nor (ii) appointed by directors so nominated; or (c) the acquisition of direct or indirect Control of the Company by any Person or group.

" Change in Law " means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender, by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement that would be complied with by similarly situated banks acting reasonably.

" Class ", (a) when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Canadian Revolving Loans, Luxembourg Revolving Loans or UK Revolving Loans, and (b) when used in reference to any Borrower, refers to whether such Borrower is the Canadian Borrower, the Luxembourg Borrower or the UK Borrower.

" CLO " has the meaning assigned to such term in Section 9.04.

" Code " means the Internal Revenue Code of 1986, as amended from time to time.

" Commitment " means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and Swingline Loans hereunder and to accept and purchase or arrange for the purchase of B/As hereunder for the Canadian Borrower, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 or (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04 . The initial amount of each Lender's Commitment is set forth on Schedule 2.01 as of the Effective Date, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments as of the Effective Date is US$350,000,000.

" Company " means Yum! Brands, Inc., a North Carolina corporation.

" Consenting Lender " has the meaning set forth in Section 2.09(d).

" Consolidated EBITDA " means, for any Person for any period, Consolidated Net Income of such Person for such period, plus, without duplication and to the extent deducted from revenues in determining such Consolidated Net Income, the sum of (a) the aggregate amount of Consolidated Interest Expense of such Person for such period, (b) the aggregate amount of income tax expense of such Person for such

period, (c) all amounts attributable to depreciation and amortization of such Person for such period, (d) all non-cash charges and non-cash losses of such Person during such period and (e) all losses from the sale of assets outside the ordinary course of business of such Person during such period and minus, without duplication and to the extent added to revenues in determining such Consolidated Net Income for such period, all gains from the sale of assets outside the ordinary course of business of such Person during such period, all as determined on a consolidated basis with respect to such Person and its subsidiaries in accordance with GAAP (except, in the case of the Company, for the exclusion of Excluded Subsidiaries). Unless the context otherwise requires, references to "Consolidated EBITDA" are to Consolidated EBITDA of the Company and the Included Subsidiaries.

" Consolidated EBITDAR " means, for any Person for any period, the sum of Consolidated EBITDA of such Person for such period and Rental Expense of such Person for such period. Unless the context otherwise requires, references to "Consolidated EBITDAR" are to Consolidated EBITDAR of the Company and the Included Subsidiaries.

" Consolidated Indebtedness " means, as of any date of determination, without duplication (a) the aggregate principal amount of Indebtedness of the Company and the Included Subsidiaries outstanding as of such date (including Indebtedness of Excluded Subsidiaries to the extent Guaranteed by the Company or any Included Subsidiary), plus (b) the Securitization Amount as of such date, minus (c) the aggregate amount of cash and Permitted Investments (other than any cash and Permitted Investments that are subject to a Lien) owned by the Company and the Included Subsidiaries as of such date, determined on a consolidated basis in accordance with GAAP (except for the exclusion of Excluded Subsidiaries); provided that, for purposes of this definition, the term "Indebtedness" shall exclude obligations as an account party in respect of letters of credit to the extent that such letters of credit have not been drawn upon.

" Consolidated Interest Expense " means, for any Person for any period, the interest expense, both expensed and capitalized (including the interest component in respect of Capital Lease Obligations), accrued or paid by such Person during such period, determined on a consolidated basis with respect to such Person and its Subsidiaries in accordance with GAAP (except, in the case of the Company, for the exclusion of Excluded Subsidiaries); provided that interest expense of an Excluded Subsidiary shall be deemed to be interest expense of the Company to the extent such interest expense relates to Indebtedness to the extent Guaranteed by the Company or an Included Subsidiary. Unless the context otherwise requires, references to "Consolidated Interest Expense" are to Consolidated Interest Expense of the Company and the Included Subsidiaries.

" Consolidated Net Income " means, for any Person for any period, net income or loss of such Person for such period determined on a consolidated basis with respect to such Person and its subsidiaries in accordance with GAAP; provided that, in the case of the Company, there shall be excluded (a) the income of any Person (other than a Foreign Subsidiary) in which any other Person (other than the Company or any

Domestic Subsidiary or any director holding qualifying shares in compliance with applicable law) has a joint interest, except to the extent of the Attributable Income (as defined below) of such Person, (b) the income of any Excluded Subsidiary, except to the extent of the amount of dividends or other distributions (including distributions made as a return of capital or repayment of principal of advances) actually paid to the Company or any Included Subsidiaries by such Excluded Subsidiary during such period and (c) the income (or loss) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Company or any of the Subsidiaries or the date such Person's assets are acquired by the Company or any of the Subsidiaries. Unless the context otherwise requires, references to "Consolidated Net Income" are to Consolidated Net Income of the Company and the Included Subsidiaries. For purposes hereof, "Attributable Income" means, for any period, (i) in the case of any Domestic Subsidiary at least 90% of the Equity Interests in which are owned (directly or indirectly) by the Company, a portion of the net income of such Subsidiary for such period equal to the Company's direct or indirect ownership percentage of the Equity Interests of such Subsidiary or (ii) in the case of any Domestic Subsidiary less than 90% of the Equity Interests in which are owned (directly or indirectly) by the Company, the amount of dividends or other distributions (including distributions made as a return of capital or repayment of principal of advances) actually paid by such Subsidiary to the Company or a wholly owned Domestic Subsidiary.

" Consolidated Net Tangible Assets " means, with respect to the Company as of any date, the total amount of assets (less applicable valuation allowances) after deducting (a) all current liabilities (excluding (i) the amount of liabilities which are by their terms extendable or renewable at the option of the obligor to a date more than 12 months after the date as of which the amount is being determined, (ii) the current portion of long-term Indebtedness and (iii) loans outstanding under the Existing Company Credit Agreement) and (b) all goodwill, tradenames, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries included in financial statements of the Company delivered to the Facility Agent on or prior to such date of determination pursuant to clause (a) or (b) of Section 5.01 and determined on a consolidated basis in accordance with GAAP.

" Contract Period " means, with respect to any B/A, the period commencing on the date such B/A is issued and accepted and ending on the date 30, 60, 90 or 180 days (or, with the consent of each Lender, any other number of days) thereafter, as the Canadian Borrower may elect; provided that if such Contract Period would end on a day other than a Business Day, such Contract Period shall be extended to the next succeeding Business Day.

" Control " means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. " Controlling " and " Controlled " have meanings correlative thereto.

" Declining Lender " has the meaning set forth in Section 2.09(d).

" Default " means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

" Denomination Date " means, in relation to any Alternative Currency Borrowing, the date that is three Business Days before the date such Borrowing is made.

" Disclosed Matters " means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

" Discount Proceeds " means, with respect to any B/A, an amount (rounded upward, if necessary, to the nearest Cdn.$.01) calculated by multiplying (a) the face amount of such B/A by (b) the quotient obtained by dividing (i) one by (ii) the sum of (A) one and (B) the product of (x) the Discount Rate (expressed as a decimal) applicable to such B/A and (y) a fraction of which the numerator is the Contract Period applicable to such B/A and the denominator is 365, with such quotient being rounded upward or downward to the fifth decimal place and .000005 being rounded upward.

" Discount Rate " means, with respect to a B/A being accepted and purchased on any day, (a) for a Lender which is a Schedule I Bank, (i) the CDOR Rate applicable to such B/A or (ii) if the discount rate for a particular Contract Period is not quoted on the Reuters Screen CDOR Page, the arithmetic average (as determined by the Canadian Facility Agent) of the percentage discount rates (expressed as a decimal and rounded upward, if necessary, to the nearest 1/100 of 1%) quoted to the Facility Agent by the Schedule I Reference Banks as the percentage discount rate at which each such bank would, in accordance with its normal practices, at approximately 10:00 a.m., Toronto time, on such day, be prepared to purchase bankers' acceptances accepted by such bank having a face amount and term comparable to the face amount and Contract Period of such B/A, and (b) for a Lender which is a Non-Schedule I Bank, the lesser of (i) the CDOR Rate applicable to such B/A plus 0.10% per annum and (ii) the arithmetic average (as determined by the Canadian Facility Agent) of the percentage discount rates (expressed as a decimal and rounded upward, if necessary, to the nearest 1/100 of 1%) quoted to the Canadian Facility Agent by the Non-Schedule I Reference Banks as the percentage discount rate at which each such bank would, in accordance with its normal practices, at approximately 10:00 a.m., Toronto time, on such day, be prepared to purchase bankers' acceptances accepted by such bank having a face amount and term comparable to the face amount and Contract Period of such B/A.

" Domestic Subsidiary " means a Subsidiary that is not a Foreign Subsidiary.

" Effective Date " means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

" Environmental Laws " means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions or binding agreements issued, promulgated or entered into by or with any Governmental Authority, relating in any way

to the environment, preservation or reclamation of natural resources, the presence, management, Release or threatened Release of any Hazardous Material or to health and safety matters.

" Environmental Liability " means any liability, contingent or otherwise (including any liability for damages, costs of environmental compliance, investigation or remediation, fines, penalties or indemnities), of the Company or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the presence, Release or threatened Release of any Hazardous Materials or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

" Equity Interests " means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interests.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended from time to time.

" ERISA Affiliate " means any trade or business (whether or not incorporated) that, together with the Company, is treated as a single employer under Section 414 of the Code.

" ERISA Event " means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Company or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Company or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Company or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Company or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Company or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

" Event of Default " has the meaning assigned to such term in Article VII.

" Excluded Equity Interests " means, with respect to any Person, any Equity Interest that by its terms or otherwise (a) matures or is subject to mandatory redemption or repurchase pursuant to a sinking fund obligation or otherwise; (b) is convertible into or exchangeable or exercisable for Indebtedness or any Excluded Equity Interest at the option of the holder thereof; or (c) may be required to be redeemed or repurchased at the option of the holder thereof, in whole or in part.

" Excluded Subsidiary " means (a) a Foreign Subsidiary of which securities or other ownership interests representing less than 80% of the outstanding capital stock or other equity interests, as the case may be, are, at the time any determination is being made, beneficially owned, whether directly or indirectly, by the Company or (b) a Non-Controlled Subsidiary.

" Excluded Taxes " means, with respect to the Facility Agent, the Canadian Facility Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes or any similar tax imposed by any jurisdiction in which the recipient is located and (c) in the case of a Foreign Lender (and, for purposes of subsection (c)(x)(iii) of this definition, any Lender) (other than an assignee pursuant to a request by the Company under Section 2.19(b)), any withholding tax that is imposed on amounts payable to such Lender (x) at the time such Lender (i) becomes a party to this Agreement, (ii) designates a new lending office or (iii) in respect of any obligation of the Canadian Borrower where such Lender is not a Canadian Resident (pursuant to the definition of such term in effect at the Effective Date) or (y) attributable to such Foreign Lender's failure to comply with Section 2.17(e) or Section 2.17(f), except and only to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the applicable Borrower with respect to such withholding tax pursuant to Section 2.17(a). For the purposes of item (c) above, a withholding tax includes any Tax that a Lender is required to pay pursuant to paragraph 212(1)(b) of the Income Tax Act (Canada).

" Existing Company Credit Agreement " means (i) the Amended and Restated Credit Agreement dated as of September 7, 2004, among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent or (ii) its replacement pursuant to an amendment and restatement thereof, among the Company, the Subsidiaries of the Company party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

" Existing Credit Agreement " means the Credit Agreement dated as of November 8, 2005, as amended and restated as of September 15, 2006, among the Company, the Borrowers, the lenders party thereto, the Facility Agent and the Canadian Facility Agent.

" Existing Maturity Date " has the meaning set forth in Section 2.09(d).

" Extension Date " has the meaning set forth in Section 2.09(d).

" Facility Agent " means Citibank International plc, in its capacity as facility agent for the Lenders hereunder.

" Federal Funds Effective Rate " means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Facility Agent from three Federal funds brokers of recognized standing selected by it.

" Financial Officer " means the chief financial officer, principal accounting officer, treasurer or controller of the Company.

" Fixed Charge Coverage Ratio " means, for any period, the ratio of (i) Consolidated EBITDAR of the Company for such period minus Capital Expenditures for such period to (ii) the sum of Consolidated Interest Expense of the Company for such period plus Rental Expense of the Company for such period.

" Foreign Lender " means, in respect of any payments to be made by or on account of any obligation of any Borrower hereunder, any Lender that is organized under the laws of a jurisdiction other than the jurisdiction in which such Borrower is organized.

" Foreign Subsidiary " means a Subsidiary organized under the laws of a jurisdiction other than the United States of America, any State thereof or the District of Columbia.

" GAAP " means generally accepted accounting principles in the United States of America.

" Governmental Authority " means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

" Guarantee " of or by any Person (the " guarantor ") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the " primary obligor ") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working

capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided , that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

" Guarantee Agreement " means the Guarantee Agreement substantially in the form of Exhibit B among the Borrowers, the Company, the Guarantors and the Facility Agent.

" Guarantors " means the Company, the Initial Guarantors and any other Subsidiaries that become parties to the Guarantee Agreement.

" Hazardous Materials " means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates or byproducts, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

" Hedging Agreement " means any interest rate protection agreement, foreign currency exchange agreement or other interest or currency exchange rate hedging arrangement.

" Included Subsidiary " means any Subsidiary that is not an Excluded Subsidiary.

" Indebtedness " of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of outstanding Indebtedness of others (other than Guarantees of contingent lease payments related to sales of restaurants by the Company and the Subsidiaries or their predecessors in interest (howsoever effected)), (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other

relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

" Indemnified Taxes " means Taxes other than Excluded Taxes.

" Index Debt " means (a) indebtedness in respect of the obligations of the Company under the Existing Company Credit Agreement or, if such indebtedness is not rated by neither Moody's nor S&P, then (b) senior unsecured, long-term indebtedness for borrowed money of the Company that is not guaranteed by any other Person or subject to any other credit enhancement (regardless of whether there is any such indebtedness outstanding).

" Information Memorandum " means the Confidential Information Memorandum dated October 2007 relating to the Company, the Borrowers and the Transactions.

" Initial Guarantors " means the Subsidiaries listed on Schedule A.

" Interest Election Request " means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08 .

" Interest Payment Date " means (a) with respect to any CABR Loan, the last day of each March, June, September and December, and (b) with respect to any LIBOR Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a LIBOR Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

" Interest Period " means (a) with respect to any LIBOR Borrowing that is not a Swingline Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter (or with the consent of each participating Lender, such other number of months or days thereafter) as the applicable Borrower may elect, and (b) with respect to any LIBOR Swingline Borrowing, the period commencing on the date of such Borrowing and ending such number of days (not exceeding seven days) thereafter as the applicable Borrower may elect; provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless (except in the case of a LIBOR Swingline Borrowing) such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period with a duration measured in months and that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

" Lead Arrangers " means Citigroup Global Markets Limited and J.P. Morgan Securities Inc., in their capacities as joint mandated lead arrangers hereunder.

" Lenders " means the Persons listed on Schedule 2.01 of this Agreement and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term "Lender" includes a Swingline Lender.

" Leverage Ratio " means, on any date, the ratio of (a) Consolidated Indebtedness as of such date to (b) Adjusted EBITDA for the period of four consecutive fiscal quarters of the Company ended on such date (or, if such date is not the last day of a fiscal quarter, ended on the last day of the fiscal quarter of the Company most recently ended prior to such date).

" LIBO Rate " means, with respect to any LIBOR Borrowing for any Interest Period, (a) in the case of a Revolving Borrowing, the London interbank offered rate per annum determined by reference to the British Bankers' Association Interest Settlement Rates for deposits with a maturity comparable to such Interest Period denominated in the currency in which such Borrowing is denominated as reflected on the applicable page of the Telerate Screen (or on any successor or substitute page of such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Facility Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in the currency in which such Loan or Borrowing is denominated in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, and (b) in the case of a Swingline Borrowing, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request as quoted by the applicable Reference Banks to leading banks in the London interbank market at approximately 11:00 a.m., London time, on the date of commencement of such Interest Period, for deposits with a maturity comparable to such Interest Period denominated in the currency in which such Borrowing is denominated. In the event that a rate required to be determined pursuant to clause (a) above with respect to any LIBOR Revolving Borrowing for any Interest Period is not available at the time of determination for any reason, then the " LIBO Rate " with respect to such LIBOR Borrowing for such Interest Period shall be the arithmetic mean of the rates (rounded upwards to four decimal places) for deposits with a maturity comparable to such Interest Period denominated in the currency of such Borrowing, as supplied to the Facility Agent at its request quoted by the applicable Reference Banks to leading banks in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

" LIBOR ", when used in reference to any Loan or Borrowing, refers to whether such Loan or Borrowing, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

" Lien " means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party (other than any such rights of a financial institution under repurchase agreements described in clause (d) of the definition of "Permitted Investments" entered into with such financial institution) with respect to such securities.

" Lien Basket Amount " means, at any time, the sum of (a) the Securitization Amount at such time, plus (b) the aggregate principal amount of obligations (including contingent obligations, in the case of Guarantees or letters of credit) at such time secured by Liens permitted under clause (h) of Section 6.02, plus (c) the fair market value of all property sold or transferred after the Effective Date (as defined in the Existing Company Credit Agreement) pursuant to Sale and Lease-Back Transactions permitted by clause (b) of Section 6.12.

" Loan Documents " means this Agreement, the Guarantee Agreement, any promissory notes issued pursuant to Section 2.10(e).

" Loan Parties " means the Borrowers and the Guarantors.

" Loan " means any loan made by a Lender to a Borrower pursuant to this Agreement.

" Luxembourg Borrower " means Yum! Restaurants International S.à r.l., LLC (U.S. Branch), the U.S. Branch of a Luxembourg limited liability company, registered to do business as a foreign corporation in the State of Kentucky.

" Luxembourg Revolving Borrowing " means a Borrowing comprised of Luxembourg Revolving Loans.

" Luxembourg Revolving Credit Exposure " means, with respect to any Lender at any time, the sum of (a) the aggregate principal amount of such Lender's Luxembourg Revolving Loans outstanding at such time and (b) such Lender's Luxembourg Swingline Exposure at such time.

" Luxembourg Revolving Loan " means a Loan made pursuant to Section 2.01(b).

" Luxembourg Swingline Exposure " means, at any time, the aggregate principal amount of all Luxembourg Swingline Loans outstanding at such time. The Luxembourg Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Luxembourg Swingline Exposure at such time.

" Luxembourg Swingline Loan " means a Loan to the Luxembourg Borrower made pursuant to Section 2.05.

" Mandatory Cost " has the meaning set forth in Schedule 2.13.

" Material Adverse Effect " means a material adverse effect on (a) the business, assets, operations or condition, financial or otherwise, of the Company and the Subsidiaries taken as a whole, (b) the ability of the Company or any Borrower to perform any of its obligations under any Loan Document or (c) the rights and remedies available to the Lenders under any Loan Document.

" Material Indebtedness " means Indebtedness (other than (a) the Loans and (b) Indebtedness owing to the Company or a Subsidiary), or obligations in respect of one or more Hedging Agreements, of any one or more of the Company and its Subsidiaries in an aggregate principal amount exceeding $100,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Company or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Company or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

" Maturity Date " means, with respect to any Class, November 29, 2012, as such date may be extended with respect to such Class pursuant to Section 2.09.

" Maturity Date Extension Request " has the meaning set forth in Section 2.09(d).

" Moody's " means Moody's Investors Service, Inc.

" Multiemployer Plan " means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

" New Lender " has the meaning set forth in Section 2.09.

" Non-Controlled Subsidiary " means any direct or indirect subsidiary of the Company with respect to which the Company (a) has reasonably determined that it does not have sufficient operational control over such subsidiary to ensure that such subsidiary (i) complies with the warranties and covenants applicable to other Subsidiaries hereunder or (ii) does not take or omit to take any actions that would constitute or lead to an Event of Default hereunder and (b) has notified the Facility Agent in writing that such subsidiary is a "Non-Controlled Subsidiary" hereunder and such notice specifies, in reasonable detail, the reasons for such a determination as described in clause (a) above; provided (A) that no Subsidiary Borrower, Subsidiary Guarantor, or Principal Domestic Subsidiary shall be a Non-Controlled Subsidiary, (B) no subsidiary of which securities or other ownership interests representing more than 80% of the outstanding Equity Interests at the time any determination is being made, beneficially owned, whether directly or indirectly, by the Company shall be a Non-Controlled Subsidiary and (C) as of any date of determination, the Consolidated EBITDAR, calculated for the period of four consecutive fiscal quarters most recently ended, of all Non-Controlled Subsidiaries (combined) shall not exceed 7.5% of the Company's Consolidated EBITDAR for such

period, in each case determined as though the Non-Controlled Subsidiaries were Included Subsidiaries for this purpose.

" Non-Schedule I Bank " means any Lender in respect of a Canadian Revolving Loan or B/As that is not named on Schedule I to the Bank Act (Canada).

" Non-Schedule I Reference Banks " means the Schedule II/III Reference Banks.

" Other Taxes " means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

" Participant " has the meaning set forth in Section 9.04.

" PBGC " means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

" Permitted Acquisition " means the acquisition by the Company or a Subsidiary of the assets of a Person constituting a business unit or any Equity Interests of a Person; provided that (a) immediately after giving effect thereto no Default shall have occurred and be continuing or would result therefrom, (b) all transactions related thereto shall be consummated in accordance with applicable laws, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, (c) in the case of an acquisition of Equity Interests in a Person, after giving effect to such acquisition, at least 90% of the Equity Interests in such Person, and any other Subsidiary resulting from such acquisition, shall be owned directly or indirectly by the Company or any of its wholly owned Subsidiaries and all actions required to be taken, if any, with respect to each Subsidiary resulting from such acquisition under Section 5.09 shall be taken, (d) the Company and its Subsidiaries are in compliance, on a pro forma basis after giving effect to such acquisition, with the covenants contained in Sections 6.09 and 6.10 recomputed as of the last day of the most recently ended fiscal quarter of the Company for which financial statements are available as if such acquisition had occurred on the first day of each relevant period for testing such compliance (using Adjusted EBITDA in lieu of Consolidated EBITDA for the relevant period and including, for purposes of Section 6.10, pro forma adjustments to Consolidated Interest Expense and Rental Expense for the relevant period as if such acquisition had occurred on the first day of such period), (e) the Company has delivered to the Facility Agent a certificate of a Financial Officer to the effect set forth in clauses (a), (c) and (d) above, together with all relevant financial information for the business or entity being acquired and (f) in the case of an acquisition of a publicly-owned entity, such acquisition shall not have been preceded by an unsolicited tender offer.

" Permitted Encumbrances " means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (l) of Section 7.01; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Company or any Subsidiary;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

" Permitted Investments " means:

(a) direct obligations of, or obligations on which the principal of and interest are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within three years from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and rated, at such date of acquisition, at least A-1 by S&P or P-1 by Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any Lender, any Affiliate of any Lender, or any other commercial bank organized under the laws of the United States of America or any State thereof (or domestic office of any commercial bank that is organized under the laws of any country that is a member of the OECD) which has a combined capital and surplus and undivided profits of not less than $500,000,000;

(d) fully collateralized repurchase agreements (i) with a term ending on the next Business Day for direct obligations of, or obligations the principal of and

interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United Sates of America) and entered into with a financial institution satisfying the criteria described in clause (c) above, or (ii) with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above;

(e) investments in money market funds (i) with a policy to invest substantially all their assets in one or more investments described in the foregoing items (a), (b), (c) and (d) or (ii) having the highest credit rating obtainable from S&P or from Moody's;

(f) investments in (i) any debt securities rated AA- or above by S&P and Aa3 or above by Moody's and maturing within one year from the date of acquisition thereof and (ii) mutual funds with assets of at least $5,000,000,000 and that invest 100% of their assets in securities described in clause (a) above or subclause (i) of this clause (f); and

(g) in the case of any Foreign Subsidiary, investments by such Subsidiary that are denominated in U.S. Dollars, Euros or the currency of the jurisdiction where such Foreign Subsidiary's principal business activities are conducted and are available in the principal financial markets of the jurisdiction and otherwise are comparable (as nearly as practicable) to the investments described above; provided that, for purposes of this clause (g), (i) the foregoing clause (a) shall be deemed to refer to obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the government of the jurisdiction in which such Foreign Subsidiary is located, in each case maturing within one year from the date of acquisition thereof, and (ii) commercial banks referred to in the foregoing clause (c) shall be deemed to include commercial banks located in the applicable jurisdiction that the applicable Foreign Subsidiary determines in good faith to be among the most creditworthy banks available for deposits in the location where such deposits are being made.

" Permitted Securitization Transaction " means any sale, assignment or other transfer (or series of related sales, assignments or other transfers) by the Company or any Subsidiary of receivables or royalty payments owing to the Company or such Subsidiary or any interest in any of the foregoing pursuant to a securitization transaction, together in each case with any collections and other proceeds thereof, any collection or deposit account related thereto, and any collateral, guarantees or other property or claims supporting or securing payment by the obligor thereon of, or otherwise related to, any such receivables or royalty payments.

" Person " means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

" Plan " means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Company or any ERISA Affiliate is (or, if such plan were terminated, would under ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

" Prime Rate " means the rate of interest per annum publicly announced from time to time by Citibank, N.A., as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

" Principal Domestic Subsidiary " means (a) any Subsidiary organized in the United States of America whose consolidated assets exceed 5% of the consolidated assets of the Company and its consolidated Subsidiaries or whose revenues exceed 5% of the consolidated revenues of the Company and its consolidated Subsidiaries, in each case as of the end of the most recent fiscal quarter or for the most recently ended four consecutive fiscal quarters, respectively, or (b) any Subsidiary that holds any material trademark (including any Kentucky Fried Chicken, KFC, Pizza Hut, A&W, Long John Silver's or Taco Bell trademark) for use in the United States of America or any jurisdiction therein.

" Reference Bank " means (a) when used in connection with Canadian Revolving Loans or B/As, Schedule I Reference Banks and Schedule II/III Reference Banks and (b) when used in connection with UK Revolving Loans, UK Swingline Loans, Luxembourg Revolving Loans or Luxembourg Swingline Loans, Citibank NA, London, JPMorgan Chase Bank, N.A., HSBC Bank USA and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. "Rabobank International", New York Branch.

" Refranchising Transaction " means a transaction in which the Company or any of its Subsidiaries sells, transfers, leases or otherwise disposes of assets (excluding the sale, transfer or disposition of intellectual property, except for licenses of intellectual property to franchisees or prospective franchisees) comprising one or more restaurants to the franchisee or prospective franchisee thereof.

" Register " has the meaning set forth in Section 9.04.

" Related Parties " means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

" Release " means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing or migrating into or through the environment or any facility, building or structure.

" Rental Expense " means, for any Person for any period, the minimum rental expense of such Person deducted in determining Consolidated Net Income of such Person for such period. Unless the context otherwise requires, references to "Rental Expense" are to Rental Expense of the Company and the Included Subsidiaries.

" Required Lenders " means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time.

" Revaluation Date " means, (a) with respect to an Alternative Currency Borrowing (other than a CABR Borrowing) or B/A, the last day of each Interest Period or Contract Period with respect to such Borrowing or B/A and, if the Borrower elects a new Interest Period prior to the end of the existing Interest Period with respect to such Borrowing, the date of commencement of such new Interest Period and (b) with respect to any CABR Borrowing, the last day of each March, June, September and December.

" Revolving Borrowing " means a UK Revolving Borrowing, a Luxembourg Revolving Borrowing or a Canadian Revolving Borrowing.

" Revolving Credit Exposure " means UK Revolving Credit Exposure, Luxembourg Revolving Credit Exposure or Canadian Revolving Credit Exposure.

" Revolving Loan " means a UK Revolving Loan, a Luxembourg Revolving Loan or a Canadian Revolving Loan.

" S&P " means Standard & Poor's.

" Sale and Lease-Back Transaction " has the meaning assigned to such term in Section 6.11.

" Schedule I Bank " means any bank named on Schedule I to the Bank Act (Canada).

" Schedule I Reference Bank " means, where there are two or fewer Lenders in respect of Canadian Revolving Loans or B/As which are Canadian chartered banks that are Schedule I Banks, all such Lenders, and where there are more than two such Lenders, two of such Lenders chosen by the Canadian Facility Agent and the Canadian Borrower and identified as such by notice from the Canadian Facility Agent to the Lenders.

" Schedule II/III Reference Banks " means Citibank, N.A., Canadian Branch and JPMorgan ChaseBank, N.A., Canada Branch; provided that if either of such banks ceases to be a Lender or an Affiliate of a Lender, such bank shall also cease to be a Schedule II/III Reference Bank, and a successor Schedule II/III Reference Bank shall be chosen by the Canadian Facility Agent and the Canadian Borrower from the Lenders in respect of Canadian Revolving Loans or B/As which are not Schedule I Banks and identified as such by notice from the Canadian Facility Agent to the applicable Lenders.

" Securitization Amount " means, at any date of determination thereof and in respect of any Permitted Securitization Transaction, (a) in the case of a Permitted Securitization Transaction structured as a borrowing of loans secured by receivables or royalty payments, the outstanding principal amount of Indebtedness incurred in respect of such Permitted Securitization Transaction that is secured by such receivables or royalty

payments and (b) in the case of a Permitted Securitization Transaction structured as a sale or other transfer of receivables or royalty payments (other than a sale or transfer of such receivables or royalty payments to a Subsidiary), the aggregate amount of cash consideration received by the Company or any of its Subsidiaries from such sale or transfer, but only to the extent representing the outstanding equivalent of principal, capital or comparable interests in respect of such receivables or royalty payments that remain uncollected at such time and would not be distributed to the Company or a Subsidiary if such Permitted Securitization Transactions were to be terminated at such time.

" Securitization Subsidiary " means any Subsidiary that is formed by the Company or any of its Subsidiaries for the sole purpose of effecting or facilitating a Permitted Securitization Transaction and that (a) owns no assets other than receivables, royalty payments and other assets that are related to such Permitted Securitization Transaction and (b) engages in no business and incurs no Indebtedness, in each case, other than those related to such Permitted Securitization Transaction.

" Sold Business " means any Person, property, business or asset sold, transferred or otherwise disposed of by the Company or any Subsidiary, other than in the ordinary course of business.

" Specified Currency " has the meaning assigned to such term in Section 9.14.

" Spot Exchange Rate " means, on any day, (a) with respect to any Alternative Currency in relation to U.S. Dollars, the spot rate at which U.S. Dollars are offered on such day for such Alternative Currency which appears on page FXFX of the Reuters Screen at approximately 11:00 a.m., London time and (b) with respect to U.S. Dollars in relation to any specified Alternative Currency, the spot rate at which such specified Alternative Currency is offered on such day for U.S. Dollars which appears on page FXFX of the Reuters Screen at approximately 11:00 a.m., London time. For purposes of determining the Spot Exchange Rate in connection with an Alternative Currency Borrowing, such Spot Exchange Rate shall be determined as of the Denomination Date for such Borrowing with respect to the transactions in the applicable Alternative Currency that will settle on the date of such Borrowing.

" Statutory Reserve Rate " means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which Citibank, N.A. is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. LIBOR Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation.

The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

" Sterling " means lawful currency of the United Kingdom.

" subsidiary " means, with respect to any Person (the " parent ") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

" Subsidiary " means any subsidiary of the Company; provided that except for purposes of Sections 3.04, 3.11, 5.01(a), 5.01(b) and 5.01(f), the term "Subsidiary" shall not include a Non-Controlled Subsidiary.

" Swingline Borrowing " means a Borrowing comprised of Swingline Loans.

" Swingline Lenders " means Citibank N.A., London, JPMorgan Chase Bank, N.A. and Wachovia Bank N.A.

" Swingline Loan " means a UK Swingline Loan or a Luxembourg Swingline Loan.

" System Unit " means any restaurant operated under the name Kentucky Fried Chicken, KFC, Pizza Hut, Taco Bell, A&W, Long John Silver's or any other brand that is acquired and operated by the Company or a Subsidiary or franchised or licensed by the Company or a Subsidiary to any of its franchisees or licensees.

" Taxes " means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

" Transactions " means the execution, delivery and performance by the Loan Parties of the Loan Documents, the borrowing of Loans and the use of the proceeds thereof.

" Type ", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or, in the case of a Canadian Revolving Loan or Canadian Revolving Borrowing, whether it is B/A or bears interest at the Canadian Alternate Base Rate.

" UK Borrower " means Yum! Restaurants Holdings, an unlimited liability company organized and existing under the laws of England and Wales.

" UK Revolving Borrowing " means a Borrowing comprised of UK Revolving Loans.

" UK Revolving Credit Exposure " means, with respect to any Lender at any time, the sum of (a) the aggregate principal amount of such Lender's UK Revolving Loans denominated in U.S. Dollars outstanding at such time, (b) the Assigned Dollar Value of the aggregate principal amount of such Lender's UK Revolving Loans denominated in Sterling outstanding at such time and (c) such Lender's UK Swingline Exposure at such time.

" UK Revolving Loan " means a Loan made pursuant to Section 2.01(c).

" UK Swingline Exposure " means, at any time, the aggregate principal amount of all UK Swingline Loans outstanding at such time. The UK Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total UK Swingline Exposure at such time.

" UK Swingline Loan " means a Loan to the UK Borrower made pursuant to Section 2.05.

" U.S. Dollar Equivalent " means, with respect to an amount of any Alternative Currency on any date, the amount of U.S. Dollars that may be purchased with such amount of the Alternative Currency at the Spot Exchange Rate with respect to the Alternative Currency on such date.

" U.S. Dollars " or " US$ " or " $ " refers to lawful money of the United States of America.

" Withdrawal Liability " means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g. , a "Canadian Revolving Loan") or by Type (e.g. , a "LIBOR Revolving Loan") or by Class and Type (e.g. , a "Canadian LIBOR Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g. , a "Canadian Revolving Borrowing") or by Type (e.g. , a "LIBOR Borrowing") or by Class and Type (e.g. , a "Canadian LIBOR Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to

have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Facility Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application or interpretation thereof on the operation of such provision (or if the Facility Agent notifies the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

The Credits

SECTION 2.01. Commitments. (a) Subject to the terms and conditions set forth herein, each Lender agrees to make Canadian Revolving Loans under this Section to the Canadian Borrower (denominated in U.S. Dollars or Canadian Dollars), including by means of B/A or B/A Equivalent Loans pursuant to Section 2.04, from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (ii) the total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limit and subject to the terms and conditions set forth herein, the Canadian Borrower may borrow, prepay and reborrow Canadian Revolving Loans.

(b) Each Lender agrees to make Luxembourg Revolving Loans to the Luxembourg Borrower (denominated in U.S. Dollars) from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (ii) the

total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limit and subject to the terms and conditions set forth herein, the Luxembourg Borrower may borrow, prepay and reborrow Luxembourg Revolving Loans.

(c) Each Lender agrees to make UK Revolving Loans to the UK Borrower (denominated in U.S. Dollars or Sterling) from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (ii) the total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limit and subject to the terms and conditions set forth herein, the UK Borrower may borrow, prepay and reborrow UK Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans of the same Class and Type made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, each Revolving Borrowing shall be comprised entirely of LIBOR Loans as the applicable Borrower may request in accordance herewith, except that a Canadian Revolving Borrowing denominated in Canadian Dollars may be a CABR Borrowing. Each Lender at its option may make any LIBOR Loan or any Canadian Revolving Loan (including those made by means of B/A or B/A Equivalent Loans) by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan (and each Lender that is not a Canadian Resident shall exercise such option, to the extent it can do so, so that Canadian Revolving Loans are made by a branch or Affiliate that is a Canadian Resident); provided that any exercise of such option shall not affect the obligation of the applicable Borrower to repay such Loan in accordance with the terms of this Agreement and shall not result in any increased costs under Section 2.15 or any obligation by the applicable Borrower to make any payment under Section 2.17 in excess of the amounts, if any, that such Lender would be entitled to claim under Section 2.15 or 2.17, as applicable, without giving effect to such change in lending office.

(c) At the commencement of each Interest Period for any LIBOR Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of US$1,000,000 and not less than US$10,000,000 (or the Alternative Currency Equivalent). Each CABR Revolving Borrowing shall be in an aggregate amount that is an integral multiple of US$1,000,000 and not less than US$10,000,000 (or the Alternative Currency Equivalent). Each Swingline Loan shall be in an amount that is an integral multiple of US$100,000 and not less than US$500,000 (or the Alternative Currency Equivalent). Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of 10 LIBOR Revolving Borrowings of any Class outstanding.

(d) Loans made pursuant to any Alternative Currency Borrowing shall be made in the Alternative Currency specified in the applicable Borrowing Request in an aggregate amount equal to the Alternative Currency Equivalent of the U.S. Dollar amount specified in such Borrowing Request; provided ; that for purposes of the Borrowing amounts specified in paragraph (c), each Alternative Currency Borrowing shall be deemed to be in a principal amount equal to its Assigned Dollar Value.

(e) Notwithstanding any other provision of this Agreement, the Borrowers shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the applicable Borrower shall notify the Facility Agent (and in the case of a Canadian Revolving Borrowing, the Canadian Facility Agent) in writing of such request by hand delivery or telecopy not later than 11:00 a.m., London time, three Business Days before the date of the proposed Borrowing. Each such Borrowing Request shall be irrevocable and shall be in a form approved by such Agent and signed by the applicable Borrower. Each such Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the identity of the Borrower;

(ii) the aggregate amount of such Borrowing (expressed in U.S. Dollars) and the currency thereof (as permitted by Section 2.01);

(iii) the date of such Borrowing, which shall be a Business Day;

(iv) in the case of a Canadian Revolving Borrowing, whether such Borrowing is to be a LIBOR Borrowing (in the case of a Borrowing denominated in Canadian Dollars or U.S. Dollars) or a CABR Borrowing (in the case of a Borrowing denominated in Canadian Dollars).

(v) in the case of a LIBOR Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term “Interest Period”; and

(vi) the location and number of the applicable Borrower’s account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be a LIBOR Borrowing if denominated in U.S. Dollars or Sterling, or a CABR Borrowing if denominated in Canadian Dollars. If no Interest Period is specified with respect to any requested LIBOR Revolving Borrowing, then the applicable Borrower shall be deemed to have selected an Interest Period of one month’s duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the applicable Agent shall advise each participating Lender of the details thereof and of the amount of such Lender’s Loan to be made as part of the requested Borrowing.

SECTION 2.04. Bankers' Acceptances. (a) Each acceptance and purchase of B/As of a single Contract Period pursuant to Section 2.01(a) shall be made ratably by the Lenders in accordance with the amounts of their Commitments. The failure of any Lender to accept any B/A required to be accepted by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments are several and no Lender shall be responsible for any other Lender's failure to accept B/As as required.

(b) The B/As of a single Contract Period accepted and purchased on any date shall be in an aggregate amount that is at least equal to the Alternative Currency Equivalent (in Canadian Dollars) of US$10,000,000 and is an integral multiple of the Alternative Currency Equivalent (in Canadian Dollars) of US$1,000,000. If any Lender's ratable share of the B/As of any Contract Period to be accepted on any date would not be an integral multiple of Cdn.$100,000, the face amount of the B/As accepted by such Lender may be increased or reduced to the nearest integral multiple of Cdn.$100,000 by the Canadian Facility Agent in its sole discretion. B/As of more than one Contract Period, but not more than 10 Contract Periods, may be outstanding at the same time.

(c) To request an acceptance and purchase of B/As, the Canadian Borrower shall notify the Canadian Facility Agent of such request in writing by telecopy or hand delivery not later than 10:00 a.m., Toronto time, one Business Day before the date of such acceptance and purchase. Each such request shall be irrevocable and shall be in a form approved by the Canadian Facility Agent and signed by the Canadian Borrower. Each such request shall specify the following information:

(i) the aggregate face amount of the B/As to be accepted and purchased;

(ii) the date of such acceptance and purchase, which shall be a Business Day;

(iii) the Contract Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Contract Period" (and which shall in no event end after the Maturity Date); and

(iv) the location and number of the Canadian Borrower's account to which the applicable Discount Proceeds (net of applicable acceptance fees) are to be disbursed, which shall comply with the requirements of Section 2.07.

If no Contract Period is specified with respect to any requested acceptance and purchase of B/As, then the Canadian Borrower shall be deemed to have selected a Contract Period of 30 days' duration.

Promptly following receipt of a request in accordance with this paragraph, the Canadian Facility Agent shall advise the Facility Agent and each Lender of the details thereof and of the amount of B/As to be accepted and purchased by such Lender.

(d) The Canadian Borrower hereby appoints each Lender as its attorney to sign and endorse on its behalf, manually or by facsimile or mechanical signature, as and when deemed necessary by such Lender, blank forms of B/As, each such Lender hereby

agreeing that it will not sign or endorse B/As in excess of those required in connection with B/A Drawings that have been requested by the Canadian Borrower hereunder. It shall be the responsibility of each Lender to maintain an adequate supply of blank forms of B/As for acceptance under this Agreement. The Canadian Borrower recognizes and agrees that all B/As signed and/or endorsed on its behalf by any Lender in accordance with the terms and conditions of this Agreement shall bind the Canadian Borrower as fully and effectually as if manually signed and duly issued by authorized officers of the Canadian Borrower. Each Lender is hereby authorized to issue such B/As endorsed in blank in such face amounts as may be determined by such Lender; provided that the aggregate face amount thereof is equal to the aggregate face amount of B/As required to be accepted by such Lender. No Lender shall be liable for any damage, loss or claim arising by reason of any loss or improper use of any such instrument unless such loss or improper use results from the bad faith, gross negligence or willful misconduct of such Lender. Each Lender shall maintain a record with respect to B/As (i) received by it from the Canadian Facility Agent in blank hereunder, (ii) voided by it for any reason, (iii) accepted and purchased by it hereunder and (iv) canceled at their respective maturities. Each Lender further agrees to retain such records in the manner and for the periods provided in applicable provincial or federal statutes and regulations of Canada and to provide such records to the Canadian Borrower upon its request and at its expense. Upon request by the Canadian Borrower, a Lender shall cancel all forms of B/A that have been pre-signed or pre-endorsed on behalf of the Canadian Borrower and that are held by such Lender and are not required to be issued pursuant to this Agreement.

(e) Drafts of the Canadian Borrower to be accepted as B/As hereunder shall be signed as set forth in paragraph (d) above. Notwithstanding that any Person whose signature appears on any B/A may no longer be an authorized signatory for any of the Lenders or Canadian Borrower at the date of issuance of such B/A, such signature shall nevertheless be valid and sufficient for all purposes as if such authority had remained in force at the time of such issuance and any such B/A so signed and properly completed in accordance with the terms and conditions of this Agreement shall be binding on the Canadian Borrower.

(f) Upon acceptance of a B/A by a Lender, such Lender shall purchase such B/A from the Canadian Borrower at the Discount Rate for such Lender applicable to such B/A accepted by it and provide to the Canadian Facility Agent the Discount Proceeds for the account of such Canadian Borrower as provided in Section 2.07. The acceptance fee payable by the Canadian Borrower to a Lender under Section 2.12 in respect of each B/A accepted by such Lender shall be set off against the Discount Proceeds payable by such Lender under this paragraph. Notwithstanding the foregoing, in the case of any B/A Drawing resulting from the conversion or continuation of a B/A Drawing or Canadian Revolving Loan pursuant to Section 2.01, the net amount that would otherwise be payable to the Canadian Borrower by each Lender pursuant to this paragraph will be applied as provided in Section 2.08(f).

(g) Each Lender may at any time and from time to time hold, sell, rediscount or otherwise dispose of any or all B/A's accepted and purchased by it.

(h) Each B/A accepted and purchased hereunder shall mature at the end of the Contract Period applicable thereto.

(i) The Canadian Borrower waives presentment for payment and any other defense to payment of any amounts due to a Lender in respect of a B/A accepted and purchased by it pursuant to this Agreement which might exist solely by reason of such B/A being held, at the maturity thereof, by such Lender in its own right and the Canadian Borrower agrees not to claim any days of grace if such Lender as holder sues the Canadian Borrower on the B/A for payment of the amounts payable by the Canadian Borrower thereunder. On the last day of the Contract Period of a B/A, or such earlier date as may be required pursuant to the provisions of this Agreement, the Canadian Borrower shall pay the Lender that has accepted and purchased such B/A the full face amount of such B/A, and after such payment the Canadian Borrower shall have no further liability in respect of such B/A and such Lender shall be entitled to all benefits of, and be responsible for all payments due to third parties under, such B/A.

(j) At the option of the Canadian Borrower and any Lender, B/As under this Agreement to be accepted by that Lender may be issued in the form of depository bills for deposit with The Canadian Depository for Securities Limited pursuant to the Depository Bills and Notes Act (Canada). All depository bills so issued shall be governed by the provisions of this Section 2.04.

(k) If a Lender is not a chartered bank under the Bank Act (Canada) or if a Lender notifies the Canadian Facility Agent in writing that it is otherwise unable to accept B/As, such Lender will, instead of accepting and purchasing B/As, make a Loan (a " B/A Equivalent Loan ") to the Canadian Borrower in the amount and for the same term as each draft which such Lender would otherwise have been required to accept and purchase hereunder. Each such Lender will provide to the Canadian Facility Agent the Discount Proceeds of such B/A Equivalent Loan for the account of the Canadian Borrower in the same manner as such Lender would have provided the Discount Proceeds in respect of the draft which such Lender would otherwise have been required to accept and purchase hereunder. Each such B/A Equivalent Loan will bear interest at the same rate that would result if such Lender had accepted (and been paid an acceptance fee) and purchased (at the applicable Discount Rate) a B/A for the relevant Contract Period (it being the intention of the parties that each such B/A Equivalent Loan shall have the same economic consequences for the Lenders and the Canadian Borrower as the B/A that such B/A Equivalent Loan replaces). All such interest shall be paid in advance on the date such B/A Equivalent Loan is made, and will be deducted from the principal amount of such B/A Equivalent Loan in the same manner in which the Discount Proceeds of a B/A would be deducted from the face amount of the B/A. Subject to the repayment requirements of this Agreement, on the last day of the relevant Contract Period for such B/A Equivalent Loan, the Canadian Borrower shall be entitled to convert each such B/A Equivalent Loan into another type of Loan, or to roll over each such B/A Equivalent Loan into another B/A Equivalent Loan, all in accordance with the applicable provisions of this Agreement.

(l) Notwithstanding any provision hereof but subject to Section 2.11(b), the Canadian Borrower may not prepay any B/A Drawing other than on the last day of its Contract Period.

(m) For greater certainty, all provisions of this Agreement which are applicable to B/As shall also be applicable, mutatis mutandis , to B/A Equivalent Loans.

SECTION 2.05. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lenders hereby agree to make UK Swingline Loans (denominated in U.S. Dollars or Sterling) and Luxembourg Swingline Loans (denominated in U.S. Dollars) ratably in accordance with their Applicable Swingline Percentage, in each case as provided in this Section 2.05. The aggregate principal amount of Swingline Loans at any time outstanding shall not result in the total Revolving Credit Exposures exceeding the total Commitments. In addition (i) the aggregate principal amount of Luxembourg Swingline Loans at any time outstanding shall not exceed US$32,000,000 and (ii) the aggregate principal amount of UK Swingline Loans at any time outstanding shall not exceed US$158,000,000 (based on Assigned Dollar Values in the case of Swingline Loans denominated in Sterling). No Lender shall be required to make a Swingline Loan to refinance an outstanding Swingline Loan. No Swingline Loans of any Class will be made on the last day of any calendar quarter, and if any Swingline Loans of any Class are outstanding on the Business Day immediately preceding the last day of any calendar quarter, the applicable Borrower shall prepay such Swingline Loans. Each Swingline Loan denominated in U.S. Dollars or Sterling shall be made as a LIBOR Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan of any Class, the applicable Borrower shall notify the Facility Agent of such request in writing by telecopy or hand delivery not later than 9:00 a.m., London time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall be in a form approved by the applicable Agent and signed by the applicable Borrower. Each such Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the identity of the Borrower;

(ii) the Class and aggregate amount of such Swingline Loan (expressed in U.S. Dollars) and the currency thereof (as permitted by Section 2.01);

(iii) the date of such Swingline Loan, which shall be a Business Day;

(iv) in the case of a LIBOR Swingline Loan, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of Interest Period; and

(v) the location and number of the applicable Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

In the case of a request for a UK Swingline Loan or a Luxembourg Swingline Loan, the Facility Agent will promptly notify the Swingline Lenders of any such notice received from the UK Borrower or Luxembourg Borrower, as the case may be.

(c) A Swingline Lender may by written notice given to the Facility Agent not later than 11:00 a.m., London time, on any Business Day require the Lenders to acquire participations, on the date that is three Business Days thereafter, in all or a portion of such Swingline Lender's outstanding Swingline Loans. Promptly upon receipt of such notice, the Facility Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, on the date that is three Business Days after the date of receipt of notice as provided above, to pay to the Facility Agent, for the account of the applicable Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each such Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each such Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis , to the payment obligations of the Lenders), and the Facility Agent shall promptly pay to the applicable Swingline Lender the amounts so received by it from the applicable Lenders. The Facility Agent shall notify the applicable Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Facility Agent and not to the applicable Swingline Lender. Any amounts received by any Swingline Lender from any Borrower (or other party on behalf of such Borrower) in respect of a Swingline Loan after receipt by such Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Facility Agent; any such amounts received by the Facility Agent shall be promptly remitted by the Facility Agent to the Lenders that shall have made their payments pursuant to this paragraph and to such Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to such Swingline Lender or to the Facility Agent, as applicable, if and to the extent such payment is required to be refunded to such Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve any Borrower of any default in the payment thereof.

SECTION 2.06. Assigned Dollar Value . (a) With respect to each Alternative Currency Borrowing or B/A, its " Assigned Dollar Value " shall mean the following:

(i) the U.S. Dollar amount specified in the Borrowing Request therefor unless and until adjusted pursuant to the following clause (ii), and

(ii) as of each Revaluation Date with respect to such Alternative Currency Borrowing or B/A, the Assigned Dollar Value of such Borrowing or B/A shall be

adjusted to be the U.S. Dollar Equivalent thereof (as determined by the Facility Agent based upon the applicable Spot Exchange Rate, which determination shall be conclusive absent manifest error), subject to further adjustment in accordance with this clause (ii) thereafter.

(b) The Assigned Dollar Value of an Alternative Currency Loan shall equal the Assigned Dollar Value of the Alternative Currency Borrowing of which such Loan is a part multiplied by the percentage of such Borrowing represented by such Loan.

(c) The Facility Agent shall notify the Company and the relevant Lenders of any change in the Assigned Dollar Value of any Alternative Currency Borrowing or B/A promptly following determination of such change.

SECTION 2.07. Funding of Borrowings. (a) Each Lender shall make each UK Revolving Loan and Luxembourg Revolving Loan, and each Swingline Lender shall make each Swingline Loan, in each case to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 2:00 p.m., London time, to the account of the Facility Agent most recently designated by it for such purpose by notice to the Lenders. Each Lender shall make each Canadian Revolving Loan, and disburse the Discount Proceeds (net of applicable acceptance fees) of each B/A to be accepted and purchased by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 2:00 p.m., Toronto time, to the account of the Canadian Facility Agent most recently designated by it for such purpose by notice to the Lenders. The applicable Agent will make such Loans or Discount Proceeds (as applicable) available to the applicable Borrower by promptly crediting the amounts so received, in like funds, to an account of such Borrower as designated in such Borrower's applicable Borrowing Request (or, in the case of a Borrowing made in an Alternative Currency, to an account mutually agreed between the Borrower and the applicable Agent for funding such Borrowing).

(b) Unless an Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to such Agent such Lender's share of such Borrowing, such Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the applicable Agent, then such Lender and such Borrower severally agree to pay to such Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to such Borrower to but excluding the date of payment to such Agent, at (i) in the case of such Lender, the rate determined by the applicable Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of such Borrower, the interest rate applicable to the Loans included in such Borrowing. If such Lender pays such amount to the applicable Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a LIBOR Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Each B/A Drawing shall have a Contract Period as specified in the applicable request therefor. Thereafter, (i) the Canadian Borrower may elect to convert a Canadian Revolving Borrowing or B/A Drawing to a different Type or to continue such Borrowing or B/A Drawing and (ii) in the case of a LIBOR Borrowing, the applicable Borrower may elect to continue such Borrowing as a LIBOR Borrowing and may elect Interest Periods therefor, all as provided in this Section, it being understood that no B/A Drawing may be converted or continued other than at the end of the Contract Period applicable thereto. The applicable Borrower may elect different options with respect to different portions of the affected Borrowing or B/A, as the case may be, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing or accepting the B/As comprising such B/A Drawing, as the case may be, and any Loans or B/As resulting from an election made with respect to any such portion shall be considered a separate Borrowing or B/A Drawing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the applicable Borrower shall notify the Facility Agent (or, in the case of an election that relates to a Canadian Revolving Borrowing or B/A, the Canadian Facility Agent) of such election in writing by telecopy or hand delivery (i) in the case of an election that would result in a Borrowing, by the time and date that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Revolving Borrowing resulting from such election to be made on the effective date of such election, and (ii) in the case of an election that would result in a B/A Drawing or the continuation of a B/A Drawing, by the time and date that a request would be required under Section 2.04 if the Canadian Borrower were requesting an acceptance and purchase of B/As to be made on the effective date of such election. Each such Interest Election Request shall be irrevocable and shall be in a form reasonably acceptable to the applicable Agent and signed by the applicable Borrower. Notwithstanding any other provision of this Section, (i) no Borrower shall be permitted to change the Borrower or currency of any Borrowing, and (ii) each conversion or continuation of a Borrowing shall comply with the applicable provisions of Section 2.02.

(c) Each such Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing or B/A Drawing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing or B/A Drawing (in which case the information to be specified pursuant to clause (iii) below shall be specified for each resulting Borrowing or B/A Drawing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) in the case of a Canadian Revolving Borrowing or B/A, whether the resulting Borrowing is to be a LIBOR Borrowing, a CABR Borrowing or a B/A Drawing; and

(iv) if the resulting Borrowing is a LIBOR Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period", and in the case of an election of a B/A Drawing, the Contract Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Contract Period".

If any such Interest Election Request does not specify an Interest Period or Contract Period, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration or Contract Period of 30 days' duration as applicable.

(d) Promptly following receipt of an Interest Election Request, the applicable Agent shall advise each participating Lender of the details thereof and of such Lender's portion of each resulting Borrowing or B/A Drawing, as the case may be.

(e) If any Borrower fails to deliver a timely Interest Election Request (i) with respect to a LIBOR Revolving Borrowing denominated in U.S. Dollars or Sterling, then, unless such Borrowing is repaid as provided herein, at the end of the Interest Period such Borrowing shall be continued as a LIBOR Borrowing with an Interest Period of one month's duration or (ii) with respect to a LIBOR Revolving Borrowing or B/A Drawing denominated in Canadian Dollars, then, unless such Borrowing or B/A Drawing is repaid as provided herein, at the end of the Interest Period or Contract Period (as applicable) for such Borrowing or B/A Drawing, such Borrowing or B/A Drawing shall be converted to a CABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Facility Agent, at the request of the Required Lenders, so notifies the Borrowers, then, so long as an Event of Default is continuing, unless repaid (i) each LIBOR Revolving Borrowing shall be continued at the end of the Interest Period applicable thereto as a LIBOR Borrowing with an Interest Period of one month's duration, (ii) no outstanding Borrowing denominated in Canadian Dollars may be converted to or continued as a B/A Drawing and (iii) unless repaid, each B/A Drawing shall be converted to a CABR Borrowing at the end of the applicable Contract Period therefor.

(f) Upon the conversion of any Canadian Revolving Borrowing (or portion thereof), or the continuation of any B/A Drawing (or portion thereof), to or as a B/A Drawing, the net amount that would otherwise be payable to the Canadian Borrower by each Lender pursuant to Section 2.04(f) in respect of such new B/A Drawing shall be applied against the principal of the Canadian Revolving Loan made by such Lender as part of such Canadian Revolving Borrowing (in the case of a conversion), or the reimbursement obligation owed to such Lender under Section 2.04(i) in respect of the B/As accepted by such Lender as part of such maturing B/A Drawing (in the case of a continuation), and such Borrower shall pay to such Lender an amount equal to the

difference between the principal amount of such Canadian Revolving Loan or the aggregate face amount of such maturing B/As, as the case may be, and such net amount.

SECTION 2.09. Termination, Reduction and Extension of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrowers may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of US$5,000,000 and not less than US$10,000,000 and (ii) the Borrowers shall not terminate or reduce such Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the total Revolving Credit Exposures would exceed the total Commitments.

(c) The Borrowers to notify the Facility Agents of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Facility Agent shall advise the Lenders of the contents thereof. Each notice delivered by a Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by a Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Agents on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

(d) (i) The applicable Borrower may, by delivery of a written request (a " Maturity Date Extension Request ") to the Agents (which shall promptly deliver a copy to each of the Lenders) not less than 30 days and not more than 60 days prior to the first or second anniversary of the Effective Date, request that the Lenders of the applicable Class extend the Maturity Date for an additional period of one year; provided that there shall be no more than two extensions of the Maturity Date pursuant to this Section. Each Lender shall, by notice to the Company, the Borrowers and the Agents given not later than the 15 th day after the date of the Agents' receipt of the Borrowers' Maturity Date Extension Request (or such other date as the Borrowers and the Agents may otherwise agree, which may include extensions of any previously announced date; such date, the " Extension Date "), advise the Borrowers whether or not it agrees to the requested extension (each such Lender agreeing to a requested extension being called a " Consenting Lender ", and each such Lender declining to agree to a requested extension being called a " Declining Lender "). Any Lender that has not so advised the Borrowers and the Agents by such Extension Date shall be deemed to have declined to agree to such extension and shall be a Declining Lender. If Lenders holding 66⅔% of the aggregate Commitments shall have agreed to a Maturity Date Extension Request by the Extension Date, then the Maturity Date shall, as to the Consenting Lenders, be extended to the first anniversary of the Maturity Date theretofore in effect. The decision to agree or withhold agreement to any Maturity Date Extension Request shall be at the sole discretion of each

Lender. The Commitment of any Declining Lender shall terminate on the Maturity Date in effect prior to giving effect to any such extension (such Maturity Date being called the " Existing Maturity Date ").

(ii) It is understood that the applicable Borrower shall have the right, pursuant to Section 2.19(b), at any time prior to the Existing Maturity Date, to replace a Declining Lender with a Lender or other financial institution that will agree to the Maturity Date Extension Request, and any such replacement Lender shall for all purposes constitute a Consenting Lender as of the date it agrees to replace such Declining Lender.

(iii) Notwithstanding the foregoing provisions of this Section 2.09, no extension of the Existing Maturity Date shall be effective with respect to any Lender unless, on and as of the Extension Date in respect of such extension, the conditions set forth in Section 4.02 shall be satisfied (with all references in such Section to a Borrowing being deemed to be references to such extension) and the Agents shall have received a certificate to that effect, dated as of such Extension Date, and executed by a Financial Officer.

(iv) On the Existing Maturity Date, if there remain any Declining Lenders and any Revolving Loans are outstanding, the applicable Borrower or Borrowers (A) shall prepay all Revolving Loans then outstanding (including all accrued but unpaid interest thereon) and (B) may, at its or their option, fund such prepayment by simultaneously borrowing Revolving Loans for the Interest Periods specified in a Borrowing Request delivered pursuant to Section 2.03, which Revolving Loans shall be made by the Lenders ratably in accordance with their respective Commitments (calculated after giving effect to the termination of the Commitments of the Declining Lenders). The payments made pursuant to clause (A) above in respect of each LIBOR Loan shall be subject to Section 2.16.

SECTION 2.10. Repayment of Loans and B/As; Evidence of Debt.

(a) Each Borrower hereby unconditionally promises to pay to the Facility Agent (or, in the case of Canadian Revolving Loans, the Canadian Facility Agent) for the account of each Lender or Swingline Lender, as applicable, (i) the then unpaid principal amount of each Revolving Loan owing by such Borrower to such Lender on the Maturity Date, and (ii) the then unpaid principal amount of each Swingline Loan owing by such Borrower to such Lender or Swingline Lender, as applicable, on the earlier of the Maturity Date or the last day of the Interest Period applicable thereto; provided that on each date that a Revolving Borrowing is made to such Borrower, such Borrower shall repay all Swingline Loans to such Borrower which were outstanding at the time such Borrowing was requested. The Canadian Borrower hereby unconditionally promises to pay on the Maturity Date, to the Canadian Facility Agent for the account of each applicable Lender, the face amount of each B/A, if any, accepted by such Lender as provided in Section 2.04.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the applicable Borrowers to such

Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Facility Agent (and, in the case of Loans to or B/As for the Canadian Borrower, the Canadian Facility Agent) shall maintain accounts in which it shall record (i) the amount and currency of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, and the amount of each B/A and the Contract Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by such Agent hereunder for the account of the Lenders of any Class and each Lender's share thereof. The Canadian Facility Agent shall promptly provide the Facility Agent with all information needed to maintain such accounts in respect of Loans or B/A Drawings administered by such Agent.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or any Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans of any Class made by it be evidenced by a promissory note. In such event, the applicable Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the applicable Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. Prepayment of Loans. i)Each Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (d) of this Section.

(b) If, as of any Revaluation Date, the total Revolving Credit Exposure exceeds 105% of the total amount of the Commitments, then the Borrowers shall, not later than the date that is four Business Days after they receive notice thereof from either Agent, prepay one or more Revolving Borrowings and Swingline Borrowings in an aggregate amount sufficient to reduce the total Revolving Credit Exposures to an amount not exceeding the total Commitments; provided , however, that the Canadian Borrower shall not be obligated to prepay any B/A in order to comply with the terms of this Section 2.11(b); provided , further, that should a prepayment of all outstanding Revolving Borrowings and Swingline Borrowings be insufficient to reduce the total Revolving Credit Exposure below 105% of the total Commitments, the Canadian Borrower shall provide cash collateral to the Canadian Facility Agent in an amount sufficient to secure the outstanding B/As to the extent necessary to comply with this paragraph (b) (and such

collateral will be held by the Canadian Facility Agent and applied to pay B/As as and when due).

(c) A Borrower shall notify the applicable Agent by telecopy of any prepayment by it hereunder (i) in the case of prepayment of a LIBOR Revolving Borrowing, not later than 11:00 a.m., London time, three Business Days before the date of prepayment, (ii) in the case of prepayment of a UK Swingline Borrowing or a Luxembourg Swingline Borrowing, not later than 9:00 a.m. London time, on the date of prepayment and (iii) in the case of prepayment of a CABR Revolving Borrowing, not later than 11:00 a.m., Toronto time, three Business Days before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that if a notice of optional prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Borrowing, the applicable Agent shall advise the participating Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

SECTION 2.12. Fees. (a) The Company agrees to pay (or to cause one or more of the Borrowers to pay) to the Facility Agent, for the account of each Lender a commitment fee, which shall accrue at the Applicable Margin on the daily unused amount of the Commitment of such Lender during the period from and including the Effective Date to but excluding the date on which such Commitment terminates. Accrued commitment fees shall be payable quarterly in arrears on the last day of March, June, September and December of each year and upon the termination of the Commitments, calculated based on the number of days elapsed in a 360-day year. For purposes of computing commitment fees, (i) a Commitment of a Lender shall be deemed to be used to the extent of the outstanding Revolving Loans and B/As of such Lender (and the Luxembourg Swingline Exposure and UK Swingline Exposure of such Lender shall be disregarded for such purpose) and (ii) amounts denominated in Alternative Currencies shall be based on Assigned Dollar Values.

(b) The Company agrees to pay (or to cause one or more of the Borrowers to pay) to the Facility Agent for the account of each Lender such Lender's Applicable Percentage of a utilization fee, which shall accrue at the Applicable Margin on the daily total amount of the Revolving Credit Exposure of during any period in which the total amount of outstanding Revolving Credit Exposures is greater than 50% of the total Commitments; provided that if such Lender continues to have any Revolving Credit Exposure to a Borrower after such Lender's Commitment to such Borrower terminates, then such utilization fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure to such Borrower from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have

any such Revolving Credit Exposure. Accrued utilization fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any utilization fees accruing after the date on which the Commitments terminate shall be payable on demand. All utilization fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Canadian Borrower agrees to pay to the Canadian Facility Agent, for the account of each Lender, on each date on which B/As drawn by the Canadian Borrower are accepted hereunder, in Canadian Dollars, an acceptance fee equal to (i) the product of the Applicable Margin and the face amount of each B/A accepted by such Lender multiplied by (ii) a fraction, the numerator of which is the number of days in the Contract Period applicable to such B/A and the denominator of which is 365.

(d) Each Borrower agrees to pay to the Agents, for their own account, fees payable in the amounts and at the times separately agreed upon between the Borrowers and the Agents.

(e) All fees payable hereunder shall be paid in U.S. Dollars (or, in the case of fees payable under paragraph (b) above, Canadian Dollars) on the dates due, in immediately available funds, to the applicable Agent for distribution, in the case of commitment fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest. (a) The Loans comprising each CABR Borrowing shall bear interest at the Canadian Alternate Base Rate plus, if the Applicable Margin exceeds 100 basis points, the excess of such Applicable Margin over 100 basis points.

(b) The Loans comprising each LIBOR Borrowing shall bear interest, at the aggregate of (i) the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing, (ii) the Applicable Margin and (iii) in the case of UK Revolving Loans or UK Swingline Loans denominated in Sterling, the Mandatory Cost (if any).

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by any Borrower or the Company hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section, (ii) in the case of any other amount denominated in Canadian Dollars, 2% plus the rate applicable to CABR Loans as provided in paragraph (a) of this Section or (iii) in the case of any other amount denominated in U.S. Dollars or Sterling, 2% plus the rate applicable to LIBOR Borrowings as provided in paragraph (b) of this Section, provided that for the purposes of this Section, the Interest Period for any overdue amount shall be any period selected by the Facility Agent not exceeding one month.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any LIBOR Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that the calculation of interest on UK Revolving Loans or UK Swingline Loans that are denominated in Sterling shall be made on the basis of a year of 365 days, and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Canadian Alternate Base Rate, if any, shall be determined by the Canadian Facility Agent and the applicable Adjusted LIBO Rate, if any, shall be determined by the Facility Agent, and such determination shall be conclusive absent manifest error.

(f) For purposes of the Interest Act (Canada), (i) whenever any interest or fee under this Agreement is calculated using a rate based on a year of 360 days or 365 days, as the case may be, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on a year of 360 days or 365 days, as they case may be, (y) multiplied by the actual number of days in the calendar year in which the period for which such interest or fee is payable (or compounded) ends, and (z) divided by 360 or 365, as the case may be, (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement, and (iii) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields. The provisions of this paragraph apply to Loans made to the Canadian Borrower.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a LIBOR Borrowing:

(a) the Facility Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period; or

(b) the Facility Agent is advised by a majority in interest of the Lenders participating in such Borrowing that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Facility Agent shall give notice thereof to the applicable Borrower and the Lenders by telecopy as promptly as practicable thereafter and, until the Facility Agent notifies such Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, then (i) the rate of interest on each Lender's share of such Borrowing for

such Interest period shall be the percentage rate per annum which is the sum of (A) the Applicable Margin, (B) the rate notified to the Facility Agent by such Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to such Lender of funding its participation in such Borrowing from whatever source it may reasonably select, and (C) in the case of UK Revolving Loans denominated in Sterling, the Mandatory Cost (if any), (ii) any Interest Election Request that requests the conversion of any Revolving Borrowing of such Class to, or continuation of any Revolving Borrowing of such Class as, a LIBOR Borrowing shall be ineffective and (iii) if any Borrowing Request by the Canadian Borrower requests a LIBOR Revolving Borrowing denominated in Canadian Dollars, such Borrowing shall be made as a CABR Borrowing.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or LIBOR Loans made by such Lender or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any LIBOR Loan (or of maintaining its obligation to make any such Loan) or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), then the applicable Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender reasonably determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the applicable Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Company and shall be conclusive absent manifest error. The applicable Borrower shall pay such Lender, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the applicable Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender, as the case may be, notifies the Company of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any LIBOR Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any LIBOR Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any LIBOR Loan or to issue B/As for acceptance on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith), (d) the assignment of any LIBOR Loan or the right to receive payment in respect of a B/A other than on the last day of the Interest Period applicable thereto as a result of a request by the Company pursuant to Section 2.19, then, in any such event, the applicable Borrower shall compensate each affected Lender for the loss, cost and expense attributable to such event. In the case of a LIBOR Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for deposits in the applicable currency and of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Company and shall be conclusive absent manifest error. The applicable shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes. ii)Any and all payments by or on account of any obligation of any Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if a Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the applicable Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower

shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, each Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Each Borrower shall indemnify each Agent and each Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the such Agent or such Lender, on or with respect to any payment by or on account of any obligation of each Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the applicable Borrower by a Lender, or by an Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by any Borrower to a Governmental Authority, the applicable Borrower shall deliver to the applicable Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to such Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which any Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to such Borrower (with a copy to the applicable Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by such Borrower as will permit such payments to be made without withholding or at a reduced rate (including, with respect to the Luxembourg Lenders, appropriate certifications, if any, for purposes of United States federal withholding tax).

(f) The Company, the UK Borrower and each UK Lender that is a Foreign Lender also agree to the matters set forth in Schedule 2.17 to this Agreement.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) Each of the UK Borrower and the Luxembourg Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon, London time, on the date when due, in immediately available funds, without set-off or counterclaim. The Canadian Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon, Toronto time. All such payments shall be made to the Facility Agent at its offices in London or, in the case of payments to be made by the Canadian Borrower, to the Canadian Facility Agent at its

offices in Toronto. Any amounts received after the time required to be received hereunder on any date may, in the discretion of the applicable Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. The applicable Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in U.S. Dollars, except that (i) payments of principal of and interest on any Alternative Currency Loan (and, if requested by the applicable Lender, payments under Section 2.16 in respect thereof) shall be made in such Alternative Currency, and payments in respect of B/As shall be made in Canadian Dollars, in such funds as may then be customary for the settlement of international transactions in such Alternative Currency and (ii) fees payable under Section 2.12(b) shall be payable in Canadian Dollars.

(b) If at any time insufficient funds are received by and available to any Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans, Swingline Loans or amount owing in respect of any B/A Drawings resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans, Swingline Loans and amounts owing in respect of any B/A Drawings and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans, Swingline Loans or amounts owing in respect of any B/A Drawing of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans, Swingline Loans and amounts owing in respect of any B/A Drawing; provided that the provisions of this paragraph shall not be construed to apply to any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Company, any Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against any Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(d) Unless the Facility Agent (or, in respect of a payment to be made by the Canadian Borrower, the Canadian Facility Agent) shall have received notice from any Borrower prior to the date on which any payment is due to such Agent for the account of the Lenders hereunder that such Borrower will not make such payment, such Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders, as the case may be, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to such Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to such Agent, at the greater of the Federal Funds Effective Rate and a rate determined by such Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.07(b) or 2.18(d), then the applicable Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by such Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to file any certificate or document reasonably requested by the Company or designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if such filing, designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) in the judgment of such Lender, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company agrees to cause one or more of the Borrowers to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender is a Declining Lender in respect of any Maturity Date Request, or if any Lender requests compensation under Section 2.15, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, or if the Company is entitled to replace a Lender pursuant to Section 9.02(c), then the Company may, at its sole expense and effort, upon notice to such Lender and the Facility Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Company shall have received the prior written consent of the Facility Agent, which consent shall not be unreasonably withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and Swingline Loans, accrued interest thereon, accrued fees and all

other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the applicable Borrower (in the case of all other amounts), (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments and (iv) in the case of any such assignment resulting from a Lender being a Declining Lender, the assignee shall have agreed to the Maturity Date Extension Request; provided further that, in the case of any such right to require assignment by a Lender that becomes a Declining Lender, such right shall not apply after the Extension Date unless the Maturity Date Extension Request shall have become effective. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

ARTICLE III

Representations and Warranties

The Company represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each of the Company and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, in each case except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.02. Authorization; Enforceability. The Transactions to be entered into by each Loan Party are within such Loan Party's corporate powers and have been duly authorized by all necessary corporate (or partnership) and, if required, stockholder action. This Agreement and any promissory notes issued pursuant to Section 2.10(e) have been duly executed and delivered by the Company and each Borrower (or, in the case of any such promissory note, the applicable Borrower) and constitute, and the Guarantee Agreement when executed and delivered by any Loan Party that becomes party thereto will constitute, a legal, valid and binding obligation of the Company, the applicable Borrower or such Loan Party, as the case may be, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or

made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Company or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Company or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment (other than pursuant to this Agreement) to be made by the Company or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries, except, with respect to clauses (b) and (c), any such violations, defaults and payments which, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect and except, with respect to clause (d), any such Liens set forth in Schedule 6.02.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Company has heretofore furnished to the Lenders (i) its consolidated balance sheet and statements of income, stockholder's equity and cash flows as of and for the fiscal year ended December 30, 2006, reported on by KPMG LLP, independent public accountants, and (ii) its condensed consolidated balance sheet as of September 8, 2007, its condensed consolidated statements of income for the quarters ended September 8, 2007 and September 9, 2006, and its condensed consolidated statements of cash flows for the quarters ended September 8, 2007 and September 9, 2006, certified by its Financial Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Company and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) As of the Effective Date, there has been no material adverse change in the business, assets, operations or condition, financial or otherwise, of the Company and its Subsidiaries, taken as a whole since December 30, 2006.

SECTION 3.05. Properties. (a) Each of the Company and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to the business of the Company and its Subsidiaries on a consolidated basis, except for minor defects in title and other matters that do not interfere with their ability to conduct their businesses on a consolidated basis as currently conducted or to utilize such properties for their intended purposes on a consolidated basis.

(b) Each of the Company and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to the business of the Company and its Subsidiaries on a consolidated basis, and the use thereof by the Company and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings (and, to the knowledge of the Company, there are no investigations) by or before any arbitrator or Governmental Authority pending against or,

to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries (i) as to which there is a reasonable likelihood of an adverse determination and that, if adversely determined, would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that, other than actions, suits or proceedings commenced by any Agent or any Lender, involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, neither the Company nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or would reasonably be expected to result in, a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements. Each of the Company and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.08. Investment Company Status. Neither the Company nor any of its Subsidiaries is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

SECTION 3.09. Taxes. Each of the Company and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Company or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of

all such underfunded Plans by an amount which, if it were required to be fully paid, would reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11. Disclosure. The Company has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject (to its knowledge, in the case of those to which only its Non-Controlled Subsidiaries are subject), and all other matters known to it, that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect; provided that for purposes of this sentence, any information disclosed in any publicly available filing made by the Company with the Securities and Exchange Commission pursuant to the rules and regulations of the Securities and Exchange Commission shall be considered to have been disclosed to the Lenders. Except as set forth in Schedule 3.11, neither the Information Memorandum nor any of the other reports, financial statements, certificates or other information furnished by or on behalf of the Company by any of its authorized representatives to any Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished), when taken as a whole, contained, at the time so furnished, any material misstatement of fact or omitted, at the time so furnished, to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made and the nature and scope of the report, financial statement, certificate or other information being furnished, not materially misleading; provided that with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12. Initial Guarantors. As of the Effective Date, there are no Principal Domestic Subsidiaries other than the Initial Guarantors.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The amendment and restatement of the Existing Credit Agreement as provided herein and the obligations of the Lenders to make Loans and accept and purchase B/As hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Facility Agent (or its counsel) shall have received from each of the Company, the Borrowers and the Lenders either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Facility Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Facility Agent (or its counsel) shall have received from each of the Company, the Borrowers and the Initial Guarantors either (i) a counterpart of the

Guarantee Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Facility Agent (which may include telecopy transmission of a signed signature page of the Guarantee Agreement) that such party has signed a counterpart of the Guarantee Agreement.

(c) The Facility Agent shall have received a favorable written opinion (addressed to the Facility Agent and the Lenders and dated the Effective Date) of each of Mayer Brown LLP, Stikeman Elliot, LLP, Kaufhold Ossola & Associés, and Linklaters, US counsel, Canadian counsel, Luxembourg counsel and UK counsel, respectively, for the Loan Parties, and R. Scott Toop, Esq., Vice President and Assistant General Counsel to the Company, substantially in the form of Exhibits C-1, C-2, C-3, C-4 and C-5 respectively, and covering such other matters relating to the Loan Parties, the Loan Documents or the Transactions as the Required Lenders shall reasonably request. Each of the Company and the Borrowers hereby requests such counsel to deliver such opinion.

(d) The Facility Agent shall have received such documents and certificates as the Facility Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Loan Parties, the authorization of the Transactions and any other legal matters relating to the Loan Parties, the Loan Documents or the Transactions, all in form and substance reasonably satisfactory to the Facility Agent and its counsel.

(e) The Facility Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Company, solely in his capacity as such and not individually, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(f) The Facility Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, as applicable, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Company or any Borrower hereunder.

(g) All outstanding loans, accrued and unpaid interest thereon and accrued an unpaid fees and other amounts accrued and owing under the Existing Credit Agreement shall be paid in full (without prejudice to any Borrower's right to borrow hereunder in order to finance such payment) and all commitments under the Existing Credit Agreement (except those that are continuing as Commitments hereunder) shall have been terminated.

(h) To the extent requested, the Lenders shall have received all documentation and other information required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including information required under the Act.

The Facility Agent shall notify the Company and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans shall not become effective unless each of the

foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 5:00 p.m., New York City time, on December 14, 2007 (and, in the event such conditions are not so satisfied or waived, the Existing Credit Agreement shall remain in effect without giving effect to any provisions of this Agreement).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan or accept and purchase B/As on the occasion of any Borrowing or B/A Drawing is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Company set forth in this Agreement shall be true and correct (or, in the case of any representation or warranty not qualified as to materiality, true and correct in all material respects) on and as of the date of such Borrowing or B/A Drawing except to the extent that any such representations and warranties expressly relate to an earlier date in which case any such representations and warranties shall be true and correct (or, in the case of any such representation or warranty not qualified as to materiality, true and correct in all material respects) at and as of such earlier date.

(b) At the time of and immediately after giving effect to such Borrowing or B/A Drawing, no Default shall have occurred and be continuing.

Each Borrowing and each B/A Drawing shall be deemed to constitute a representation and warranty by the Company and the applicable Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and each B/A and all fees payable hereunder shall have been paid in full, the Company covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. The Company will furnish to the Facility Agent (with sufficient copies for each Lender):

(a) within 90 days after the end of each fiscal year of the Company, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by KPMG LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP (identifying in an explanatory paragraph any material accounting

changes); provided that delivery of the Company's form 10-K containing the information required to be contained therein pursuant to the rules and regulations of the Securities and Exchange Commission, including the financial statements described above reported on by KPMG LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit), shall be deemed to satisfy the requirements of this clause (a);

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, its condensed consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes; provided that delivery of the Company's Form 10-Q, containing the information required to be contained therein pursuant to the rules and regulations of the Securities and Exchange Commission, together with the certificate of a Financial Officer as described above, shall be deemed to satisfy the requirements of this clause (b);

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Company (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.01, 6.09 and 6.10 (including any adjustments necessary to reflect the existence of any Excluded Subsidiaries) and (iii) stating whether any material change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Company or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Company to its shareholders generally, as the case may be; and

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Company or any Subsidiary, or compliance with the terms of this Agreement, as the Facility Agent or any Lender may reasonably request; provided that any request by a Lender for any information pursuant to this clause (f) shall be made through the Facility Agent.

Any financial statement, report, proxy statement or other material required to be delivered pursuant to clause (a), (b) or (e) of this Section shall be deemed to have been furnished to the Facility Agent and each Lender on the date that the Company notifies the Facility Agent that such financial statement, report, proxy statement or other material is posted on the Securities and Exchange Commission's website at www.sec.gov ; provided that the Facility Agent will promptly inform the Lenders of any such notification by the Company; provided further that the Company will furnish paper copies of such financial statement, report, proxy statement or material to the Facility Agent or any Lender that requests, by notice to the Company, that the Company do so, until the Company receives notice from the Facility Agent or such Lender, as applicable, to cease delivering such paper copies.

SECTION 5.02. Notices of Material Events. The Company will furnish to the Facility Agent written notice of any of the following promptly after a Financial Officer or other executive officer of the Company becomes aware thereof:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Company or any Affiliate thereof that, if adversely determined, would reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Company and its Subsidiaries in an aggregate amount exceeding US$100,000,000; and

(d) any other development (except any change in general economic conditions) that results in, or would reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Company setting forththe details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. The Company will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of the business of the Company and its Subsidiaries on a consolidated basis; provided that the foregoing shall

not prohibit any merger, consolidation, liquidation, dissolution or sale of assets permitted under Section 6.03.

SECTION 5.04. Payment of Obligations. The Company will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, would reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Company or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties; Insurance. The Company will, and will cause each of its Subsidiaries to, (a) keep and maintain all property material to the conduct of their business on a consolidated basis in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies (or pursuant to self-insurance arrangements that are consistent with those used by other companies that are similarly situated), insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 5.06. Books and Records; Inspection Rights. The Company will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Company will, and will cause each of its Subsidiaries to, permit any representatives designated by the Facility Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all during normal business hours; provided that in the case of any Lender, unless an Event of Default has occurred and is continuing, the Company shall not be required to permit any such visits by such Lender or its representatives pursuant to this Section more than once during any calendar year (and the Lenders will exercise reasonable efforts to coordinate such visits through the Facility Agent).

SECTION 5.07. Compliance with Laws. The Company will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to o so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds. The proceeds of all Loans will be used only for general corporate purposes, including payment by any Borrower of dividends to its shareholders. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X.

SECTION 5.09. Principal Domestic Subsidiaries. Promptly after any Subsidiary (including any Subsidiary formed or acquired after the date of execution and delivery of this Agreement) that is not a Guarantor becomes a Principal Domestic Subsidiary, the Company will cause such Subsidiary to enter into the Guarantee Agreement and become a Guarantor as provided in the Guarantee Agreement; p rovided that (a) the foregoing shall not apply to any Securitization Subsidiary and (b) this Section shall not apply after all the Guarantees of Subsidiaries under the Guarantee Agreement have been released and terminated pursuant to Section 11 thereof.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and each B/A and all fees payable hereunder have been paid in full, the Company covenants and agrees with the Lenders that:

SECTION 6.01. Subsidiary Indebtedness. The Company will not permit the aggregate principal amount of Indebtedness of its Domestic Subsidiaries (excluding (a) any Indebtedness of a Domestic Subsidiary owed to the Company or another Domestic Subsidiary, (b) any Indebtedness of a Guarantor, so long as its Guarantee under the Guarantee Agreement remains in effect, (c) any Indebtedness of a Securitization Subsidiary that is included in calculating the Securitization Amount, (d) any Guarantee by a Domestic Subsidiary of Indebtedness of a Foreign Subsidiary, if the assets of such Domestic Subsidiary consist solely of investments in Foreign Subsidiaries and a de minimis amount of other assets, and (e) Indebtedness existing as of the Effective Date (as defined in the Existing Company Credit Agreement) and set forth on Schedule 6.01, but including (except as provided in clause (d) above) any Guarantee by a Domestic Subsidiary (other than a Guarantor) of Indebtedness of any other Person, including the Company, a Guarantor or a Foreign Subsidiary) at any time to exceed US$200,000,000.

SECTION 6.02. Liens. The Company will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Company or any Domestic Subsidiary existing on the date of the Existing Company Credit Agreement; provided that (i) such Lien shall not apply to any other property or asset of the Company or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date of the Existing Company Credit Agreement and refinancings, extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof; provided further that any such Lien securing obligations in excess of US$2,000,000 shall not be permitted under this clause (b) unless such Lien is set forth in Schedule 6.02;

(c) any Lien existing on any property or asset prior to the acquisition thereof by the Company or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date of the Existing Company Credit Agreement prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Company or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens on fixed or capital assets (including equipment) acquired, constructed or improved by the Company or any Subsidiary after the date of the Existing Company Credit Agreement; provided that (i) such security interests secure Indebtedness incurred to finance the acquisition, construction or improvement of such fixed or capital assets, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 90% of the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the Company or any Subsidiary;

(e) Liens securing Capital Lease Obligations arising out of Sale and Lease-Back Transactions; provided that (i) such Sale and Lease-Back Transaction is consummated within 90 days after the purchase by the Company or a Subsidiary of the property or assets which are the subject of such Sale and Lease-Back Transaction and (ii) such Liens do not at any time encumber any property or assets other than the property or assets that are the subject of such Sale and Lease-Back Transaction;

(f) any Lien on any property or asset of any Subsidiary securing obligations in favor of the Company or any other Subsidiary;

(g) any Lien on any property or asset of any Foreign Subsidiary securing obligations of any Foreign Subsidiary; and

(h) Permitted Securitization Transactions, Liens arising in connection with any Permitted Securitization Transaction and other Liens not otherwise permitted by he foregoing clauses of this Section; provided that the Lien Basket Amount shall not at any time exceed 15% of the Consolidated Net Tangible Assets of the Company.

SECTION 6.03. Fundamental Changes. (a) The Company will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of the assets of the Company and the Subsidiaries (taken as a whole), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Event of Default shall have occurred and be continuing and no Default shall result

therefrom (i) any Person may merge into the Company in a transaction in which the Company is the surviving corporation, (ii) any Person may merge with any Subsidiary in a transaction in which the surviving entity is a Subsidiary (and, in the case of a merger involving a Borrower the survivor shall be such Borrower), (iii) any Subsidiary (other than a Borrower) may liquidate or dissolve if the Company determines in good faith that such liquidation or dissolution is in the best interests of the Company and is not materially disadvantageous to the Lenders and (iv) this Section shall not be construed to restrict Permitted Securitization Transactions; provided that for purposes of this Section 6.03, one or more Refinancing Transactions shall not constitute the sale, transfer or disposition of all or substantially all of the assets of the Company and the Subsidiaries.

(b) A substantial majority of the business engaged in by the Company and its Subsidiaries will continue to be businesses of the type conducted by the Company and its Subsidiaries on the Effective Date (as defined in the Existing Company Credit Agreement) and businesses reasonably related thereto; provided that the foregoing shall not be construed to restrict the conduct of businesses that are limited to serving the Company and its Subsidiaries and their respective franchisees and licensees, such as the creation of Subsidiaries to conduct insurance or inventory purchasing activities for the Company and its Subsidiaries and their respective franchisees and licensees.

SECTION 6.04. [Intentionally omitted.]

SECTION 6.05. Hedging Agreements. The Company will not, and will not permit any of its Subsidiaries to, enter into any Hedging Agreement or commodity price protection agreement or other commodity price hedging arrangement, other than Hedging Agreements, commodity price protection agreements and other commodity price hedging arrangements entered into in the ordinary course of business to hedge or mitigate risks to which the Company or any Subsidiary is exposed in the conduct of its business or the management of its liabilities.

SECTION 6.06. [Intentionally omitted.]

SECTION 6.07. Transactions with Affiliates. The Company will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its then Affiliates, except (a) in the ordinary course of business for consideration and on terms and conditions not less favorable to the Company or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties (including pursuant to joint venture agreements entered into after the Effective Date with third parties that are not Affiliates), (b) transactions between or among the Company and its wholly owned Subsidiaries or between or among wholly owned Subsidiaries, in each case not involving any other Affiliate, (c) the Company may declare and pay dividends with respect to its capital stock payable solely in additional shares of its capital stock, (d) the Company and its Subsidiaries may make Equity Payments in respect of any of their respective Equity Interests, or pursuant to or in accordance with stock option plans or employee benefit plans for management or employees of the Company and its Subsidiaries and (e) the foregoing shall not prevent

the Company or any Subsidiary from performing its obligations under agreements existing on the date hereof between the Company or any of its Subsidiaries and any joint venture of the Company or any of its Subsidiaries in accordance with the terms of such agreements as in effect on the date of the Existing Company Credit Agreement or pursuant to amendments or modifications to any such agreements that are not adverse to the interests of the Lenders.

SECTION 6.08. Issuances of Equity Interests by Principal Domestic Subsidiaries. The Company will not permit any Principal Domestic Subsidiary to issue any additional Equity Interest in such Principal Domestic Subsidiary other than (a) to the Company, (b) to another Subsidiary in which the Company owns, directly or indirectly, a percentage interest not less than the percentage interest owned in the Principal Domestic Subsidiary issuing such Equity Interest, (c) any such issuance that does not reduce the Company's direct or indirect percentage ownership interest in such Principal Domestic Subsidiary and (d) issuances of Equity Interests after the date of the Existing Company Credit Agreement which are not otherwise permitted by the foregoing clauses of this Section, provided that the aggregate consideration received therefor (net of all consideration paid in connection with all repurchases or redemptions thereof) does not exceed US$100,000,000 during the period subsequent to the date of the Existing Company Credit Agreement.

SECTION 6.09. Leverage Ratio. The Company will not permit the Leverage Ratio as of any date to exceed 2.75 to 1.0.

SECTION 6.10. Fixed Charge Coverage Ratio. The Company will not permit the Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters ending after the Effective Date to be less than 1.40 to 1.00.

SECTION 6.11. Sale and Lease-Back Transactions. The Company will not, and will not permit any of its Domestic Subsidiaries to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereinafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred (a " Sale and Lease-Back Transaction "), except (a) any Sale and Lease-Back Transaction consummated within 90 days after the purchase by the Company or a Domestic Subsidiary of the property or assets (other than assets acquired pursuant to any Permitted Acquisition) which are the subject of such Sale and Lease-Back Transaction and (b) other Sale and Lease-Back Transactions; provided that any Sale and Lease-Back Transaction permitted by clause (b) above shall be subject to compliance with the limitation set forth in the proviso to clause (h) of Section 6.02.

SECTION 6.12. Ownership of Borrowers. The Company will not permit a Borrower to cease to be a direct or indirect wholly owned subsidiary (other than to the extent of director's qualifying shares) of the Company.

ARTICLE VII

Events of Default

SECTION 7.01. Events of Default. If any of the following events (" Events of Default ") shall occur:

(a) any Borrower shall fail to pay any principal of any Loan or any B/A when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Company or any Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of the Company or any Subsidiary in or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Company shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to the Company's or any Borrower's existence) or 5.08 or in Article VI;

(e) the Company or any Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Facility Agent to the Company (which notice will be given at the request of any Lender);

(f) the Company or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity; provided that this clause (g) shall not apply to (i) Indebtedness that becomes due as a result of the voluntary sale or transfer of property or assets by the Company or a Subsidiary or (ii) any amount that becomes due under a Hedging Agreement as a result of the termination thereof, other than a termination by the applicable counterparty attributable to an event or condition that constitutes or is in the nature of an event of default in respect of the Company or a Subsidiary;

(h) [Intentionally omitted.];

(i) subject to Section 7.02, an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Company or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(j) subject to Section 7.02, the Company or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(k) subject to Section 7.02, the Company or any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(l) subject to Section 7.02, one or more judgments for the payment of money in an aggregate amount in excess of US$100,000,000 (excluding amounts believed in good faith by the Company to be covered by insurance from financially sound insurance companies) shall be rendered against the Company, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Company or any Subsidiary to enforce any such judgment;

(m) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred, would reasonably be expected to result in a Material Adverse Effect;

(n) a Change in Control shall occur; or

(o) any Guarantee by the Company or any Guarantor under the Guarantee Agreement shall be determined by a court of competent jurisdiction, or shall be asserted by the Company, a Borrower or a Guarantor, to be unenforceable, or the Company or any Guarantor shall fail to observe or perform any material covenant, condition or agreement contained in the Guarantee Agreement; provided that the foregoing shall not apply with respect to the termination of any or all the Guarantees (other than the Guarantee of the

Company) under the Guarantee Agreement pursuant to Section 11 thereof or Section 9.02(b) hereof;

then, and in every such event (other than an event with respect to the Company or a Borrower described in clause (i) or (j) of this Article), and at any time thereafter during the continuance of such event, the Facility Agent may, and at the request of the Required Lenders shall, by notice to the Company, take any or all of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, (ii) declare the Loans then outstanding, and declare an amount equal to the full face amount of all outstanding B/As, to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans and an amount equal to the full face amount of all such outstanding B/As so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Company and the Borrowers accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company and the Borrowers, and (iii) enforce its rights under the Guarantee Agreement on behalf of the Lenders; and in case of any event with respect to the Company or a Borrower described in clause (i) or (j) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding and the full face amount of all B/A then outstanding, together with accrued interest thereon and all fees and other obligations of the Company and the Borrowers accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company and the Borrowers.

SECTION 7.02. Exclusion of Immaterial Subsidiaries. Solely for purposes of determining whether a Default has occurred under clause (i), (j), (k) or (l) of Section 7.01, any reference in any such clause to any "Subsidiary" shall be deemed not to include any Subsidiary (other than a Borrower) affected by any event or circumstance referred to in any such clause that (a) is not a Principal Domestic Subsidiary, (b) does not have consolidated assets accounting for more than 3% of the consolidated assets of the Company and its Subsidiaries, (c) did not, for the most recent period of four consecutive fiscal quarters, have consolidated revenues accounting for more than 3% of the consolidated revenues of the Company and its Subsidiaries and (d) did not, for the most recent period of four consecutive fiscal quarters, have Consolidated EBITDAR in an amount exceeding 3% of the Company's Consolidated EBITDAR for such period; provided that if it is necessary to exclude more than one Subsidiary from clause (i), (j), (k) and (l) of Section 7.01 pursuant to this Section in order to avoid a Default thereunder, all excluded Subsidiaries shall be considered to be a single consolidated Subsidiary for purposes of determining whether the conditions specified in clauses (b), (c) and (d) above are satisfied.

ARTICLE VIII

The Agents

Each of the Lenders hereby irrevocably appoints the Facility Agent as its agent and authorizes the Facility Agent, and each of the Lenders also hereby irrevocably appoints the Canadian Facility Agent as its sub-agent and authorizes the Canadian Facility Agent, to take such actions on its behalf and to exercise such powers as are delegated to the Facility Agent and Canadian Facility Agent, respectively, by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

Any bank serving as an Agent hereunder shall have the same rights and powers in its respective capacities as a Lender as any other Lender and may exercise the same as though they were not such Agent, and such banks and their Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Company or any Subsidiary or other Affiliate thereof as if they were not an Agent hereunder.

Any bank serving as an Agent hereunder shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) such Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) such Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that such Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, such Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Company, any Borrower or any of their Subsidiaries that is communicated to or obtained by the bank serving as such Agent or any of their Affiliates in any capacity. An Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or wilful misconduct. An Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to such Agent by the Company, a Borrower or a Lender, and such Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent.

An Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. An Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. An Agent may consult with legal counsel (who may be counsel for the Company or any Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

An Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by such Agent. Such Agent and any such sub-agent, as applicable, may perform any and all their duties and exercise their rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of (i) the Facility Agent and any such sub-agent and (ii) the Canadian Facility Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Facility Agent and Canadian Facility Agent, respectively.

Subject to the appointment and acceptance of a successor Facility Agent or successor Canadian Facility Agent, as the case may be, as provided in this paragraph, an Agent may resign at any time by notifying the Lenders, the Company and the other Agent. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Company (which consent shall not be unreasonably withheld, and shall not be required so long as any Event of Default set forth in clause (i) or (j) of Section 7.01 has occurred and is continuing) and the other Agent (which consent shall not be unreasonably withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then such retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be (i) a bank with an office in London, or an Affiliate of any such bank, for the successor Facility Agent, and (ii) a bank with an office in Toronto, or an Affiliate of any such bank, for the successor Canadian Facility Agent. Upon the acceptance of its appointment as Facility Agent or Canadian Facility Agent hereunder by a successor, as the case may be, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and such retiring Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Company or any Borrower to a successor Agent shall be the same as those payable to its respective predecessor unless otherwise agreed between the Company and such successor. After an Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Agent, its respective sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Agent.

Each Lender acknowledges that it has, independently and without reliance upon either Agent or any other Lender and based on such documents and information as

it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon either Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

Each party hereto agrees and acknowledges that the Lead Arrangers do not have any duties or responsibilities in their capacities as Lead Arrangers hereunder and shall not have, or become subject to, any liability hereunder in such capacities.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. (a) Subject to paragraph (b) below, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Company, to it at Yum! Brands, Inc., P.O. Box 32070, Louisville, KY 40232, (or, in the case of overnight packages, 1900 Colonel Sanders Lane, Louisville, KY 40213-1963), Attention of Mark Hutchens, Assistant Treasurer (Telecopy No. (502) 874-2410);

(ii) if to the Canadian Borrower, to Yum! Restaurants International (Canada) L.P., c/o Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario M5L 1B9, Canada, Attention of Grace Walker (Telecopy No. (416) 847-0866);

(iii) if to the UK Borrower, to Yum! Restaurant Holdings, 32 Goldsworth Road, Woking, Surrey GU21 6JT, England, Attention of Steve Jackson (Telecopy No. +44-1483-717107)

(iv) if to the Luxembourg Borrower, to it at Yum! Restaurants International, S.à.r.l., LLC c/o CT Corporation System, Kentucky Home Life Building, Louisville, KY 40202, (or, in the case of overnight packages, 1900 Colonel Sanders Lane, Louisville, KY 40213-1963), Attention of Alan J. Kohn (Telecopy No. (502) 874-2190);

(v) if to the Facility Agent, to Citibank International plc, 4 Harbour Exchange, 2nd Floor, London E14 9GE, Attention of Bianca Els (Telecopy No. 44 208 636 3824);

(vi) if to the Canadian Facility Agent, to Citigroup Global Markets, Inc., Global Loan Specialist, 2 Penn's Way, 1st Floor, New Castle, DE 19720, Attention of Ralph Townley (Telecopy No. (212) 994-0961); or

(vii) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Facility Agent and the Company; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the applicable Agent, the Company and the applicable Lenders. The Facility Agent, the Canadian Facility Agent, any Borrower or the Company may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Facility Agent, the Canadian Facility Agent or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of each Agent and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or the acceptance of a B/A shall not be construed as a waiver of any Default, regardless of whether any Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any other Loan Document nor any provision thereof may be waived, amended or modified except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Company, the Borrowers and the Required Lenders or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Facility Agent and the Loan Party or Loan Parties that are parties thereto, in each case with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or any amount payable in respect of B/As or reduce the rate

of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan (or the date of any payment required pursuant to Section 2.11 (b)) or B/A or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) release the Company from its guarantee under the Guarantee Agreement or limit its obligations thereunder, without the written consent of each Lender, or (vi) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of any Agent hereunder without the prior written consent of such Agent.

(c) If, in connection with any proposed waiver, amendment or modification of this Agreement or any other Loan Document or any provision hereof or thereof, the consent of one or more of the Lenders whose consent is required is not obtained, then the Company shall have the right to replace each such non-consenting Lender with one or more assignees pursuant to Section 2.19(b); provided that at the time of such replacement, each such assignee consents to the proposed waiver, amendment or modification.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Company shall pay (i) all reasonable out-of-pocket expenses incurred by the Facility Agent, the Canadian Facility Agent, the Lead Arrangers and their respective Affiliates, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore LLP, counsel for the Agents and the Lead Arrangers, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all out-of-pocket expenses incurred by either Agent or any Lender, including the fees, charges and disbursements of any counsel for either Agent or any Lender, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made and the B/As accepted and purchased hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or B/As.

(b) The Company shall indemnify each Agent, each Lead Arranger, each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an " Indemnitee ") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or

delivery of any Loan Document or any other agreement or instrument contemplated hereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or B/A or the use of the proceeds therefrom, (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by the Company or any of its Subsidiaries, or any Environmental Liability related in any way to the Company or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available (i) to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee (it being understood that, for purposes of this clause, each of a Lead Arranger, an Agent or a Lender, on the one hand, and their respective officers, directors, employees, agents and controlling persons, on the other hand, shall be considered to be a single party seeking indemnification) or (ii) with respect to any amounts paid pursuant to any settlement made by such Indemnitee without the consent of the Company, which consent shall not be unreasonably withheld.

(c) To the extent that the Company fails to pay any amount required to be paid by it to an Agent under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to such Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be (i) was incurred by or asserted against such Agent in its capacity as such. Any payment by a Lender hereunder shall not relieve the Company of its liability in respect thereof.

(d) To the extent permitted by applicable law, each of the Company and the Borrowers shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or B/A or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) neither the Company nor any Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender or, in the case of a Borrower, each relevant Lender (and any attempted assignment or transfer by the Company or any Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this

Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each Agent and each Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Company, provided that no consent of the Company shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund (as defined below) with respect to a Lender or, if an Event of Default has occurred and is continuing, any other assignee; and

(B) the Facility Agent; provided that no consent of the Facility Agent shall be required for an assignment to an assignee that is (i) a Lender immediately prior to giving effect to such assignment, (ii) an Affiliate of any such Lender or (iii) an Approved Fund with respect to such Lender.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Facility Agent) shall not be less than US$5,000,000 unless each of the Company and the Facility Agent otherwise consent; provided that no such consent of the Company shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Facility Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500;

(D) the assignee, if it shall not be a Lender, shall deliver to the Facility Agent an Administrative Questionnaire;

(E) in the case of an assignment by a Lender to a CLO (as defined below) administered or managed by such Lender or by an Affiliate of such Lender, the assigning Lender may retain the sole right to approve any amendment,

modification or waiver of any provision of this Agreement, provided that the Assignment and Assumption between such Lender and such CLO may provide that such Lender will not, without the consent of such CLO, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such CLO; and

(F) if the assignee is not a Canadian Resident, such assignee shall have a branch or Affiliate that is a Canadian Resident.

For purposes of this Section 9.04(b), the terms "Approved Fund" and "CLO" have the following meanings:

" Approved Fund " means, with respect to any Lender, (a) a CLO administered or managed by such Lender or an Affiliate of such Lender and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

" CLO " means any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an Affiliate of such Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Facility Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, principal amount of the Loans owing to, and amounts in respect of B/As owing to, each Lender pursuant to the terms hereof from time to time (the " Register "), and shall give prompt written notice to the Company of each Assignment and Assumption so accepted and recorded. The entries in the Register shall be conclusive, and the Company, the Borrowers, the Agents and the Lenders may treat

each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company, the Borrowers, and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the applicable Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Company, any Agent or any Swingline Lender, sell participations to one or more banks or other entities (a " Participant ") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Company, the Borrowers, the Agents and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (c)(ii) of this Section, each of the Company and the Borrowers agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided that such Participant agrees to be subject to Section 2.18(c) as though it were a Lender. Each Lender that sells a participating interest in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it) to a Participant shall, as agent of the applicable Borrower solely for the purpose of this Section 9.04(c), record in book entries maintained by such Lender the name and the amount of the participating interest of each Participant entitled to receive payments in respect of such participating interests.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the

participation to such Participant is made with the prior written consent of the Company. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Company is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Company and the Borrowers, to comply with Section 2.17(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans or acceptance of any B/A, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans and B/A, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the Guarantee Agreement and any separate letter agreements with respect to fees payable to the Facility Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Facility Agent and when the Facility Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Company or any Borrower against any of and all the obligations of the Company or such Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement, but only to the extent such obligations are then due and payable. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each of the Company and the Borrowers hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that any Agent, or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Company or any Borrower or its properties in the courts of any jurisdiction.

(c) Each of the Company and the Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Each Borrower hereby irrevocably designates, appoints and empowers CT Corporation System, with offices on the date hereof at 111 Eighth Avenue, 13th Floor, New York, New York 10011, as its designee, appointee and agent to receive and accept for an on its behalf, and in respect of its property, service of any and all legal process, summons, notices and documents which may be served in any action or proceeding described in paragraph (b) above. If for any reason such designee, appointee and agent shall cease to act as such, each Borrower agrees to designate a new designee, appointee and agent in New York City on the terms and for the purposes of this provision reasonably satisfactory to the Agents. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE GUARANTEE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Facility Agent and Canadian Facility Agent and each of the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process (subject to the last sentence of this paragraph), (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or

obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Company and its obligations, (g) with the consent of the Company or any Borrower, (h) to any party to the Existing Company Credit Agreement, or (i) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to any Agent or any Lender on a nonconfidential basis from a source other than the Company or any Borrower. For the purposes of this Section, " Information " means all information received from the Company or any Borrower relating to the Company or its business, other than any such information that is available to any Agent or any Lender on a nonconfidential basis prior to disclosure by the Company or any Borrower. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. If any Lender receives any subpoena or similar legal process referred to in clause (c) above, such Lender will endeavor, to the extent practicable, to notify the Company and afford the Company an opportunity to challenge the same before disclosing any confidential Information pursuant thereto.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the " Charges "), shall exceed the maximum lawful rate (the " Maximum Rate ") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.14. Judgment Currency. If for the purposes of obtaining judgment in any court it is necessary to convert a sum due from any Borrower hereunder in the currency expressed to be payable herein (the " Specified Currency ") into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Facility Agent or Canadian Facility Agent could purchase the Specified Currency with such other currency at the Facility Agent's London office or the Canadian Facility Agent's Toronto office, respectively, on the Business Day preceding that on which final judgment is given. The obligations of each Borrower in respect of any sum due to any Lender or any Agent hereunder shall, notwithstanding any judgment in a currency other than the Specified Currency, be discharged only to the extent that on the Business Day following receipt by such Lender or such Agent (as the case may be) of any sum adjudged to be so due in such other currency such Lender or such Agent (as the

case may be) may in accordance with normal banking procedures purchase the Specified Currency with such other currency; if the amount of the Specified Currency so purchased is less than the sum originally due to such Lender or such Agent, as the case may be, in the Specified Currency, the applicable Borrower agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or such Agent, as the case may be, against such loss.

SECTION 9.15. USA Patriot Act. Each Lender hereby notifies the Company and the Borrowers that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), (the " Act "), it is required to obtain, verify and record information that identifies the Company and each Borrower, which information includes the name and address of the Company and each Borrower and other information that will allow such Lender to identify the Company and each Borrower in accordance with the Act.

SECTION 9.16. Existing Credit Agreement; Effectiveness of Amendment and Restatement. Until this Agreement becomes effective in accordance with the terms of Section 4.01, the Existing Credit Agreement shall remain in full force and effect and shall not be affected hereby. After the Effective Date, the provisions of the Existing Credit Agreement shall be superseded by the provisions hereof. The parties hereto agree to waive any notices required under Section 2.09(c), 2.11(b) or 2.11(c) of the Existing Credit Agreement in connection with the effectiveness of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

YUM! BRANDS, INC.,

by

Name: R. Scott Toop
Title: Vice President, Associate General Counsel and Assistant Secretary

YUM! RESTAURANT HOLDINGS,

by

Name: Timothy J. Ashby
Title: Director

YUM! RESTAURANTS INTERNATIONAL S.À.R.L., LLC (U.S. BRANCH),

by

Name: Alan J. Kohn
Title:Branch Manager

YUM! RESTAURANTS INTERNATIONAL (CANADA) LP,
by its general partner YUM! BRANDS CANADA MANAGEMENT HOLDING INC.,

by

Name: Sabina Rizvi
Title: Chief Financial Officer

CITIBANK INTERNATIONAL PLC,
individually and as Facility Agent,

by

Name:
Title:

CITIBANK N.A., CANADIAN BRANCH,
individually and as Canadian Facility Agent,

by

Name:
Title:

JPMORGAN CHASE BANK, N.A.

by

Name:
Title:

LENDERS UNDER THE CREDIT AGREEMENT

SIGNATURE PAGE TO AMENDED AND RESTATED CREDIT AGREEMENT DATED AS OF _____ ___, 2007, AMONG YUM! BRANDS, INC., YUM! RESTAURANTS HOLDINGS, YUM! RESTAURANTS INTERNATIONAL S.à.R.L., LLC (U.S. BRANCH), YUM! RESTAURANTS INTERNATIONAL (CANADA) LP, THE LENDERS PARTY THERETO, CITIBANK INTERNATIONAL PLC, AS FACILITY AGENT AND CITIBANK, N.A., AS CANADIAN FACILITY AGENT.

Name of Institution:

_____

by

_____

Name:
Title:

by

_____

Name:
Title:

SCHEDULE A

TO

CREDIT AGREEMENT

INITIAL GUARANTORS

Subsidiary (Jurisdiction of Incorporation)

A&W Restaurants, Inc. (Michigan)
Kentucky Fried Chicken Corporate Holdings Ltd. (Delaware)
Kentucky Fried Chicken International Holdings, Inc. (Delaware)
KFC Corporation (Delaware)
KFC Holding Co. (Delaware)
KFC U.S. Properties, Inc. (Delaware)
LJS Restaurants, Inc. (Delaware)
Long John Silver's, Inc. (Delaware)
Pizza Hut, Inc. (California)
Pizza Hut International, LLC (Delaware)
Pizza Hut of America, Inc. (Delaware)
Taco Bell Corp. (California)
Taco Bell of America, Inc. (Delaware)
YGR America, Inc. (Delaware)
Yorkshire Global Restaurants, Inc. (Maryland)
YUM Restaurant Services Group, Inc. (Delaware)

SCHEDULE 2.01
To Credit Agreement

COMMITMENTS

Lenders	Commitments
JPMorgan Chase Bank, N.A.	US$90,000,000
Citibank, N.A.	US$90,000,000
HSBC Bank USA, N.A.	US$50,000,000
Cooperative Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland"	US$50,000,000
The Bank of Nova Scotia	US$35,000,000
Wachovia Bank, National Association	US$35,000,000
Total	**US$350,000,000.00**

CALCULATION OF THE MANDATORY COST

1. General

(a) The Mandatory Cost is to compensate a Lender for the cost of compliance with:

(i) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces any of its functions); or

(ii) the requirements of the European Central Bank.

(b) The Mandatory Cost is expressed as a percentage rate per annum.

(c) The "Mandatory Cost" is the weighted average (weighted in proportion to the percentage share of each Lender in the relevant Loan) of the rates for the Lenders calculated by the Facility Agent in accordance with this Schedule 2.13 on the first day of an Interest Period (or as soon as possible thereafter).

(d) The Facility Agent must distribute each amount of Mandatory Cost among the Lenders on the basis of the rate for each Lender.

(e) Any determination by the Facility Agent pursuant to this Schedule 2.13 will be, in the absence of manifest error, conclusive and binding on all the Parties.

2. For a Lender lending from a Facility Office in the U.K.

(a) The relevant rate for a Lender lending from a Facility Office in the U.K. is calculated in accordance with the following formula:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum}$$

where on the day of application of the formula, E is calculated by the Facility Agent as being the average of the rates of charge under the Fees Rules supplied by the Reference Banks to the Facility Agent under paragraph (d) below and expressed in pounds per £1 million.

(b) For the purposes of this paragraph 2:

(i) " Facility Office " means, for the purposes of this Schedule 2.13, the office or offices notified by a Lender to the Facility Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement;

(ii) "Fees Rules" means the then current rules on periodic fees in the FSA Supervision Manual or any other law or regulation as may then be in force for the payment of fees for the acceptance of deposits;

(iii) "Fee Tariffs" means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but applying any applicable discount rate);

(iv) "FSA" means the Financial Services Authority;

(v) "Participating Member State" means any member state of the European Community that adopts or has adopted the Euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union;

(vi) "Tariff Base" has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

(c) Each rate calculated in accordance with the formula is, if necessary, rounded to four decimal places.

(d) If requested by the Facility Agent, each Reference Bank must, as soon as practicable after publication by the FSA, supply to the Facility Agent the rate of charge payable by that Reference Bank to the FSA under the Fees Rules for that financial year of the FSA (calculated by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1 million of the Tariff Base of that Reference Bank.

(e) Each Lender must supply to the Facility Agent the information required by it to make a calculation of the rate for that Lender. In particular, each Lender must supply the following information on or prior to the date on which it becomes a Lender:

(i) the jurisdiction of its Facility Office; and

(ii) any other information that the Facility Agent reasonably requires for that purpose.

Each Lender must promptly notify the Facility Agent of any change to the information supplied to it under this paragraph.

(f) The rates of charge of each Reference Bank for the purpose of E above are determined by the Facility Agent based upon the information supplied to it under paragraphs (d) and (e) above.

(g) The Facility Agent has no liability to any Party if its calculation over or under compensates any Lender. The Facility Agent is entitled to assume that the information provided by any Lender or Reference Bank under this Schedule is true and correct in all respects.

3. For a Lender lending from a Facility Office in a Participating Member State

(a) The relevant rate for a Lender lending from a Facility Office in a Participating Member State is the percentage rate per annum notified by that Lender to the Facility Agent. This percentage rate per annum must be certified by that Lender in its notice to the Facility Agent as its reasonable determination of the cost (expressed as a percentage of that Lender's share in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of Loans made from that Facility Office.

(b) If a Lender fails to specify a rate under paragraph (a) above, the Facility Agent will assume that the Lender has not incurred any such cost.

4. Changes

(a) The Facility Agent may, after consultation with the Company and the Lenders, determine and notify all the Parties of any amendment to this Schedule 2.13 which is required in order to comply with:

(i) any change in law or regulation; or

(ii) any requirement imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any successor authority).

(b) If the Facility Agent, after consultation with the Company, determines that the Mandatory Cost for a Lender lending from a Facility Office in the U.K. can be calculated by reference to a screen, the Facility Agent may notify all the Parties of any amendment to this Agreement which is required to reflect this.

PTR SCHEME

(a) Each Treaty Lender:

(i) irrevocably appoints the Facility Agent to act as syndicate manager under, and authorizes the Facility Agent to operate, and take any action necessary or desirable under, the PTR Scheme in connection with the Loans made to the UK Borrower;

(ii) shall co-operate with the Facility Agent in completing any procedural formalities necessary under the PTR Scheme, and shall promptly supply to the Facility Agent such information as the Facility Agent may request in connection with the operation of the PTR Scheme;

(iii) without limiting the liability of the UK Borrower or the Company under this Agreement, shall, within 5 Business Days of demand, indemnify the Facility Agent for any liability or loss incurred by the Facility Agent as a result of the Facility Agent acting as syndicate manager under the PTR Scheme in connection with the Treaty Lender's participation in any UK Revolving Loan or UK Swingline Loan; and

(iv) shall, within 5 Business Days of demand, indemnify each of the UK Borrower and the Company for any Tax which the UK Borrower or the Company, as applicable, becomes liable to pay in respect of any payments made to such Treaty Lender arising as a result of any provisional authority issued in respect of such Treaty Lender by the UK HM Revenue & Customs (" HMRC ") under the PTR Scheme being withdrawn, except and only to the extent that such Treaty Lender would, if a deduction had been required in respect of such payments, have been entitled to receive additional amounts under Section 2.17.

(b) Each of the UK Borrower and the Company acknowledges that it is fully aware of its contingent obligations under the PTR Scheme and shall:

(i) promptly supply to the Facility Agent such information as the Facility Agent may reasonably request in connection with the operation of the PTR Scheme; and

(ii) act in accordance with any provisional notice issued by HMRC under the PTR Scheme.

(c) The Facility Agent agrees to provide, as soon as reasonably practicable, a copy of any provisional authority issued to it under the PTR Scheme in connection with any UK Revolving Loan or UK Swingline Loan to the UK Borrower specified in such provisional authority.

(d) Each of the Company, the UK Borrower and each Lender that is a Foreign Lender with respect to the UK Borrower acknowledge that the Facility Agent:

(i) is entitled to rely completely upon information provided to it in connection with paragraphs (a) or (b) above;

(ii) is not obliged to undertake any enquiry into the accuracy of such information, nor into the status of the Treaty Lender or, as the case may be, the UK Borrower or the Company providing such information;

(iii) shall have no liability to any person for the accuracy of any information it submits in connection with paragraph (a)(i) above; and

(e) For the avoidance of doubt, nothing in this Schedule 2.17 shall cause the Facility Agent to be liable for (a) any act taken by it (or omission); or (b) any costs, loss or liability suffered by a Treaty Lender, in acting as syndicate manager for the Treaty Lenders under the PTR Scheme.

In this Schedule, the following terms are defined as follows:

" PTR Scheme " means the Provisional Treaty Relief scheme as described in Inland Revenue Guidelines dated January 2003 and administered by the HMRC's Centre for Non-Residents.

" Treaty Lender " means a Lender which (i) is treated as a resident of a Treaty State for the purposes of the Treaty and (ii) does not carry on a business in the United Kingdom through a permanent establishment with which that Lender's participation in Loans made to the UK Borrower is effectively connected.

" Treaty State " means a jurisdiction having a double taxation agreement (a " Treaty ") with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

SCHEDULE 3.06
To Credit Agreement

DISCLOSED MATTERS

1. The matters described in the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2006 under the captions "Item 3 – Legal Proceedings" and in "Note 22 – Guarantees, Commitments and Contingencies" in the Notes to Consolidated Financial Statements under "Item 8 – Financial Statements and Supplementary Data."

1. The matters described in the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 8, 2007 under the captions "Part II – Item 1 – Legal Proceedings" and "Note 11 – Guarantees, Commitments and Contingencies" in the Notes to Condensed Consolidated Financial Statements under "Part I – Item 1 – Financial Statements."

DISCLOSURE

None.

SCHEDULE 6.01
To Credit Agreement

EXISTING INDEBTEDNESS

1. Indebtedness of Domestic Subsidiaries (relates to Capital Lease Obligations) as of November 3, 2007: US$ 98,175,000.

2. Aircraft lease obligation of KFC U.S. Properties, Inc. (lessee) to Caremark Aviation, LLC (sublessor)*.

* As of the Effective Date, the nature of the lease and accounting treatment for this obligation (i.e., whether it is an operating lease or a Capital Lease Obligation) is still being determined. The aircraft lease obligation is expected to be no greater than US$60,000,000.

SCHEDULE 6.02
To Credit Agreement

EXISTING LIENS

1. Liens created and existing pursuant to the sale-leaseback agreements, Master Lease Agreements and related agreements entered into by certain subsidiaries of the Company and evidencing the following sale-leaseback transactions:

Original Transaction Date	Lessor	Lessee
April 30, 2003	GE Capital Franchise Finance Corporation, successor in interest to FFCA Acquistion Corporation	KFC U.S. Properties, Inc.
April 30, 2003 Amended August 15, 2003	LoJon Property II LLC	KFC U.S. Properties, Inc.

Exhibit 10.33

1999 LONG TERM INCENTIVE PLAN AWARD FOR JANUARY 24, 2008
RESTRICTED STOCK UNIT AGREEMENT

AGREEMENT made as of January 24, 2008, by and between YUM! Brands, Inc., a North Carolina corporation having its principal office at 1441 Gardiner Lane, Louisville, Kentucky 40213 ("YUM!") and the "Participant".

W I T N E S S E T H :

WHEREAS, the shareholders of YUM! approved the Long Term Incentive Plan (the "Plan"), for the purposes and subject to the provisions set forth in the Plan;

WHEREAS, pursuant to authority granted to it in said Plan, the Compensation Committee of the Board of Directors of YUM! (the "Committee"), has granted to Participant restricted stock units (to be known hereinafter as “Yum Restricted Stock Units” or “YRSUs”) with respect to the number of shares of YUM! Common Stock as set forth below;

WHEREAS, YRSUs granted under the Plan are to be evidenced by an Agreement in such form and containing such terms and conditions as the Committee shall determine; and

WHEREAS, in consideration of this Award, the Participant is required to agree to restrictions on competition and solicitation as set forth in this Agreement;

NOW, THEREFORE, it is mutually agreed as follows:

1. Terms of Award . The following terms used in this Agreement shall have the meanings set forth in this paragraph 1:

(a) The “Participant” is David C. Novak.

(b) The “Grant Date” is January 24, 2008.

(c) The number of “Units” granted under this Agreement is 187,398 Units. Each “Unit” represents the right to receive one share of Stock as of the Delivery Date, to the extent that the Participant is vested in such Units as of the Delivery Date, subject to the terms of this Agreement and the Plan.

(d) The “Delivery Date” shall be the day that is six months after the date on which the Participant incurs a Separation from Service; provided that if the Participant’s Separation from Service occurs by reason of his death, the “Delivery Date” will be his date of death.

Other words and phrases used in this Agreement are defined in the Plan or elsewhere in this Agreement. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan is similarly used in this Agreement.

2. Award . The Participant is hereby granted the number of Units set forth in paragraph 1.

3. Dividends and Voting Rights . The Participant will be credited with additional Units to reflect dividends payable with respect to Stock during the period between the Grant Date and the date shares are delivered to the Participant pursuant to paragraph 5. The number of Units to be credited by reason of dividends shall equal the number of shares of Stock which could be purchased with the dividends (assuming each Unit was a share of Stock), based on the value of such Stock at the time such dividends are paid. Dividends shall be vested at the time, if any, at which the Units granted in accordance with paragraph 1 of this Agreement are vested. No dividends shall be credited to or for the benefit of the Participant for Units with respect to record dates occurring prior to the Grant Date, or with respect to record dates occurring on or after the date, if any, on which the Participant has forfeited those Units. The Participant shall not be a shareholder of record with respect to the Units and shall have no voting rights with respect to the Units prior to the Delivery Date.

4. Vesting and Forfeiture . If a Separation from Service does not occur prior to the four-year anniversary of the Grant Date, then the Participant shall become vested in all Units credited to the Participant under this Agreement on such four-year anniversary, subject to the provisions of paragraph 8. If a Change in Control occurs prior to the four-year anniversary of the Grant Date and prior to the Participant's Separation from Service, then the Participant shall become vested in all Units credited to the Participant under this Agreement on the Change in Control, subject to the provisions of paragraph 8. If the Participant's Separation from Service occurs prior to the four-year anniversary by reason of death or disability, then the Participant shall become vested in all Units credited to the Participant under this Agreement on the Separation from Service, subject to the provisions of paragraph 8. If the Participant's Separation from Service occurs for reasons other than death or disability prior to the four-year anniversary of the Grant Date and prior to a Change in Control, the Participant shall forfeit all Units on Separation from Service. "Disability" shall mean the total disability of the Participant as determined by the Committee, upon the basis of such evidence as the Committee deems necessary and advisable.

5. Delivery of Shares . If the Participant is vested in the Units as of the Separation from Service, and prior to delivery of the shares in accordance with this paragraph 5, such Units have not been forfeited in accordance with paragraph 8, then, on the Delivery Date, the Participant shall receive one share of Stock for each Unit credited to the Participant, subject to the terms of this Agreement and the Plan. As of the date of distribution of Shares with respect to any Units, such Units shall be canceled.

6. Withholding . All deliveries and distributions under this Agreement are subject to withholding of all applicable taxes. At the election of the Participant, and subject to such rules and limitations as may be established by the Committee from time to time, such withholding obligations may be satisfied through the surrender of shares of Stock (i) which the Participant already owns; or (ii) to which the Participant is otherwise entitled under the Plan; provided, however, that shares described in this clause (ii) may be used to satisfy not more than the minimum statutory withholding obligation (based on minimum statutory withholding rates for Federal and state tax purposes, including payroll taxes, that are applicable to such taxable income).

7. Heirs and Successors . This Agreement shall be binding upon and inure to the benefit of any assignee or successor in interest to YUM!, whether by merger, consolidation or the sale of all or substantially all of the assets of YUM!. YUM! will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of YUM! to expressly assume and agree to perform this Agreement in the same manner and to the same extent that YUM! would be required to perform if no such succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Participant or his or her legal representative and any person to whom the YRSUs may be transferred by will or the applicable laws of descent and distribution. If any rights exercisable by the Participant or benefits distributable to the Participant under this Agreement have not been exercised or distributed, respectively, at the time of the Participant's death, such rights shall be exercisable by the Designated Beneficiary, and such benefits shall be distributed to the Designated Beneficiary, in accordance with the provisions of this Agreement and the Plan. The "Designated Beneficiary" shall be the beneficiary or beneficiaries designated by the Participant in a writing filed with the Committee in such form and at such time as the Committee shall require. If a deceased Participant fails to designate a beneficiary, or if the Designated Beneficiary does not survive the Participant, any rights that would have been exercisable by the Participant and any benefits distributable to the Participant shall be exercised by or distributed to the legal representative of the estate of the Participant. If a deceased Participant designates a beneficiary and the Designated Beneficiary survives the Participant but dies before the Designated Beneficiary's exercise of all rights under this Agreement or before the complete distribution of benefits to the Designated Beneficiary under this Agreement, then any rights that would have been exercisable by the Designated Beneficiary shall be exercised by the legal representative of the estate of the Designated Beneficiary, and any benefits distributable to the Designated Beneficiary shall be distributed to the legal representative of the estate of the Designated Beneficiary.

8. Non-Compete and Non-Solicitation . During the period beginning on the Grant Date and continuing until the two-year anniversary of the Separation from Service, and regardless of whether the Participant's Separation from Service occurs before, at, or after the four-year anniversary of the Grant Date, the Participant covenants and agrees as follows:

(a) He shall not, without the prior written consent of the Chairman of the Compensation Committee of Yum!, Participate (as defined below) in the management of any national or international quick service restaurant organization headquartered in the United States or doing business in the United States or Asia, including the following entities and each of their subsidiaries or successor companies:

- McDonald's Corporation
- Wendy's Corporation
- Burger King Corporation
- AFC Enterprises, Inc.
- Subway Restaurants

- Domino's Pizza
- Little Caesar's Pizza

For purposes of this paragraph (a), "Participate" shall mean: (A) holding a position in which the Participant directly manages such a business entity; (B) holding a position in which anyone else who directly manages such a business entity is in the Participant's reporting chain or chain-of-command, regardless of the number of reporting levels between them; or (C) providing input, advice, guidance, or suggestions in any material respect regarding the management of such a business entity to anyone responsible therefore.

(b) He shall not directly or indirectly solicit or encourage any employee of Yum! or any Subsidiary who was an employee of the Company or Subsidiary as of the Participant's Separation from Service, to leave the Company or Subsidiary or accept any position with any other entity.

(c) He shall not directly or indirectly contact any then-existing franchisees or vendors of the Company or the Subsidiaries for the purpose of soliciting or encouraging such franchisees or vendors to alter their relationship with the Company or Subsidiaries in any way that would be adverse to the Company or Subsidiary.

(d) If, prior to the Distribution Date, the Participant violates any of the provisions of this paragraph 8, he shall forfeit all YRSUs and the right to distribution of shares (or other amounts) in settlement of those YRSUs.

(e) The Participant acknowledges that the Company would be irreparably injured by a violation of this paragraph 8, and he agrees that the Company, in addition to any other remedies available to it for such breach or threatened breach, shall be entitled to a preliminary injunction, temporary restraining order, or other equivalent relief, restraining the Participant from any actual or threatened breach of this paragraph 8. If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that said bond need not be more than a nominal sum.

(f) The restrictions imposed by this paragraph 8 shall be in addition to the restrictions imposed by subsection 6.5 of the Plan.

9. Administration . The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement is final and binding on all persons.

10. Plan Governs . Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the office of the Secretary of YUM!; and this Agreement is subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan.

11. Fractional Shares . In lieu of issuing a fraction of a share of Stock resulting from an adjustment of the Award pursuant to paragraph 4.2(f) of the Plan or otherwise, YUM! will be entitled to pay to the Participant an amount equal to the fair market value of such fractional share.

12. Not An Employment Contract . The Award will not confer on the Participant any right with respect to continuance of employment or other service with YUM! or any Subsidiary, nor will it interfere in any way with any right YUM! or any Subsidiary would otherwise have to terminate or modify the terms of such Participant's employment or other service at any time.

13. Notices . Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to the Participant, at the Participant's address indicated by the records of YUM!, or if to YUM!, at the principal executive office of YUM!.

14. No Rights As Shareholder . The Participant shall not have any rights of a shareholder with respect to the shares subject to the Award, until a stock certificate has been duly issued as provided herein.

15. Amendment . This Agreement may be amended in accordance with the provisions of the Plan, and may otherwise be amended by written agreement of the Participant and YUM! without the consent of any other person.

16. Rights to Future Grants; Compliance with Law. By entering into this Agreement, the Participant acknowledges and agrees that the award and acceptance of YRSUs pursuant to this Agreement does not entitle the Participant to future grants of stock options or other awards under the Plan or any other plan. The Participant further agrees to seek all necessary approval under, make all required notifications under and comply with all laws, rules and regulations applicable to the ownership of YRSUs, including, without limitation, currency and exchange laws, rules and regulations.

17. Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina.

18. Agreement by Participant . As a condition of receiving this Award, the Participant must sign and return a copy of this Agreement to Laura Warren not later than February 1, 2008. Failure to return a signed copy by that deadline will cause the Award to expire, and the Participant shall have no rights under this Award.

19. Separation from Service . For purposes of this Agreement, the term "Separation from Service" shall have the meaning ascribed to it in Code §409A, including the regulations and other guidance thereunder.

IN WITNESS WHEREOF, the Participant has executed this Agreement, and YUM! has caused these presents to be executed in its name and on its behalf, all as of the Grant Date.

Participant

_____

YUM! Brands, Inc.

By: _____

Its: _____

Exhibit 12.1

YUM! Brands, Inc.
Ratio of Earnings to Fixed Charges Years Ended 2007-2003
(in millions except ratio amounts)

	52 weeks	53 weeks	52 weeks		
	2007	2005	2006	2004	2003
Earnings:					
Pretax income from continuing operations before cumulative effect of accounting changes	$ 1,191	$ 1,026	$ 1,108	$ 1,026	$ 886
50% or less owned Affiliates' interests, net	(7)	(8)	(12)	2	1
Interest expense	217	148	172	145	185
Interest portion of net rent expense	243	179	209	164	147
Earnings available for fixed charges	$ 1,644	$ 1,345	$ 1,477	$ 1,337	$1,219
Fixed Charges:					
Interest expense	$ 217	$ 148	$ 174	$ 146	$ 185
Interest portion of net rent expense	243	179	209	164	147
Total fixed charges	$ 460	$ 327	$ 383	$ 310	$ 332
Ratio of earnings to fixed charges	3.57	4.11	3.86	4.31	3.67

Exhibit 21.1

SUBSIDIARIES OF YUM! BRANDS, INC.
AS OF DECEMBER 29, 2007

Name of Subsidiary	State or Country of Incorporation
3018538 Nova Scotia Company	Canada
A&W Restaurants, Inc.	Michigan
ACN 002 543 286 Pty. Ltd.	Australia
ACN 002 812 151 Pty. Ltd.	Australia
ACN 003 007 690 Pty. Ltd.	Australia
ACN 003 190 163 Pty. Ltd.	Australia
ACN 003 190 172 Pty. Ltd.	Australia
ACN 003 273 854 Pty. Ltd	Australia
ACN 004 240 046 Pty. Ltd.	Australia
ACN 005 041 547 Pty. Ltd.	Australia
ACN 009 064 706 Pty. Ltd.	Australia
ACN 010 355 772 Pty. Ltd.	Australia
ACN 054 055 917 Pty. Ltd.	Australia
ACN 054 121 416 Pty. Ltd.	Australia
ACN 084 994 374 Pty. Ltd.	Australia
ACN 085 239 961 Pty. Ltd. (SA1)	Australia
ACN 085 239 998 Pty. Ltd. (SA2)	Australia
ACN 103 640 393 Pty. Ltd.	Australia
Ashton Fried Chicken Pty. Ltd.	Australia
Beijing Pizza Co., Ltd.	China
Big Sur Restaurant No. 2, Inc.	Delaware
Big Sur Restaurants, Inc.	Kansas
Changsha KFC Co., Ltd.	China
Chongqing KFC Co., Ltd.	China
D H Gorman (Leicester) Limited	United Kingdom
Dalian Kentucky Foodhall Co., Ltd.	China
Dalian Kentucky Fried Chicken Co., Ltd.	China
Dongguan KFC Co., Ltd.	China
Expertos en Reparto a Domicilio, S. de R.L. de C.V.	Mexico
Expertos en Restaurantes, S. de R.L. de C.V.	Mexico
Finger Lickin' Chicken Limited	United Kingdom
FTB, Inc.	Florida
G Judd and Rose Caterers Limited	United Kingdom
Gittins and Rose Caterers Limited	United Kingdom
Glenharney Insurance Company	Vermont
Gloucester Properties Pty. Ltd.	Australia
Hangzhou KFC Co., Ltd.	China
Inventure Restaurantes Ltda.	Brazil
Kentucky Fried Chicken (Germany) Restaurant Holdings GmbH	Germany
Kentucky Fried Chicken (Great Britain) Limited	United Kingdom
Kentucky Fried Chicken (Great Britain) Pension Trust Limited	United Kingdom

Kentucky Fried Chicken Beijing Co., Ltd	China
Kentucky Fried Chicken de Mexico, S. de R.L. de C.V.	Mexico
Kentucky Fried Chicken Global B.V.	Netherlands
Kentucky Fried Chicken International Holdings, Inc.	Delaware
Kentucky Fried Chicken Japan Ltd.	Japan
Kentucky Fried Chicken Limited (f/k/a Roberts Restaurants Limited)	United Kingdom
Kentucky Fried Chicken Pty. Ltd.	Australia
KFC Advertising, Ltd.	United Kingdom
KFC Corporation	Delaware
KFC Development (Thailand) Co., Ltd.	Thailand
KFC France SAS	France
KFC Germany, Inc.	Delaware
KFC Holding Co. (f/k/a Kentucky Fried Chicken of California, Inc.)	Delaware
KFC Holdings B.V.	Netherlands
KFC Ireland Limited	Ireland
KFC Productos Alimenticious C.A.	Venezuela
KFC San Juan, Inc.	Delaware
KFC Services Limited (f/k/a Lookchief Limited)	United Kingdom
KFC U.S. Properties, Inc.	Delaware
Kunming KFC Co., Ltd.	China
Lanzhou KFC Co., Ltd.	China
LJS Advertising, Inc.	Kentucky
LJS Restaurants, Inc.	Delaware
Long John Silver's, Inc.	Delaware
Mercian Fast Food Limited	United Kingdom
Multibranding Pty. Ltd.	Australia
Nanchang KFC Co., Ltd.	China
Nanjing KFC Co., Ltd.	China
Nanning KFC Co., Ltd.	China
Newcastle Fried Chicken Pty. Ltd.	Australia
Norfolk Fast Foods Limited	United Kingdom
Northside Fried Chicken Pty Limited	Australia
Pasta Bravo, LLC	Delaware
PCNZ Limited	Mauritius
PHM de Mexico, S. de R.L. de C.V.	Mexico
PHP de Mexico Inmobiliaria, S. de R.L. de C.V.	Mexico
Pizza France S.A.S.	France
Pizza Hut (Restaurations) GMBH	Germany
Pizza Hut (UK) Limited	United Kingdom
Pizza Hut (UK) Pension Trust Limited	United Kingdom
Pizza Hut Del Distrito, S. de R.L. de C.V.	Mexico
Pizza Hut Holding GmbH	Germany
Pizza Hut International, LLC	Delaware
Pizza Hut Korea Limited f/k/a Pizza Hut Korea Co., Ltd.	Korea, Republic of
Pizza Hut Mexicana, S de RL de CV	Mexico
Pizza Hut of America, Inc.	Delaware

Pizza Hut of North America, Inc.	Texas
Pizza Hut Services Limited	United Kingdom
Pizza Hut, Inc.	California
Pizza Hut, Ltd.	Texas
Qingdao Kentucky Fried Chicken Co., Ltd.	China
Restaurant Holdings Limited	United Kingdom
Restaurantes Internacionales Limitada (de Chile)	Chile
SEPSA S.N.C.	France
Servicios Administrativos R.P.I., S. de R.L. de C.V.	Mexico
Shanghai Kentucky Fried Chicken Co., Ltd.	China
Shanghai Pizza Hut Co., Ltd.	China
Shantou KFC Co., Ltd.	China
SM2RL S.A.S. (SASU)	France
Societe Civile Immobiliere Duranton a/k/a SCI Duranton	France
Southern Fast Foods Limited (f/k/a Milne Fast Foods Limited)	United Kingdom
Spizza 30 SAS	France
Spizza Immo Sarl	France
Suffolk Fast Foods Limited	United Kingdom
Suzhou KFC Co., Ltd.	China
Taco Bell Corp	California
Taco Bell of America, Inc.	Delaware
Taiyuan KFC Co., Ltd.	China
TCL, Inc.	Delaware
TGRI-Relo, Inc.	Texas
THC I Limited	Malta
THC II Limited	Malta
THC III Limited	Malta
THC IV Limited	Malta
THC V Limited	Malta
Tianjin KFC Co., Ltd.	China
Tricon International (Thailand) Co., Ltd.	Thailand
Valleythorn Limited	United Kingdom
VariAsian, Inc.	Delaware
West End Restaurants (Holdings) Limited	United Kingdom
West End Restaurants (Investments) Limited	United Kingdom
West End Restaurants Limited	United Kingdom
WingStreet, LLC	Delaware
Wuxi KFC Co., Ltd.	China
Xiamen - KFC Co., Ltd.	China
Xinjiang KFC Co., Ltd.	China
YA Company One Pty. Ltd.	Australia
YB Operadora, S. de R.L. de C.V.	Mexico
YGR America, Inc.	Delaware
YGR International Limited	United Kingdom
YGR US, LLC	Delaware

Yorkshire Global Licensing Netherlands B.V.	Netherlands
Yorkshire Global Restaurants, Inc.	Maryland
Yorkshire Holdings, Inc.	Maryland
YSV Holdings, LLC	Delaware
Yum Procurement Corporation	Delaware
Yum Procurement Holding Corporation	Delaware
Yum Procurement Services, L.P.	Delaware
Yum Restaurant Licensing Corp.	Delaware
Yum Restaurants Espana, S.L.	Spain
Yum Restaurants International (Proprietary) Limited	South Africa
Yum Restaurants International (Thailand) Co., Ltd.	Thailand
Yum Restaurants PR Holdings, Inc.	Delaware
Yum Restaurants Services Group, Inc.	Delaware
Yum! (Shanghai) Food Co., Ltd.	China
Yum! Asia Holdings Pte. Ltd.	Singapore
Yum! Australia Equipment Pty. Ltd.	Australia
Yum! Australia Holdings I LLC	Delaware
Yum! Australia Holdings II LLC	Delaware
Yum! Australia Holdings III LLC	Delaware
Yum! Australia Holdings Limited	Cayman Islands
Yum! Brands Canada Financing LP	Canada
Yum! Brands Canada Management Holding, Inc.	Canada
Yum! Brands Canada Management LP	Canada
Yum! Brands Global Restaurants (Canada) Company	Canada
Yum! Brands Mexico Holdings II LLC	Delaware
Yum! Brands Mexico Holdings S. de R.L. de C.V.	Mexico
Yum! Food (Hangzhou) Co., Ltd.	China
Yum! Franchise China Trust	China
Yum! Franchise de Mexico, S. de R.L.	Mexico
Yum! Franchise I LP	Canada
Yum! Franchise II LLP	United Kingdom
Yum! Franchise III Partnership	Australia
Yum! International Participations S.a.r.l.	Luxembourg
Yum! Luxembourg Investments S.a.r.l.	Luxembourg
Yum! Mexico, S. De. R. L. de CV	Mexico
Yum! Realty Holdings, Inc.	Canada
Yum! Restaurant Holdings	United Kingdom
Yum! Restaurant Holdings (Great Britain) Limited	United Kingdom
Yum! Restaurantes do Brasil Ltda.	Brazil
Yum! Restaurants (Chengdu) Co., Ltd.	China
Yum! Restaurants (China) Investment Co., Ltd.	China
Yum! Restaurants (France) Limited	United Kingdom
Yum! Restaurants (Fuzhou) Co., Ltd.	China
Yum! Restaurants (Guangdong) Co., Ltd.	China
Yum! Restaurants (Hong Kong) Ltd.	Hong Kong

Yum! Restaurants (India) Private Limited	India
Yum! Restaurants (Netherlands) Limited	United Kingdom
Yum! Restaurants (NZ) Ltd.	New Zealand
Yum! Restaurants (Shenyang) Co., Ltd.	China
Yum! Restaurants (Shenzhen) Co., Ltd.	China
Yum! Restaurants (Taiwan) Co., Ltd.	Taiwan
Yum! Restaurants (UK) Limited	United Kingdom
Yum! Restaurants (Wuhan) Co., Ltd.	China
Yum! Restaurants (Xian) Co., Ltd.	China
Yum! Restaurants Asia Private Ltd.	Singapore
Yum! Restaurants Australia Pty Limited	Australia
Yum! Restaurants Australia Services Pty Ltd	Australia
Yum! Restaurants China Holdings Limited	Hong Kong
Yum! Restaurants Consulting (Shanghai) Co., Ltd.	China
Yum! Restaurants Europe Limited	United Kingdom
Yum! Restaurants Germany GmbH	Germany
Yum! Restaurants International (Canada) L.P.	Canada
Yum! Restaurants International (MENAPAK) WLL	Bahrain
Yum! Restaurants International B.V.	Netherlands
Yum! Restaurants International Holdings, Ltd.	Delaware
Yum! Restaurants International Limited	United Kingdom
Yum! Restaurants International Ltd. & Co. KG	Germany
Yum! Restaurants International Management S.a.r.l.	Luxembourg
Yum! Restaurants International Russia LLC	Russia
Yum! Restaurants International S.a.r.l.	Luxembourg
Yum! Restaurants International Switzerland S.a.r.l.	Switzerland
Yum! Restaurants International, Inc.	Delaware
Yum! Restaurants International, S de RL de CV	Mexico
Yum! Restaurants Limited	United Kingdom
Yum! Restaurants Marketing Private Limited	India
Yum! Restaurants New Zealand Services Pty. Ltd	Australia
Yum! Restaurants Spolka Zoo	Poland
Yum! Restaurants, S de RL de CV	Mexico
Yum! Services, Ltd.	Cayman Islands
Yumsop Pty Limited	Australia
Zhengzhou KFC Co., Ltd.	China

Consent of Independent Registered Public Accounting Firm

The Board of Directors
YUM! Brands, Inc.:

We consent to the incorporation by reference in the registration statements listed below of YUM! Brands, Inc. and Subsidiaries ("YUM") of our reports dated February 25, 2008, with respect to the consolidated balance sheets of YUM as of December 29, 2007 and December 30, 2006, and the related consolidated statements of income, cash flows and shareholders' equity and comprehensive income for each of the years in the three-year period ended December 29, 2007, and the effectiveness of internal control over financial reporting as of December 29, 2007, which reports appear in the December 29, 2007 annual report on Form 10-K of YUM. Our report on the consolidated financial statements refers to changes in accounting for uncertainty in income taxes in 2007, the method of quantifying errors and accounting for defined benefit pension and other postretirement plans in 2006, and a change in method of accounting for share-based payments in 2005.

Description	**Registration Statement Number**
Form S-3 and S-3/A	
Debt Securities	333-133097
YUM! Direct Stock Purchase Program	333-46242
$2,000,000,000 Debt Securities	333-42969
Form S-8s	
Restaurant Deferred Compensation Plan	333-36877, 333-32050
Executive Income Deferral Program	333-36955
YUM! Long-Term Incentive Plan	333-36895, 333-85073, 333-32046
SharePower Stock Option Plan	333-36961
YUM! Brands 401(k) Plan	333-36893, 333-32048, 333-109300
YUM! Brands, Inc. Restaurant General Manager Stock Option Plan	333-64547
YUM! Brands, Inc. Long-Term Incentive Plan	333-32052, 333-109299

/s/ KPMG LLP
Louisville, Kentucky
February 25, 2008

Exhibit 31.1

CERTIFICATION

I, David C. Novak, certify that:

1. I have reviewed this report on Form 10-K of YUM! Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2008

/s/ David C. Novak
Chairman, Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION

I, Richard T. Carucci, certify that:

1. I have reviewed this report on Form 10-K of YUM! Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2008

/s/ Richard T. Carucci
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHAIRMAN AND 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 Annual Report of YUM! Brands, Inc. (the "Company") on Form 10-K for the year ended December 29, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), I, David C. Novak, Chairman, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Annual 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 Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2008

/s/ David C. Novak
Chairman, Chief Executive Officer and President

A signed original of this written statement required by Section 906 has been provided to YUM! Brands, Inc. and will be retained by YUM! Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 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

In connection with the Annual Report of YUM! Brands, Inc. (the "Company") on Form 10-K for the year ended December 29, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), I, Richard T. Carucci, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Annual 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 Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2008

/s/ Richard T. Carucci
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to YUM! Brands, Inc. and will be retained by YUM! Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.