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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
[X] Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 27, 1998
OR
[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-21660

PAPA JOHN'S INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	61-1203323
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

11492 Bluegrass Parkway, Suite 175
Louisville, Kentucky 40299-2334
(Address of principal executive offices)

(502) 266-5200
(Registrant's telephone number, including area code)

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

(Title of Each Class)	(Name of each exchange on which registered)
None	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value The NASDAQ Stock Market

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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 X 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. [X]

As of March 18, 1999 there were 29,917,074 shares of the Registrant's Common Stock outstanding. The aggregate market value of the shares of Registrant's Common Stock held by non-affiliates of the Registrant at such date was $996,871,361 based on the last sale price of the Common Stock on March 18, 1999 as reported by The NASDAQ Stock Market. For purposes of the foregoing calculation only, all directors and executive officers of the Registrant have been deemed affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Part III are incorporated by reference to the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held May 20, 1999.

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PART I

Item 1. Business

General

Papa John's International, Inc. (referred to as "the Company", "Papa John's" or in the first person notations of "we", "us" and "our") operates and franchises pizza delivery and carry-out restaurants under the trademark "Papa John's" domestically in 46 states and the District of Columbia and internationally in Mexico and Puerto Rico. The first Company-owned restaurant opened in 1985 and the first franchised restaurant opened in 1986. At December 27, 1998, there were 1,885 Papa John's restaurants in operation, consisting of 478 Company-owned and 1,407 franchised restaurants.

Strategy

Our goal is to build the strongest brand loyalty of all pizzerias internationally. To accomplish this goal, we have developed a strategy designed to achieve high levels of customer satisfaction and repeat business, as well as to establish recognition and acceptance of the Papa John's brand. The key elements of our strategy include:

Focused, High Quality Menu. Papa John's restaurants offer a focused menu of high quality pizza, breadsticks and cheesesticks. Papa John's original crust pizza is prepared using fresh dough (never frozen), cheese made from 100% real mozzarella, fresh-packed pizza sauce made from vine-ripened tomatoes (not concentrate) and a proprietary mix of savory spices, and a choice of high quality meat and vegetable toppings. Papa John's thin crust pizza, introduced in 1996, is made with a prepared crust and the same high quality toppings as Papa John's original crust pizza. We believe our focused menu creates a strong identity in the marketplace and simplifies operations.

Efficient Operating System. We believe that our operating and distribution systems, restaurant layout and designated delivery areas result in lower restaurant operating costs, improved food quality and superior customer service. Our commissary system takes advantage of volume purchasing of food and supplies, and provides consistency and efficiencies of scale in dough production. This eliminates the need for each restaurant to order food from multiple vendors and commit substantial labor and other resources to dough preparation. Because Papa John's restaurants have a focused menu and specialize in delivery and carry-out services, each team member can concentrate on a well-defined function in preparing and delivering the customer's order.

Commitment to Employee Training and Development. We are committed to the development and motivation of our team members through on-going training programs, incentive compensation and opportunities for advancement. Team member training programs are conducted for us and Papa John's franchisees at training centers across the United States. We offer performance based financial incentives and stock option awards to restaurant team members at various levels. Our growth also provides significant opportunities for advancement. We believe these factors create an entrepreneurial spirit throughout Papa John's, resulting in a positive work environment and motivated, customer-oriented team members.

Targeted, Cost-Effective Marketing. Our restaurant-level marketing programs target the delivery area of each restaurant, making extensive use of distinctive print materials in direct mail and store-to-door couponing. Local marketing efforts also include a variety of community-oriented activities with schools, sports teams and other organizations. In markets in which we or our franchisees have a significant presence, local marketing efforts are supplemented with radio and television advertising. Two national television campaigns aired in 1998.

Franchise System. We are committed to developing a strong franchise system by attracting experienced operators, expanding in a controlled manner and ensuring that our franchisees adhere to our high standards. In 1998, we opened our first international franchised restaurants in Mexico and Puerto Rico. We seek to attract franchisees with experience in multi-unit restaurant operations and with the financial resources and management capability to open multiple locations. To ensure consistent food quality, each domestic franchisee is required to purchase dough and spice mix from us and all other supplies either from us or our approved suppliers. Commissaries outside the U.S. may be operated by franchisees pursuant to license agreements. We devote significant resources to provide Papa John's franchisees with assistance in restaurant operations, management training, team member training, marketing, site selection and restaurant design.

Unit Economics

We believe our unit economics are exceptional. The 383 restaurants that were Company-owned and are included in the most recent comparable restaurant base generated average sales of $757,000, average cash flow (operating income plus depreciation) of $154,000 and average restaurant operating income of $129,000 (or 17.0% of average sales).

The average cash investment for the 60 Company-owned restaurants opened during the 1998 fiscal year, exclusive of land, was approximately $261,000. We expect the average cash investment for Company-owned restaurants opening in 1999 not to exceed the 1998 amount.

Expansion

A total of 372 restaurants were opened during 1998, consisting of 60 Company-owned and 312 franchised restaurants. During 1999, we plan to open approximately 35 restaurants and acquire an additional 60 restaurants from our franchisees and expect Papa John's franchisees to open approximately 345 domestic restaurants in 1999. Newer domestic market expansion is planned for the upper Northeast Coast, West Coast and Rocky Mountain regions, in addition to building out existing markets throughout the country. We also expect franchisees to open approximately 20 international Papa John's restaurants in 1999, primarily in Mexico, Puerto Rico, Venezuela, Costa Rica, Guatemala, and Iceland.

Our ability and the ability of Papa John's franchisees to open new restaurants is affected by a number of factors, many of which are beyond our control and the control of our franchisees. These factors include, among other things, selection and availability of suitable restaurant and commissary locations, negotiation of suitable lease or financing terms, constraints on permitting and construction of restaurants and the hiring, training and retention of management and other personnel. Accordingly, there can be no assurance that we or our franchisees will be able to meet planned growth targets or open restaurants in markets now targeted for expansion.

Our expansion strategy is to cluster restaurants in targeted markets, thereby increasing consumer awareness and enabling us to take advantage of operational, distribution and advertising efficiencies. Our experience in developing markets indicates that market penetration through the opening of multiple restaurants within a particular market results in increased average restaurant sales in that market. We have co-developed markets with franchisees or divided markets among franchisees, and will continue to utilize market co-development in the future. In determining which new markets to develop, we consider many factors, including the size of the market, demographics and population trends, competition, and availability and costs of real estate. Before entering a new market, we analyze detailed information concerning these factors and each market is toured and evaluated by a member of our Development Department.

Menu

Papa John's restaurants offer a focused menu of high quality pizza, breadsticks and cheesesticks, as well as canned or bottled soft drinks. Papa John's original crust pizza is prepared using fresh dough (never frozen), and our thin crust pizza is made with a prepared crust. Papa John's pizzas are made from hard red spring wheat flour, cheese made from 100% real mozzarella, freshed-packed pizza sauce made with vine-ripened tomatoes (not concentrate) and a proprietary mix of savory spices, and a choice of high quality meat and vegetable toppings. Fresh onions and green peppers are purchased from local produce suppliers and fresh mushrooms are delivered twice weekly by the commissary system. Each original crust pizza is served with a container of our special garlic sauce and two pepperoncinis, and each thin crust pizza is served with a container of special seasonings and two pepperoncinis. We believe our limited menu helps create a strong identity among consumers and simplifies operations, resulting in lower restaurant operating costs, improved food quality and superior customer service.

Restaurant Design and Site Selection

The exterior of most Papa John's restaurants is characterized by backlit awnings, neon window designs and other visible signage. A typical Papa John's restaurant averages 1,200 to 1,600 square feet and is designed to facilitate a smooth flow of food orders through the restaurant. The layout includes specific areas for order taking, pizza preparation and routing, resulting in simplified operations, lower training and labor costs, increased efficiency and improved consistency and quality of food products. The typical interior of a Papa John's restaurant has a vibrant red and white color scheme with green striping, and includes a bright menu board, custom counters and a carry-out customer area. The counters are designed to allow customers to watch the team members slap out the dough and put sauce and toppings on pizzas.

We consider the location of a restaurant to be important and therefore devote significant resources to the investigation and evaluation of potential sites. The site selection process includes a review of trade area demographics, target population density, household income levels and competitive factors. A member of our development team inspects each potential Company-owned or franchised restaurant location and the surrounding market before a site is approved. Our restaurants are typically located in strip shopping centers or free-standing buildings that provide visibility, curb appeal and accessibility. Our restaurant design may be configured to fit a wide variety of building shapes and sizes, thereby increasing the number of suitable locations for our restaurants.

Since 1994, a greater number of free-standing restaurants have been opened in the Papa John's system. We seek either existing buildings suitable for conversion, or locations suitable for the construction of our prototype restaurant. Free-standing buildings generally provide more signage and better visibility, accessibility and parking. We believe that these locations improve Papa John's image and brand awareness. Free-standing units represent approximately 27% of Company-owned restaurants. We expect this ratio to remain fairly consistent in future years. During 1997, we constructed our first multi-bay unit, housing a Company-owned restaurant in addition to third party tenants. Management believes that improved site selection may result from maintaining control of the multi-bay development process. We have five multi-bay units open and this strategy will continue to be evaluated as additional operational and financial results for these types of units become available for analysis.

Commissary System; Purchasing

Our commissary system supplies pizza dough, food products, paper products, smallwares and cleaning supplies twice weekly to each restaurant. Our system enables us to closely monitor and control product quality and consistency, while lowering food costs. We opened a full service commissary in Portland, Oregon in 1998. A full-service commissary is expected to open in Dallas, Texas in the second quarter of 1999 (to replace our current distribution center) and the opening of an expanded Louisville, Kentucky commissary is also planned for the second quarter of 1999 to support restaurant expansion plans. Our other full-service commissaries are in Orlando, Florida; Raleigh, North Carolina; Jackson, Mississippi; Denver, Colorado; Rotterdam, New York; and Des Moines, Iowa. We also operate a distribution center in Phoenix, Arizona. The commissary system capacity is continually evaluated in relation to planned restaurant growth, and additional facilities are developed as operational or economic conditions warrant.

In 1998, two international franchised commissaries were opened in Mexico and Puerto Rico. We intend for future international commissaries to be licensed to franchisees; however, we may open Company-owned commissaries at our discretion.

We set quality standards for all products used in our restaurants and designate approved outside suppliers of food and paper products which must meet our quality standards. In order to ensure product quality and consistency, all of our restaurants are required to purchase proprietary spice mix and dough from our commissaries. Franchisees may purchase other goods directly from approved suppliers or our commissaries. National purchasing agreements with most of our suppliers generally result in volume discounts to us, allowing us to sell products to our restaurants at prices which we believe are below those generally available in the marketplace. Products are distributed to restaurants by refrigerated trucks leased and operated by us or transported by a dedicated logistics company.

All of the equipment, fixtures and smallwares needed to open a Papa John's restaurant are available for purchase through us. We also provide layout and design services and recommend subcontractors, signage installers and telephone systems to Papa John's franchisees. Although not required to do so, substantially all of Papa John's franchisees purchase most of their equipment from us.

Marketing Programs

Our restaurant-level marketing programs target the delivery area of each restaurant, making extensive use of distinctive print materials in direct mail and store-to-door couponing. The local marketing efforts also include a variety of community-oriented activities with schools, sports teams and other organizations. In markets in which we or Papa John's franchisees have a significant presence, local marketing efforts are supplemented with radio and television advertising.

In addition to extensive local store marketing, all Company-owned and franchised Papa John's restaurants within a developed market are required to join an advertising cooperative ("Co-op"). Each member restaurant contributes a percentage of sales to the Co-op for market wide programs, such as radio, television and billboards. The rate of contribution and uses of the monies collected are determined by a majority vote of the Co-op's members. The restaurant-level and Co-op marketing efforts are supported by print and electronic advertising materials that are produced by the Papa John's Marketing Fund, Inc., a non-profit corporation (the "Marketing Fund"), for use by us and our franchisees. The Marketing Fund produces and airs Papa John's national television commercials.

We provide both Company-owned and franchised restaurants with catalogs for the purchase of uniforms and promotional items and pre-approved print marketing materials. We also provide direct marketing services to Company-owned and franchised restaurants utilizing customer information gathered by our proprietary point-of-sale technology.

Company Operations

Restaurant Personnel. A typical Papa John's restaurant employs a restaurant manager, two assistant managers and approximately 20 - 25 hourly team members, most of whom work part-time. The manager is responsible for the day-to-day operation of the restaurant and for maintaining Company-established operating standards. The operating standards and other resources are contained in a comprehensive operations manual supplied to each restaurant and updated regularly. We seek to hire experienced restaurant managers and staff, and motivate and retain them by providing opportunities for advancement and performance-based financial incentives and stock option grants. We have a relatively low managerial turnover rate which we believe results in decreased training costs and higher productivity.

We employ area supervisors, each of whom has responsibility for overseeing three to five Company-owned restaurants. We also employ regional vice presidents and district managers who oversee area supervisors and managers within their respective markets. These team members are also eligible to earn performance-based financial incentives, including stock option grants.

Training and Education. We have a department dedicated to training and developing team members, as well as assisting new restaurant openings. We have at least one full-time training coordinator in each of our markets and regional training directors located strategically across the country. We provide an on-site training team three days before and three days after the opening of any Company-owned or franchised restaurant requesting assistance. Each regional vice president, district manager, area supervisor and restaurant manager is required to complete our management training program and on-going development programs in which instruction is given on all aspects of our systems and operations. The programs include classroom instruction and hands-on training at an operating Papa John's restaurant or at Company-certified training centers. Our training includes in-store and delivery training, new team member orientation, new product or program implementation, and other developmental programs.

Point of Sale Technology. Point of sale technology (our proprietary PROFIT System/TM/) is in place in all Company-owned and substantially all franchised restaurants. We believe this technology facilitates faster and more accurate order taking and pricing, reduces paper work and allows the restaurant manager to better monitor and control food and labor costs. We believe the PROFIT System enhances restaurant-level marketing capabilities through the development of a data base containing information on customers and their buying habits with respect to our products. Polling capabilities allow us to obtain restaurant operating information, thereby improving the speed, accuracy and efficiency of restaurant-level reporting.

Reporting. Managers at Company-owned restaurants utilize daily reports of sales, cash deposits and operating costs. Physical inventories of all food and beverage items are taken nightly. Our area supervisors prepare weekly operating projections for each of the restaurants under their supervision.

Hours of Operations. Our restaurants are open seven days a week, typically from 11:00 a.m. to 12:30 a.m. Monday through Thursday, 11:00 a.m. to 1:30 a.m. on Friday and Saturday and 12:00 noon to 11:30 p.m. on Sunday.

Franchise Program

General. We continue to attract many franchisees with significant restaurant experience. We consider our franchisees to be a vital part of our system's continued growth and believe our relationship with our franchisees is excellent. As of December 27, 1998, there were 1,407 franchised restaurants operating in 45 states, the District of Columbia, Mexico, and Puerto Rico and we had development agreements for approximately 1,055 additional franchised restaurants committed to open through 2008. There can be no assurance that all of these restaurants will be opened or that the development schedule set forth in the development agreements will be achieved. During the 1998 fiscal year, 312 (306 domestic and six international) franchised restaurants were opened.

Approval. Franchisees are approved on the basis of the applicant's business background, restaurant operating experience and financial resources. We generally seek franchisees who will enter into development agreements for multiple restaurants. We seek franchisees who have restaurant experience or, in the case of franchisees who do not have restaurant experience, we require the franchisee to hire a full-time operator who has either an equity interest or the right to acquire an equity interest in the franchise operation.

Development and Franchise Agreements. We enter into development agreements with our domestic franchisees for the opening of a specified number of restaurants within a defined period of time and specified geographic area. Under our current standard development agreement, the franchisee is required to pay, at the time of signing the agreement, a non-refundable fee of $5,000 per restaurant covered by the development agreement. This amount is credited against the standard $20,000 franchise fee payable to us upon signing the franchise agreement for a specific location. Generally, a franchise agreement is executed when a franchisee secures a location.

Our current standard domestic franchise agreement provides for a term of 10 years (with one ten-year renewal option) and payment to us of a royalty fee of 4% of sales. The current agreement, as well as substantially all existing franchise agreements, permit us to increase the royalty fee up to 5% of sales after the agreement has been in effect for three years. However, the royalty fee cannot be increased to an amount greater than the percentage royalty fee then in effect for new franchisees.

We have the right to terminate a franchise agreement for a variety of reasons, including a franchisee's failure to make payments when due or failure to adhere to our policies and standards. Many state franchise laws limit the ability of a franchisor to terminate or refuse to renew a franchise.

In 1997, we began developing an international department and opened our first franchised restaurant outside the U.S. in July 1998. In international markets, we enter into either a development agreement or a master license agreement with a franchisee for the opening of a specified number of restaurants within a defined period of time and specified geographic area. Under a master license agreement, the franchisee has the right to subfranchise a portion of the development to one or more subfranchisees approved by us. Under our current standard international development agreement, the franchisee is required to pay total fees of $25,000 per restaurant, $10,000 at the time of signing the agreement, $10,000 90 days before the scheduled opening date of each restaurant and $5,000 upon signing the franchise agreement for a specific location. Under our current master license agreement, the master franchisee is required to pay total fees of $25,000 per restaurant owned and operated by the master franchisee, under the same terms as for the development agreement, and $15,000 for each subfranchised restaurant, $10,000 upon signing of the master license agreement and $5,000 on or prior to the date the subfranchised restaurant opens for business.

Our current standard international franchise agreement provides for payment to us of a royalty fee of 5% of sales (including sales by subfranchised restaurants), with no provision for increase. The remaining terms are substantially equivalent to the terms of our standard domestic franchise agreement.

We have entered into a limited number of development and franchise agreements for non-traditional restaurant units. These agreements generally cover venues or areas not originally targeted for development and have terms differing from the standard agreement. Although we expect an increase in the number of franchised units in non-traditional venues in 1999, we do not believe these contracts will have a significant impact on 1999 revenues or profits.

Franchise Restaurant Development. We provide assistance to Papa John's franchisees in selecting sites, developing restaurants and evaluating the physical specifications for typical restaurants. Each franchisee is responsible for selecting the location for its restaurants but must obtain our approval of restaurant design and location based on accessibility and visibility of the site and targeted demographic factors, including population, density, income, age and traffic. We provide design plans, fixtures and equipment for most franchisee locations at competitive prices.

Franchisee Loan Program. In 1996, we established a program under which selected franchisees could borrow funds for use in the construction and development of their restaurants. Loans made under the program typically bear interest at fixed or floating rates (ranging from 5.5% to 9.8% at December 27, 1998), and are secured by the fixtures, equipment and signage (and where applicable, the land) of the restaurant and the ownership interests in the franchisee. In limited cases, we have obtained a purchase option with respect to the financed restaurants.

The loan program was generally made available only to franchisees developing 10 or more Papa John's restaurants and who had developed at least 20% of the scheduled restaurants with their own equity capital. At December 27, 1998, loans outstanding under the franchise loan program totaled $12.5 million, with commitments to lend up to an additional $1.1 million. We do not expect to significantly expand the franchise loan program beyond current commitment levels.

Franchise Training and Support. Every franchisee is required to have a principal operator approved by us who satisfactorily completes our required training program and who devotes his or her full business time and efforts to the operation of the franchisee's restaurants. Each franchised restaurant manager is also required to complete our Company-certified management training program. We provide an on-site training crew three days before and three days after the opening of a franchisee's first two restaurants. Ongoing supervision of training is monitored by the corporate franchise training team. Multi-unit franchisees are encouraged to hire a full-time training coordinator to train new team members and management candidates for their restaurants. Our franchise consultants, reporting to the Vice President of Franchise Operations, maintain open communication with the franchise community, relaying operating and marketing information and new ideas between us and franchisees.

Franchise Operations. All franchisees are required to operate their Papa John's restaurants in compliance with our policies, standards and specifications, including matters such as menu items, ingredients, materials, supplies, services, fixtures, furnishings, decor and signs. Each franchisee has full discretion to determine the prices to be charged to its customers.

Franchise Advisory Board. We have a Franchise Advisory Board that consists of Company and franchisee representatives. The Advisory Board holds quarterly meetings to discuss new marketing ideas, operations, growth and other relevant issues.

Reporting. We collect weekly and monthly sales and other operating information from Papa John's franchisees. We have agreements with most of Papa John's franchisees permitting us to electronically debit the franchisees' bank accounts for the payment of royalties, Marketing Fund contributions and purchases of commissary products from Papa John's. This system significantly reduces the resources needed to process receivables, improves cash flow and virtually eliminates past-due accounts related to these items. Franchisees generally are required to purchase and install the Papa John's PROFIT System in their restaurants. See "Company Operations -- Point of Sale Technology."

Competition

The restaurant industry is intensely competitive with respect to price, service, location and food quality, and there are many well established competitors with substantially greater financial and other resources than Papa John's. Competitors include a large number of national and regional restaurant chains, as well as local pizza operators. Some of our competitors have been in existence for a substantially longer period than us and may be better established in the markets where our restaurants are, or may be, located. Within the pizza segment of the restaurant industry, we believe that our primary competitors are the national pizza chains, including Pizza Hut, Domino's and Little Caesars. A change in the pricing or other marketing strategies of one or more of these competitors could have an adverse impact on our sales and earnings.

The restaurant business is often affected by changes in consumer tastes, national, regional or local economic conditions, demographic trends, traffic patterns and the type, number and location of competing restaurants. In addition, factors such as inflation, increased cheese and other commodity costs, labor and benefits costs and the lack of experienced management and hourly team members may adversely affect the restaurant industry in general and our restaurants in particular.

With respect to the sale of franchises, we compete with many franchisors of restaurants and other business concepts. In general, there is also active competition for management personnel, capital and attractive commercial real estate sites suitable for our restaurants.

Government Regulation

We, along with our franchisees, are subject to various federal, state and local laws affecting the operation of our respective businesses. Each Papa John's restaurant is subject to licensing and regulation by a number of governmental authorities, which include health, safety, sanitation, building and fire agencies in the state or municipality in which the restaurant is located. Difficulties in obtaining, or the failure to obtain, required licenses or approvals can delay or prevent the opening of a new restaurant in a particular area. Our commissary and distribution facilities are licensed and subject to regulation by state and local health and fire codes, and the operation of our trucks is subject to Department of Transportation regulations. We are also subject to federal and state environmental regulations.

We are subject to Federal Trade Commission ("FTC") regulation and various state laws regulating the offer and sale of franchises. Several state laws also regulate substantive aspects of the franchisor-franchisee relationship. The FTC requires us to furnish to prospective franchisees a franchise offering circular containing prescribed information. A number of states in which we might consider franchising also regulate the sale of franchises and require registration of the franchise offering circular with state authorities. Substantive state laws that regulate the franchisor-franchisee relationship presently exist in a substantial number of states, and bills have been introduced in Congress from time to time (some of which are now pending) which would provide for federal regulation of the franchisor-franchisee relationship in certain respects. The state laws often limit, among other things, the duration and scope of non-competition provisions and the ability of a franchisor to terminate or refuse to renew a franchise. Some foreign countries also have disclosure requirements and other laws regulating franchising and the franchisor-franchisee relationship. As we expand internationally we will be subject to applicable laws in each jurisdiction where franchised units are established.

We are also subject to the Americans With Disabilities Act of 1990, which, among other things, may require renovations to restaurants to meet federally-mandated requirements. The cost of these renovations is not expected to be material. Further government initiatives, if enacted, including a proposed system of mandated health insurance, could adversely affect us and our franchisees as well as the restaurant industry in general.

Trademarks

Our rights in principal trademarks and service marks are a significant part of our business. We are the owner of the federal registration of the trademark "Papa John's." We have also registered "Pizza Papa John's and design" (our logo), "Better Ingredients. Better Pizza." and "Pizza Papa John's Better Ingredients. Better Pizza. and design" as trademarks and service marks. We also own federal registrations for several ancillary marks, principally advertising slogans. We have also applied to register our primary trademark, "Pizza Papa John's and design," in 76 foreign countries and the European Community. We are aware of the use by other persons in certain geographical areas of names and marks which are the same as or similar to our marks. It is our policy to pursue registration of our marks whenever possible and to oppose vigorously any infringement of our marks.

On July 23, 1998, Pizza Hut, Inc. filed a petition in the Trademark Trial and Appeal Board of the United States Department of Commerce Patent and Trademark Office ("TTAB") for cancellation of our "Better Ingredients. Better Pizza." as a trademark and service mark. As grounds for cancellation, the petition alleged that the "Better Ingredients. Better Pizza." mark is deceptive of our goods and services and is not distinctive of our goods and services. On September 1, 1998, Pizza Hut, Inc. filed a similar petition against our registration of the "Pizza Papa John's Better Ingredients. Better Pizza. and design" mark. Both of these proceedings are pending before the TTAB.

Cancellation of our registrations for the marks featuring the "Better Ingredients. Better Pizza." slogan would restrict our ability to prevent the use of the same or similar marks or slogans by other persons but would not preclude our continued use of the marks. On August 12, 1998, Pizza Hut, Inc. also filed suit in federal district court seeking, among other things, to enjoin our use of the phrase "Better Ingredients. Better Pizza." See "Litigation." We believe that the cancellation petitions and the lawsuit are without merit and we intend to defend vigorously the claims asserted therein.

Employees

As of December 27, 1998, we employed 14,321 persons, of whom approximately 12,411 were restaurant team members, 611 were restaurant management and supervisory personnel, 561 were corporate personnel and 738 were commissary and support services personnel. Most restaurant team members work part-time and are paid on an hourly basis. None of our team members are covered by a collective bargaining agreement. We consider our team member relations to be excellent.

Forward Looking Statements

This Form 10-K contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), including information within Management's Discussion and Analysis of Financial Condition and Results of Operations. The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act. Although we believe that our expectations are based on reasonable assumptions, actual results may differ materially from those in the forward looking statements as a result of various factors, including but not limited to, the following:

1. Our ability and the ability of our franchisees to continue to expand through the opening of new restaurants is affected by a number of factors, many of which are beyond our control and our franchisees' control. These factors include, among other things, selection and availability of suitable restaurant locations, negotiation of suitable lease or financing terms, constraints on permitting and construction of other restaurants, higher than anticipated construction costs, and the hiring, training and retention of management and other personnel. Accordingly, there can be no assurance that we or the Papa John's franchisees will be able to meet planned growth targets or open restaurants in markets now targeted for expansion.

2. The restaurant industry is intensely competitive with respect to price, service, location and food quality, and there are many well established competitors with substantially greater financial and other resources than Papa John's and our franchisees. Some of these competitors have been in existence for a substantially longer period than us or our franchisees and may be better established in the markets where restaurants operated by Papa John's or our franchisees are, or may be, located. A change in the pricing or other marketing or promotional strategies of one or more of our major competitors could have an adverse impact on sales and earnings at restaurants operated by us and our franchisees.

3. An increase in the cost of cheese or other commodities could adversely affect the profitability of our restaurant business. Cheese, representing approximately 40% of our food cost, and other commodities are subject to seasonal fluctuations, weather, demand and other factors that are beyond our control.

4. Changes in consumer taste, demographic trends, traffic patterns and the type, number and location of competing restaurants could adversely affect our restaurant business.

5. Our restaurant operations are subject to federal and state laws governing such matters as wages, working conditions, citizenship requirements and overtime. A significant number of hourly personnel employed by us and our franchisees are paid at rates related to the federal minimum wage. Accordingly, further increases in the minimum wage will increase labor costs for us and our franchisees.

6. Our international operations are subject to a number of additional factors, including international economic and political conditions, currency regulations and fluctuations, differing cultures and consumer preferences, diverse government regulations and structures, availability and cost of land and construction, and differing interpretation of the obligations established in franchise agreements with international franchisees, Accordingly, there can be no assurance that our international operations will achieve or maintain profitability or meet planned growth rates.

7. Our operations could be affected by factors related to the year 2000 computer bug. Such factors include, but are not limited to: (1) our ability to complete the phases of our year 2000 assessment by the dates estimated by management; (2) our ability to identify information technology (IT) and non IT systems that are not year 2000 compliant; (3) our ability to implement system modifications and conversions successfully and timely; (4) the results of year 2000 testing differing from those anticipated; (5) the resolution of year 2000 issues by external companies with which we do business; and (6) our ability to implement effective contingency plans when deemed necessary. Accordingly, the effects of the factors identified above could materially impact our business.

Item 2. Properties

As of December 27, 1998, there were 1,885 Papa John's restaurants systemwide.

Company-owned Restaurants

	Number of Restaurants
Colorado	43
Delaware	10
Florida	45
Georgia	65
Illinois	3
Indiana	29
Kentucky	30
Maryland	49
Missouri	20
New Mexico	9
North Carolina	47
Pennsylvania	1
South Carolina	2
Tennessee	24
Texas	80
Virginia	17
Washington, D.C	4
Total Company-owned Restaurants	478

Domestic Franchised Restaurants

	Number of Restaurants
Alabama	51
Arkansas	12
Arizona	30
California	54
Colorado	4
Connecticut	3
Florida	149
Georgia	41
Idaho	4
Illinois	58
Indiana	74
Iowa	13
Kansas	18
Kentucky	51
Louisiana	39
Maryland	17
Massachusetts	8
Michigan	32
Minnesota	37
Mississippi	17
Missouri	23
Montana	2
Nebraska	9
Nevada	10
New Hampshire	6
New Jersey	21
New Mexico	2
New York	26
North Carolina	45
North Dakota	2
Ohio	143
Oklahoma	16
Oregon	4
Pennsylvania	50
Rhode Island	5
South Carolina	36
South Dakota	2
Tennessee	50
Texas	96
Utah	14
Virginia	78
Washington	3
West Virginia	16
Wisconsin	25
Wyoming	4
Washington, D.C	1
Total Domestic Franchised Restaurants	1,401

International Franchised Restaurants

	Number of Restaurants
Mexico	4
Puerto Rico	2
Total International Franchised Restaurants	6

Most Papa John's restaurants are located in leased space. The initial term of most restaurant leases is five years or less with most leases providing for one or more options to renew for at least one additional term. Virtually all of our leases specify a fixed annual rent. Generally, the leases are triple net leases which require us to pay all or a portion of the cost of insurance, taxes and utilities. Certain leases further provide that the lease payments may be increased annually, with a small number of escalations based on changes in the Consumer Price Index.

Information with respect to our leased commissaries and other facilities as of December 27, 1998, is set forth below.

Facility	Square Footage
Louisville, KY Corporate Offices	71,000
Louisville, KY Commissary	38,000
Jackson, MS Commissary	30,000
Raleigh, NC Commissary	27,000
Dallas, TX Distribution Center	20,000
Denver, CO Commissary	21,000
Phoenix, AZ Distribution Center	26,000
Des Moines, IA Commissary	31,000
Rotterdam, NY Commissary	40,000
Portland, OR Commissary	37,000

We own approximately five acres in Orlando on which our 63,000 square foot full-service commissary is located, and eight acres in Dallas on which our 77,500 square foot full-service commissary is under construction. In addition, the Company owns approximately 37 acres in Louisville, Kentucky with a 42,000 square foot building on the land consolidating our printing and promotional operations. We began construction of additional facilities on the land in 1998 of 247,000 square feet, approximately 30-40% of which will accommodate relocation and expansion of the Louisville commissary operation and Novel Approach promotional division, and the remainder of which will accommodate relocation and consolidation of corporate offices. The facility is scheduled for completion in mid-1999.

Item 3. Legal Proceedings

On August 12, 1998, Pizza Hut, Inc. filed suit in the United States District Court for the Northern District of Texas under the federal Lanham Act (the "Lawsuit") claiming, among other things, that we engaged in acts of unfair competition through dissemination of "false, misleading and disparaging advertising", including without limitation, the use of our "Better Ingredients. Better Pizza." Trademark (see "Trademarks"). Pizza Hut is seeking injunctive relief and damages in an amount of not less than $12.5 million, attorneys' fees, as well as other relief. We have filed counterclaims against Pizza Hut (the "Counterclaims") claiming, among other things, that the Lawsuit was filed primarily, if not solely, as a competitive ploy and that Pizza Hut had engaged in false, misleading and disparaging advertising aimed at us. We have asked the court for an award of our reasonable attorneys' fees, as well as for other relief to which we may be entitled. This Lawsuit and Counterclaims are in the early stages of pleading and discovery. A trial has been scheduled for October 25, 1999. We do not believe the Lawsuit has merit and intend to vigorously defend the claims asserted against us. Since the Lawsuit is in the early stages of pleading and discovery, it is too early to assess the likelihood of success on the merits of the parties' respective claims.

We are also subject to claims and legal actions in the ordinary course of our business. We believe that all such claims and actions currently pending against us are either adequately covered by insurance or would not have a material adverse effect on us if decided in a manner unfavorable to us.

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

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the current executive officers of Papa John's, together with their ages, their positions and the years in which they first became an officer:

Name	Age	Position	First Elected Executive Officer
John H. Schnatter	37	Founder, Chairman of the Board and Chief Executive Officer	1985
Blaine E. Hurst	42	Vice Chairman and President	1995
Charles W. Schnatter	36	Senior Vice President, General Counsel and Secretary	1991
E. Drucilla Milby	45	Senior Vice President, Chief Financial Officer and Treasurer	1991
Wade S. Oney	37	Chief Operating Officer	1995
Robert J. Wadell	43	President - PJ Food Service, Inc.	1990
Richard J. Emmett	43	Senior Vice President and Senior Counsel	1992
Lou Difazio, Jr.	41	Vice President - Corporate Operations	1999
J. David Flanery	42	Vice President and Corporate Controller	1994
Thomas C. Kish	33	Vice President - Information and Support Services	1999
Mary Ann Palmer	41	Vice President - People Department	1999
Syl J. Sosnowski	57	Vice President - Marketing	1995

John Schnatter created the Papa John's concept and founded Papa John's in 1985. He has served as Chairman of the Board and Chief Executive Officer since 1990, and from 1985 to 1990, served as President. John Schnatter has also been a franchisee since 1986.

Blaine Hurst has served as Vice Chairman since 1998 and President since 1996. From 1995 to 1996, Mr. Hurst served as Chief Information Officer after having joined Papa John's in January 1995 as Vice President of Information Systems. From 1993 to 1995, Mr. Hurst was Vice President of Information Systems for Boston Chicken, Inc. From 1989 to 1993, Mr. Hurst was a consulting partner with Ernst & Young LLP. Mr. Hurst was a franchisee from 1996 to 1998.

Charles Schnatter has served as General Counsel and Secretary since 1991 and has been a Senior Vice President since 1993. From 1988 to 1991, he was an attorney with Greenebaum Doll & McDonald PLLC, Louisville, Kentucky, a law firm which provides legal services to us. Charles Schnatter was a franchisee from 1989 to 1997.

Dru Milby has served as Senior Vice President since 1996, Chief Financial Officer since 1995 and Treasurer since 1993. Ms. Milby held the position of Vice President - Finance from 1991 to 1995. From 1990 to 1991, Ms. Milby was Director of Financial Planning for American Air Filter. From 1987 to 1990, Ms. Milby was Manager of Financial Reporting and Systems Support for KFC International, the operator and franchisor of KFC restaurants. From 1983 to 1987, Ms. Milby held various positions with KFC International and KFC USA in the areas of general accounting, financial reporting and financial systems. Ms. Milby is a licensed Certified Public Accountant and Certified Management Accountant.

Wade Oney has served as Chief Operating Officer since 1995. From 1992 to 1995, Mr. Oney served as our Regional Vice President of Southeast Operations. From 1989 to 1992, Mr. Oney held various positions with Domino's Pizza, Inc. as follows: from 1991 to 1992, Senior Vice President, Northeast; from 1990 to 1991 Senior Vice President, Product Implementation; and from 1989 to 1990, Vice President of Operations. Mr. Oney has been a franchisee since 1993.

Robert Wadell has served as President of PJ Food Service, Inc. since 1995, after having served as Vice President of Commissary Operations from 1990 to 1995. From 1988 to 1990, Mr. Wadell was employed with Mr. Gatti's in the position of Regional Franchise Director, responsible for overseeing the operations of 65 franchised restaurants in an eight-state area. From 1983 to 1988, Mr. Wadell was an Area Supervisor for Mr. Gatti's, and from 1979 to 1983, was a store operator for Mr. Gatti's.

Richard Emmett was appointed Senior Vice President and Senior Counsel in March 1997, after having served as Senior Vice President-Development from August 1996 to March 1997. From 1992 to 1996, Mr. Emmett held the position of Vice President and Senior Counsel. From 1983 to 1992, Mr. Emmett was an attorney with the law firm of Greenebaum Doll & McDonald PLLC, having become a partner of such firm in 1989. Mr. Emmett was a franchisee from 1992 to 1997.

Lou DiFazio has served as Vice President, Corporate Operations since January 1999. From 1994 to 1999, Mr. DiFazio served as Regional Vice President, Southeast Region, where he was responsible for the operation of 125 restaurants. From 1993 to 1994, Mr. DiFazio served as both a district manager and senior district manager for the Atlanta and Charlotte markets. A pizza industry veteran for more than twelve years, Mr. DiFazio started his career as a supervisor for a major competitor. In addition to his experience as a supervisor, he has worked in various marketing, real estate and store development positions in the pizza industry.

David Flanery has served as Vice President since 1995 after having joined Papa John's in 1994 as Corporate Controller. From 1979 to 1994, Mr. Flanery was with Ernst & Young LLP in a variety of positions, most recently as Senior Audit Manager. Mr. Flanery is a licensed Certified Public Accountant.

Tom Kish has served as Vice President, Information Services since October 1996 and Vice President, Support Services, since March 1998. From 1995 to 1996, Mr. Kish served as Director of Store Systems. Prior to joining Papa John's, Mr. Kish held several consulting positions, many of them with Fortune 500 companies.

Mary Ann Palmer has served as Vice President, People Department since the department was created in January 1999. Ms. Palmer served as Vice President of Education and Training from 1997 to 1999. From 1996 to 1997, Ms. Palmer held the position of Senior Counsel in our legal department. Prior to joining Papa John's, Ms. Palmer practiced law as a partner in the area's largest regional law firm, Wyatt, Tarrant, and Combs.

Syl Sosnowski has served as Vice President of Marketing since 1995. Mr. Sosnowski also served as Vice President of Support Services from 1997 to 1998. From 1990 to 1995, Mr. Sosnowski served as Vice President of Marketing and Sales for Carvel Corporation.

John and Charles Schnatter are brothers. There are no other family relationships among the executive officers and other key personnel.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock trades on the NASDAQ National Market tier of The NASDAQ Stock Market under the symbol PZZA. As of March 18, 1999, there were approximately 830 record holders of common stock. The following table sets forth for the quarters indicated the high and low sale prices of our common stock, as reported by The NASDAQ Stock Market.

1998	High	Low
First Quarter	$38.88	$31.25
Second Quarter	44.00	37.50
Third Quarter	39.91	26.50
Fourth Quarter	42.25	29.25
1997		
First Quarter	$35.13	$23.75
Second Quarter	37.50	22.63
Third Quarter	39.50	30.44
Fourth Quarter	37.75	28.00

Since our initial public offering of common stock in 1993, we have not paid dividends on our common stock, and have no plans to do so in the foreseeable future.

Item 6. Selected Financial Data

The selected financial data presented below for each of the years in the five-year period ended December 27, 1998 was derived from our audited consolidated financial statements. The selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes thereto included in Item 7 and Item 8, respectively, of this Form 10-K.

(In thousands, except per share data)	Year Ended (1)				
	Dec 27, 1998	Dec. 28, 1997	Dec 29, 1996	Dec 31, 1995	Dec. 25, 1994
Systemwide Restaurant Sales					
Company-owned	$ 324,894	$ 251,153	$ 167,982	$ 111,747	$ 66,267
Franchised	831,377	616,456	451,214	347,003	231,343
Total	$1,156,271	$ 867,609	$ 619,196	$ 458,750	$ 297,610
Income Statement Data					
Revenues:					
Restaurant sales	$ 324,894	$ 251,153	$ 167,982	$ 111,747	$ 66,267
Franchise royalties	32,894	24,318	17,827	13,561	9,163
Franchise and development fees	5,605	5,327	4,286	3,508	3,274
Commissary sales	261,009	188,034	142,998	105,874	67,515
Equipment and other sales	45,404	39,952	26,959	18,665	15,316
Total revenues	669,806	508,784	360,052	253,355	161,535
Operating income (2)	55,517	38,120	26,062	16,070	10,226
Investment income (2)	4,432	4,505	3,484	1,659	1,156
Income before income taxes and cumulative effect of a change in accounting principle	59,949	42,625	29,546	17,729	11,382
Income tax expense	22,181	15,772	10,932	6,525	4,182
Income before cumulative effect of a change in accounting principle	37,768	26,853	18,614	11,204	7,200
Cumulative effect of accounting change, net of Tax (3)	(2,603)	--	--	--	--
Net income	$ 35,165	$ 28,853	$ 18,614	$ 11,204	$ 7,200
Basic earnings per share:					
Income before cumulative effect of a change in accounting principle	$ 1.28	$ .93	$ .66	$ .45	$ .31
Cumulative effect of accounting change, net of tax (3)	(.09)	--	--	--	--
Basic earnings per share	$ 1.19	$ .93	$ .66	$ .45	$ .31
Diluted earnings per share:					
Income before cumulative effect of a change in acconting principle	$ 1.25	$ .91	$ .65	$ .44	$ .30
Cumulative effect of accounting change, net of tax (3)	(.09)	--	--	--	--
Diluted earnings per share	$ 1.16	$ .91	$ .65	$ .44	$ .30
Basic weighted average shares outstanding	29,409	28,916	28,010	25,139	23,525
Diluted weighted average shares outstanding	30,327	29,592	28,670	25,552	24,033
Balance Sheet Data					
Total assets	$ 319,297	$ 253,243	$ 212,061	$ 128,819	$ 76,173
Long-term debt	1,320	1,505	1,680	2,510	1,279
Stockholders' equity	262,711	212,733	180,643	106,282	62,609

(1) We operate on a 52-53 week fiscal year ending on the last Sunday of December of each year. The 1998, 1997, 1996, and 1994 fiscal years consisted of 52 weeks and the 1995 fiscal year consisted of 53 weeks.

(2) Certain financial data for 1997-1994 has been reclassified to conform with the current year's presentation.

(3) Reflects the cumulative effect on income and earnings per share of a change in accounting principle, net of tax, as required by Statement of Position 98-5 "Reporting the Costs of Start-Up Activities." See "Note 2" of "Notes to Consolidated Financial Statements."

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

Introduction

Papa John's International, Inc. (referred to as "the Company," "Papa John's" or in the first person notations of "we," "us" and "our") began operations in 1985 with the opening of the first Papa John's restaurant in Jeffersonville, Indiana. At December 27, 1998, there were 1,885 Papa John's restaurants in operation, consisting of 478 Company-owned and 1,407 franchised restaurants. Our revenues are principally derived from retail sales of pizza to the general public by Company-owned restaurants, franchise royalties, sales of franchise and development rights, sales to franchisees of food and paper products, restaurant equipment, printing and promotional items, risk management services, and information systems and related services used in their operations.

We intend to continue to expand the number of Company-owned and franchised restaurants. Our expansion strategy is to cluster restaurants in targeted markets, thereby increasing consumer awareness and enabling us to take advantage of operational, distribution and advertising efficiencies. We believe that our expansion strategy has contributed to increases in comparable annual sales for Company-owned restaurants of 8.6% in 1998, 9.3% in 1997, and 11.9% in 1996. We anticipate that future comparable sales increases, if any, will be at a lesser rate than in recent years. Average sales for the Company's most recent comparable base restaurants increased to $757,000 for 1998 from $725,000 for 1997. This increase is attributable to continuing strong sales of maturing restaurants. Average sales volumes in new markets are generally lower than in those markets in which we have established a significant market position, although trends indicate that new markets are opening with stronger than historical sales volumes.

Approximately 46% of our revenues for 1998 and 45% for 1997 were derived from the sale to franchisees of food and paper products, restaurant equipment, printing and promotional items, risk management services and information systems equipment and software and related services by us, our commissary subsidiary, PJ Food Service, Inc., and our support services subsidiary, Papa John's Support Services. We believe that, in addition to supporting both Company and franchised growth, these subsidiaries contribute to product quality and consistency throughout the Papa John's system.

We continually strive to obtain high quality sites with greater access and visibility, and to enhance the appearance and quality of our restaurants. We believe that these factors improve our image and brand awareness. During 1998 and 1997, we pursued a greater number of free-standing conversion and prototype locations. As of December 28, 1998, free-standing units represented approximately 27% of the total Company-owned restaurants. We expect this ratio to remain fairly consistent in future years.

The average cash investment for the 60 Company-owned restaurants opened during 1998, exclusive of land, increased to approximately $261,000 from $257,000 for the 76 units opened in 1997. This increase was primarily due to an overall increase in the equipment and building costs per store, principally for the free-standing buildings. We expect the average cash investment for restaurants opening in 1999 not to exceed the 1998 amount.

We defer certain costs incurred in connection with the development of our information systems and amortize such costs over periods of up to five years from the date of completion.

Our fiscal year ends on the last Sunday in December of each year. All fiscal years presented consist of 52 weeks.

The Board of Directors approved a 3-for-2 stock split in February 1996 and an additional 3-for-2 stock split in October 1996, each of which was effected in the form of a 50% stock dividend. All share data included in this Annual Report have been restated to reflect these stock splits.

Results of Operations

The following tables set forth the percentage relationship to total revenues, unless otherwise indicated, of certain income statement data, and certain restaurant data for the years indicated:

	Year Ended Dec. 27, 1998	Dec. 28, 1997	Dec. 29, 1996
Income Statement Data:			
Revenues:			
Restaurant sales	48.5%	49.4%	46.7%
Franchise royalties	4.9	4.7	4.9
Franchise and development fees	0.8	1.0	1.2
Commissary sales	39.0	37.0	39.7
Equipment and other sales	6.8	7.9	7.5
Total revenues	100.0	100.0	100.0
Costs and expenses:			
Restaurant cost of sales (1)	26.9	26.4	28.0
Restaurant operating expenses (1)	53.5	54.9	54.9
Commissary, equipment and other expenses (2)	91.5	91.5	91.1
General and administrative expenses (3)	7.5	7.3	7.4
Pre-opening and other general expenses (3)	0.4	0.2	(0.1)
Depreciation and amortization (3)	2.9	3.9	3.8
Total costs and expenses	91.7	92.5	92.8
Operating income	8.3	7.5	7.2
Investment income	0.6	0.9	1.0
Income before income taxes and cumulative effect of a change in accounting principle	8.9	8.4	8.2
Income tax expense	3.3	3.1	3.0
Income before cumulative effect of a change in accounting principle	5.6	5.3	5.2
Cumulative effect of accounting change, net of tax (3)	(0.4)	-	-
Net income	5.2%	5.3%	5.2%

(1) As a percentage of Restaurant sales.
(2) As a percentage of Commissary sales and Equipment and other sales on a combined basis.
(3) The 1998 operating results reflect the adoption of a new accounting standard (see "Note 2" of "Notes to Consolidated Financial Statements") which impacts the amount of depreciation and amortization, general and administrative expenses, and pre-opening and other general expenses reflected above.

	Year Ended		
	Dec. 27, 1998	Dec. 28, 1997	Dec. 29, 1996
Restaurant Data:			
Percentage increase in comparable Company-owned restaurant sales (4)	8.6%	9.3%	11.9%
Number of Company-owned restaurants included in the respective years' most recent comparable restaurant base	383	266	182
Average sales for Company-owned restaurants included in the respective years' most recent comparable restaurant base	$ 757,000	$ 725,000	$ 698,000
Number of Company-owned restaurants:			
Beginning of period	401	303	217
Opened	60	76	66
Closed	(1)	(1)	(2)
Acquired from franchisees	21	23	22
Sold to franchisees	(3)	--	--
End of period	478	401	303
Number of U.S. franchised restaurants:			
Beginning of period	1,116	857	661
Opened	306	288	224
Closed	(3)	(6)	(6)
Sold to Company	(21)	(23)	(22)
Acquired from Company	3	--	--
End of period	1,401	1,116	857
Number of international franchised restaurants:			
Beginning of period	--	--	--
Opened	6	--	--
Closed	--	--	--
Sold to Company	--	--	--
Acquired from Company	--	--	--
End of period	6	--	--
Total restaurants -- end of period	1,885	1,517	1,160

(4) Includes only Company-owned restaurants open throughout the periods being compared.

1998 Compared to 1997

Revenues. Total revenues increased 31.6% to $669.8 million in 1998, from $508.8 million in 1997.

Restaurant sales increased 29.4% to $324.9 million in 1998, from $251.2 million in 1997. This increase was primarily due to a 22.5% increase in the number of equivalent Company-owned restaurants open during 1998 as compared to 1997. "Equivalent restaurants" represents the number of restaurants open at the beginning of a given period, adjusted for restaurants opened or acquired during the period on a weighted average basis. Also, comparable sales increased 8.6% in 1998 over 1997 for Company-owned restaurants open throughout both years.

Franchise royalties increased 35.3% to $32.9 million in 1998, from $24.3 million in 1997. This increase was primarily due to a 27.4% increase in the number of equivalent franchised restaurants open during 1998 as compared to 1997. Also, comparable sales increased 10.3% in 1998 over 1997 for franchised restaurants open throughout both years.

Franchise and development fees increased 5.2% to $5.6 million in 1998, from $5.3 million in 1997. This increase was primarily due to the 312 franchised restaurants opened during 1998, as compared to 288 opened during 1997, an increase of 8.3%. The average dollar amount of fees per franchised restaurant may vary from period to period, depending on the mix of restaurants opened pursuant to older development agreements including "Hometown restaurants" which generally had lower required fees than traditional restaurants opened pursuant to standard development agreements. Hometown restaurants are located in smaller markets, generally with less than 9,000 households. Hometown restaurant development agreements entered into subsequent to March 1998, generally provide for fees equivalent to those under standard development agreements.

Commissary sales increased 38.8% to $261.0 million in 1998, from $188.0 million in 1997. This increase was primarily due to the increases in equivalent franchised restaurants and comparable sales for franchised restaurants noted above. There was an additional impact of higher cheese prices in 1998 compared to 1997 in response to increased cheese costs during 1998.

Equipment and other sales increased 13.6% to $45.4 million in 1998, from $40.0 million in 1997. This increase was primarily due to ongoing equipment and smallwares orders related to the increase in equivalent franchised restaurants open during 1998 as compared to 1997, and the increase in the number of new restaurant equipment packages sold to franchisees that opened restaurants in 1998 as compared to 1997. A portion of the equipment and other sales increase was also attributable to an increase in sales of the Papa John's PROFIT system, a proprietary point of sale system.

Costs and Expenses. Restaurant cost of sales, which consists of food, beverage and paper costs, increased as a percentage of restaurant sales to 26.9% in 1998, from 26.4% in 1997. The primary reason for the increase is attributable to increases in the average cheese block market prices, partially offset by a decrease in the average cost of certain other commodities. The cost of cheese, representing approximately 40% of food cost, and other commodities are subject to seasonal fluctuations, weather, demand and other factors. Most of the factors affecting the cost of cheese are beyond our control.

Restaurant salaries and benefits decreased as a percentage of restaurant sales to 26.8% in 1998, from 27.0% in 1997. The decrease is primarily due to increased efficiencies in relation to higher sales volumes, partially offset by the 1998 full year impact of increases in the federal minimum wage in September 1997. Occupancy costs decreased as a percentage of restaurant sales to 4.9% in 1998 from 5.1% in 1997 as a result of leveraging against a higher sales base.

Restaurant advertising and related costs decreased as a percentage of restaurant sales to 8.7% in 1998, from 9.3% in 1997. The decrease in 1998 was primarily the result of efficiencies related to increased market penetration and higher sales volume. Also, restaurant level advertising is intentionally managed to higher levels for new restaurants; therefore, as the ratio of new Company-owned restaurant openings to existing Company-owned restaurants decreases, the overall advertising cost percentage also decreases. Our advertising often varies based on the timing of national or market-level promotions.

Other restaurant operating expenses decreased as a percentage of restaurant sales to 13.2% for 1998 from 13.5% for 1997. Other operating expenses include an allocation of commissary operating expenses equal to 3% of Company-owned restaurant sales in order to assess a portion of the costs of dough production and food and equipment purchasing and storage to Company-owned restaurants. The decrease in other operating expenses as a percentage of restaurant sales was primarily due to a reduction in worker's compensation costs.

Commissary, equipment and other expenses include cost of sales, salaries and benefits, and other operating expenses associated with sales of food, paper, equipment, information systems and printing and promotional items to franchisees and other customers. These costs were consistent as a percentage of combined commissary sales and equipment and other sales at 91.5% in 1998 and 1997. Cost of sales as a percentage of combined commissary sales and equipment and other sales increased to 78.6% in 1998 from 77.8% in 1997, due to the timing of certain unfavorable commodity price changes (primarily cheese). The increase was offset by a decrease in salaries and benefits and other operating expenses to 12.9% in 1998 compared to 13.7% in 1997, due primarily to efficiencies related to an increased number of restaurants serviced by the overall commissary system without significant expansion in 1998.

General and administrative expenses increased slightly as a percentage of total revenues to 7.5% in 1998 from 7.3% in 1997. This increase is primarily due to the adoption of the AICPA Statement of Position 98-5 ("SOP") which required the expensing of certain start-up costs effective in 1998 (see "Note 2" of "Notes to Consolidated Financial Statements"). Certain of these costs had previously been deferred and, accordingly, were not previously included in general and administrative costs. Even though the adoption resulted in significant changes to the amounts reported on individual line items (general and administrative expenses, pre-opening and other general expenses, and depreciation and amortization), the effect of the adoption of the SOP did not have a material impact on 1998 consolidated net income, excluding the one time cumulative effect adjustment of $2.6 million, net of taxes of $1.5 million. This increase was partially offset by the recognition of $2.0 million in incentives under the Kentucky Jobs Development Act (the "KJDA incentives") related to the development of a new corporate headquarters facility and associated employment increases.

Pre-opening and other general expenses increased to $2.7 million in 1998, compared to $1.1 million in 1997. Pre-opening and other general expenses consisted primarily of relocation costs in 1997 and of both relocation costs and pre-opening expenses in 1998 as a result of the adoption of the SOP (see "Note 2" of "Notes to Consolidated Financial Statements").

Depreciation and amortization decreased as a percentage of total revenues to F2.9% in 1998, from 3.9% in 1997. This decrease was due to the elimination of pre-opening deferrals and related amortization in 1998 as a result of the adoption of the SOP (see "Note 2" of "Notes to Consolidated Financial Statements").

Investment Income. Investment income remained relatively consistent at $4.4 million in 1998 and $4.5 million in 1997 as average invested and loaned balances and yields were also fairly consistent between years.

Income Tax Expense. Income tax expense reflects a combined federal, state and local effective income tax rate of 37.0% in 1998 and 1997. The combined federal, state and local effective income tax rate for 1999 is expected to increase to 37.5% as a result of a relative decrease in the level of tax-exempt investment income to total pre-tax income.

1997 Compared to 1996

Revenues. Total revenues increased 41.3% to $508.8 million in 1997, from $360.1 million in 1996.

Restaurant sales increased 49.5% to $251.2 million in 1997, from $168.0 million in 1996. This increase was primarily due to a 42.0% increase in the number of equivalent Company-owned restaurants open during 1997 as compared to 1996. Also, comparable sales increased 9.3% in 1997 over 1996 for Company-owned restaurants open throughout both years.

Franchise royalties increased 36.4% to $24.3 million in 1997, from $17.8 million in 1996. This increase was primarily due to a 30.5% increase in the number of equivalent franchised restaurants open during 1997 as compared to 1996. Also, comparable sales increased 7.4% in 1997 over 1996 for franchised restaurants open throughout both years.

Franchise and development fees increased 24.3% to $5.3 million in 1997, from $4.3 million in 1996. This increase was primarily due to the 288 franchised restaurants opened during 1997, as compared to 224 opened during 1996, an increase of 28.6%, partially offset by the lower per unit franchise and development fees collected on certain non-traditional restaurant units opened in 1997.

Commissary sales increased 31.5% to $188.0 million in 1997, from $143.0 million in 1996. This increase was primarily due to the increases in equivalent franchised restaurants and comparable sales for franchised restaurants noted above, partially offset by the impact of lower average cheese prices in 1997.

Equipment and other sales increased 48.2% to $40.0 million in 1997, from $27.0 million in 1996. This increase was primarily due to the increase in equivalent franchised restaurants open during 1997 as compared to 1996, and the increase in franchised restaurants opened during 1997 as compared to 1996. A portion of the equipment and other sales increase was also attributable to the increase in sales of the Papa John's PROFIT System, a proprietary point of sale system, and related PROFIT support services to the franchisees, as well as increasing insurance commissions from franchisees. We initiated an insurance agency function for franchisees during the fourth quarter of 1996.

Costs and Expenses. Restaurant cost of sales, which consists of food, beverage and paper costs, decreased as a percentage of restaurant sales to 26.4% in 1997, from 28.0% in 1996. The primary reason for the decrease is attributable to lower average cheese prices for the year and increased efficiencies at both mature and newly-opened stores.

Restaurant salaries and benefits increased as a percentage of restaurant sales to 27.0% in 1997, from 26.7% in 1996. The increase is primarily due to the impact of increases in the federal minimum wage in October 1996 and September 1997, and increased staffing levels during the second quarter of 1997 to ensure quality customer service was delivered during the 12th Anniversary Promotion.

Restaurant advertising and related costs decreased as a percentage of restaurant sales to 9.3% in 1997, from 9.6% in 1996. The decrease in 1997 was primarily the result of higher 1996 costs related to the fourth quarter rollout of a new thin crust product. Also, restaurant level advertising is intentionally managed to higher levels for new restaurants; therefore, as the percentage of new Company-owned restaurant openings to existing Company-owned restaurants decreases, the overall advertising cost percentage also decreases.

Other restaurant operating expenses were relatively consistent as a percentage of restaurant sales at 13.5% for 1997, and 13.6% for 1996.

Commissary, equipment and other expenses include cost of sales and operating expenses associated with sales of food, paper, equipment, information systems and printing and promotional items to franchisees and other customers. These costs increased as a percentage of combined commissary sales and equipment and other sales to 91.5% in 1997, from 91.1% in 1996. Cost of sales as a percentage of combined commissary sales and equipment and other sales decreased to 77.8% in 1997 from 79.3% in 1996, due to the timing of certain favorable commodity price changes. The decrease was offset by an increase in salaries and benefits and other operating expenses to 13.7% in 1997 compared to 11.8% in 1996, due primarily to increased delivery costs resulting from larger commissary service areas and staffing and other costs related to the opening of three commissary facilities in 1997.

General and administrative expenses declined slightly as a percentage of total revenues to 7.3% in 1997 from 7.4% in 1996.

Pre-opening and other general expenses increased $1.5 million in 1997. This increase was primarily attributable to equipment and leasehold write-offs resulting from an increased number of restaurant relocations during the year.

Depreciation and amortization increased as a percentage of total revenues to 3.9% in 1997, from 3.8% in 1996. This increase was primarily due to additional capital expenditures, intangibles related to acquisitions, deferred pre-opening costs for newly-opened restaurants and commissaries and other deferred expenses, primarily systems development costs.

Investment Income. Investment income increased to $4.5 million in 1997, from $3.5 million in 1996. The increase was the result of higher average amounts outstanding under the franchise loan program which earn higher average rates of interest in comparison to the securities held in the investment portfolio. Amounts receivable under the program increased from $5.1 million at December 1996, to $15.1 million at December 1997.

Income Tax Expense. Income tax expense reflects a combined federal, state and local effective income tax rate of 37.0% in 1997 and 1996.

Liquidity and Capital Resources

We require capital primarily for the development and acquisition of restaurants, the addition of new commissary and support services facilities and equipment, the enhancement of corporate systems and facilities and the funding of franchisee loans. Capital expenditures of $69.2 million, acquisitions of $1.9 million, and loans to franchisees of $4.8 million for 1998, were primarily funded by cash flow from operations and cash generated from the exercise of stock options.

Total 1999 capital expenditures are expected to be approximately $69.0 million, primarily for the development or relocation of restaurants and construction of commissary facilities and completion of the Louisville commissary and corporate offices. During 1999, we plan to open approximately 35 new Company-owned restaurants, acquire approximately 60 franchised Papa John's restaurants, and relocate an additional 17 restaurants.

We plan to open a full service commissary in Dallas, Texas by mid-1999. We also plan to open a 247,000 square foot facility in Louisville, Kentucky, of which approximately 30-40% will accommodate relocation and expansion of the Louisville commissary operations and Support Services promotional division, and the remainder of which will accommodate relocation and consolidation of corporate offices.

We have been approved to receive up to $21.0 million in incentives under the Kentucky Jobs Development Act in connection with the relocation of the corporate offices. Based upon the expected timing of completion of the facility, we expect to earn approximately $14.0 million of such incentives through 2007.

Additionally, during 1999 we expect to fund up to $1.1 million in additional loans under existing franchisee loan program commitments. Approximately $12.5 million was outstanding under this program as of December 27, 1998. At this time, we do not expect to significantly expand the program beyond existing commitments.

Capital resources available at December 27, 1998 include $34.0 million of cash and cash equivalents, $47.4 million of investments and $9.6 million under a line of credit expiring in June 1999. We expect to fund planned capital expenditures, acquisitions of franchised restaurants and disbursements under the franchise loan program for the next twelve months from these resources and operating cash flows.

Impact of Year 2000

Some of our older purchased software programs were written using two digits rather than four to define the applicable year. As a result, time-sensitive software or hardware recognizes a date using "00" as the year 1900 rather than the year 2000. This could cause a system failure or miscalculations resulting in disruptions of important administrative processes, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Our year 2000 evaluation has been ongoing since late 1997 and became more formalized in January 1999 with the formation of a committee comprised of senior management from various departments within the Company. The primary goal of the committee is to assess and mitigate risk associated with year 2000 issues by September 1999. The committee developed a three phased approach to accomplish this goal consisting of the following: (1) identifying and documenting the business components impacted by the year 2000, both internally and externally, assigning priority to those components identified based on the level of risk, and determining year 2000 compliance; (2) performing tests for year 2000 compliance; and (3) developing contingency plans based upon the results of the risk analysis and testing phases. We are currently in the first phase and expect this phase to be complete by April 1999. The second and third phases are targeted for completion in July 1999 and September 1999, respectively.

As part of phase I, we have substantially completed an assessment of our internal information technology and will have to modify or replace certain software and hardware so that they will function properly in the year 2000 and thereafter. Based on our assessment or representations from software suppliers, or both, we believe the total year 2000 project cost is immaterial to our financial position, net income and liquidity. Much of the cost related to year 2000 coincides with existing management plans to replace certain systems which include the financial accounting and payroll/human resource systems in order to accommodate our planned growth. About 70% of the new financial accounting system has been implemented and the remaining portion is expected to be implemented by June 1999. The payroll/human resource system implementation was complete in January 1999. Based upon the representations from the manufacturers of both systems, we believe the systems are year 2000 compliant. The timing of implementation was not materially affected by year 2000 concerns.

We have taken action to ensure that our restaurant system is year 2000 compliant by implementing a single point of sale operating system (Papa John's PROFIT System) in all of our Company-owned and substantially all of our franchised-owned restaurants. Additionally, we have notified our franchisees of our year 2000 process and have requested their assistance in ensuring year 2000 compliance with regard to their business.

We believe that with the planned modifications to existing software and/or conversions to new software and hardware as described above, the year 2000 issue will not pose significant operational problems. However, if such modifications and conversions are not made, or are not completed timely, the year 2000 issue could have a material impact on certain administrative processes.

We are in the process of querying our significant vendors with respect to year 2000 issues. Based on the responses received from approximately 75% of the vendors, including our cheese and tomato sauce vendors, we are not aware of any vendors with a year 2000 issue that would materially impact results of operations, liquidity, or capital resources. However, we have no means of ensuring that vendors will be year 2000 ready. The inability of vendors to complete their year 2000 resolution process in a timely fashion could materially impact us, although the actual impact of non-compliance by vendors is not determinable.

There can be no assurance that we will be completely successful in our efforts to address year 2000 issues. We have no contingency plans in place in the event we do not complete all phases of the year 2000 program. We plan to evaluate the status of completion in July 1999 to determine whether such contingency plans are necessary, although at this time we know of no reason our year 2000 program will not be completed in a timely manner.

Impact of Inflation

We do not believe inflation has materially affected earnings during the past three years. Substantial increases in costs, particularly labor, employee benefits or food costs, could have a significant impact on us.

Forward Looking Statements

Certain information contained in this annual report, particularly information regarding future financial performance and plans and objectives of management, is forward looking. Certain factors could cause actual results to differ materially from those expressed in forward looking statements. These factors include, but are not limited to, our ability and the ability of our franchisees to obtain suitable locations and financing for new restaurant development; the hiring, training, and retention of management and other personnel; competition in the industry with respect to price, service, location, and food quality; an increase in food cost due to seasonal fluctuations, weather, and demand; changes in consumer tastes and demographic trends; changes in federal and state laws, such as increases in minimum wage; risks inherent to international development; and factors associated with the Year 2000 evaluation and modifications.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We had no holdings of derivative financial or commodity instruments at December 27, 1998. Our principal exposure to financial market risks is the impact that interest rate changes could have on the income from our investment portfolio. All borrowings under our revolving credit agreement (none at December 27, 1998) bear interest at a variable rate based on the prime rate, the London Interbank Offered Rate, or certain alternative short-term rates. A change in interest rates of 100 basis points would not significantly affect our net income. Substantially all of our business is transacted in U.S. dollars. Accordingly, foreign exchange rate fluctuations have never had a significant impact on us, and are not expected to in the foreseeable future.

Item 8. Financial Statements and Supplementary Data

Papa John's International, Inc. and Subsidiaries
Consolidated Statements of Income

(In thousands, except per share amounts)	Year Ended		
	December 27, 1998	December 28, 1997	December 29, 1996
Revenues:			
Restaurant sales	$324,894	$251,153	$167,982
Franchise royalties	32,894	24,318	17,827
Franchise and development fees	5,605	5,327	4,286
Commissary sales	261,009	188,034	142,998
Equipment and other sales	45,404	39,952	26,959
Total revenues	669,806	508,784	360,052
Costs and expenses:			
Restaurant expenses:			
Cost of sales	87,487	66,417	47,092
Salaries and benefits	86,992	67,830	44,774
Advertising and related costs	28,358	23,298	16,074
Occupancy costs	15,765	12,785	8,527
Other operating expenses	42,759	33,882	22,801
	261,361	204,212	139,268
Commissary equipment and other expenses:			
Cost of sales	240,717	177,263	134,771
Salaries and benefits	16,981	13,091	9,023
Other operating expenses	22,560	18,181	11,009
	280,258	208,535	154,803
General and administrative expenses	50,537	37,051	26,694
Pre-opening and other general expenses (income)	2,729	1,074	(433)
Depreciation and amortization	19,404	19,792	13,658
Total costs and expenses	614,289	470,664	333,990
Operating income	55,517	38,120	26,062
Investment income	4,432	4,505	3,484
Income before income taxes and cumulative effect of a change in accounting principle	59,949	42,625	29,546
Income tax expense	22,181	15,772	10,932
Income before cumulative effective of a change in accounting principle	37,768	26,853	18,614
Cumulative effect of accounting change, net of tax	(2,603)	-	-
Net income	$ 35,165	$ 26,853	$ 18,614
Basic earnings per share:			
Income before cumulative effect of a change in accounting principle	$ 1.28	$ .93	$ .66
Cumulative effect of accounting change, net of tax	(.09)	-	-
Basic earnings per share	$ 1.19	$ .93	$ .66
Diluted earnings per share:			
Income before cumulative effect of a change in accounting principle	$ 1.25	$ .91	$ .65
Cumulative effect of accounting change, net of tax	(.09)	-	-
Diluted earnings per share	$ 1.16	$ .91	$ .65
Basic weighted average shares outstanding	29,409	28,916	28,010
Diluted weighted average shares outstanding	30,327	29,592	28,670
Supplemental data:			
Revenues - affiliates	$ 85,137	$ 62,986	$ 47,012
Other income - affiliates	570	514	85

See accompanying notes.

Papa John's International, Inc. and Subsidiaries
Consolidated Balance Sheets

(Dollars in thousands, except per share amounts)	December 27, 1998	December 28, 1997
Assets		
Current assets:		
Cash and cash equivalents	$ 33,984	$ 18,692
Accounts receivable	15,019	12,678
Accounts receivable-affiliates	2,273	2,454
Inventories	9,653	9,091
Deferred pre-opening costs	-	3,827
Prepaid expenses and other current assets	4,815	2,434
Deferred income taxes	2,090	-
Total current assets	67,834	49,176
Investments	47,355	57,933
Net property and equipment	169,203	112,601
Notes receivable-franchisees	7,749	7,083
Notes receivable-affiliates	4,741	7,997
Other assets	22,415	18,453
Total assets	$319,297	$253,243
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 18,149	$ 15,148
Accrued expenses	25,477	15,132
Deferred income taxes	-	102
Total current liabilities	43,626	30,382
Unearned franchise and development fees	6,561	4,613
Deferred income taxes	5,066	3,987
Other long-term liabilities	1,333	1,528
Stockholders' equity:		
Preferred stock ($.01 par value per share; authorized 5,000,000 shares, no shares issued)	-	-
Common stock ($.01 par value per share; authorized 50,000,000 shares, issued 29,738,713 in 1998 and 29,127,717 in 1997)	297	291
Additional paid-in capital	164,710	149,850
Accumulated other comprehensive income (unrealized gain on investments, net of tax)	688	321
Retained earnings	97,497	62,752
Treasury stock (36,572 shares in 1998 and 36,644 shares in 1997, at cost)	(481)	(481)
Total stockholders' equity	262,711	212,733
Total liabilities and stockholders' equity	$319,297	$253,243

See accompanying notes.

Papa John's International, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 1995	$ 268	$ 88,043	$ (263)	$ 18,838	$ (604)	$ 106,282
Comprehensive income:						
Net income	--	--	--	18,614	--	18,614
Unrealized gain on investments, net of tax of $714	--	--	1,240	--	--	1,240
Comprehensive income						19,854
Issuance of common stock	17	50,534	--	--	--	50,551
Exercise of stock options	2	1,429	--	--	--	1,431
Tax benefit related to exercise of non-qualified stock options	--	1,315	--	--	--	1,315
Acquisitions	1	2,602	--	(1,542)	--	1,061
Other	--	55	--	(28)	122	149
Balance at December 29, 1996	288	143,978	977	35,882	(482)	180,643
Comprehensive income:						
Net income	--	--	--	26,853	--	26,853
Unrealized loss on investments, net of tax of $424	--	--	(656)	--	--	(656)
Comprehensive income						26,197
Exercise of stock options	3	3,533	--	--	1	3,537
Tax benefit related to exercise of non-qualified stock options	--	2,339	--	--	--	2,339
Other	--	--	--	17	--	17
Balance at December 28, 1997	291	149,850	321	62,752	(481)	212,733
Comprehensive income:						
Net income	--	--	--	35,165	--	35,165
Unrealized gain on investments, net of tax of $354	--	--	367	--	--	367
Comprehensive income						35,532
Exercise of stock options	5	11,668	--	--	--	11,673
Tax benefit related to exercise of non-qualified stock options	--	2,953	--	--	--	2,953
Other	1	239	--	(420)	--	(180)
Balance at December 27, 1998	$ 297	$ 164,710	$ 688	$ 97,497	$ (481)	$ 262,711

See accompanying notes.

Papa John's International, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(In thousands)	Year Ended		
	December 27, 1998	December 28, 1997	December 29, 1996
Operating activities			
Net income	$ 35,165	$ 26,853	$ 18,614
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,925	20,522	14,304
Deferred income taxes	(1,443)	528	1,956
Other	903	(601)	430
Changes in operating assets and liabilities:			
Accounts receivable	(2,218)	(2,017)	(2,903)
Inventories	(507)	(2,234)	(1,651)
Deferred pre-opening costs	3,827	(5,823)	(4,247)
Prepaid expenses and other current assets	(2,356)	(817)	(499)
Other assets	(1,259)	(827)	(3,253)
Accounts payable	2,861	2,043	3,717
Accrued expenses	6,674	5,885	2,630
Unearned franchise and development fees	1,873	1,195	700
Net cash provided by operating activities	63,445	44,707	29,798
Investing activities			
Purchase of property and equipment	(69,248)	(43,135)	(28,792)
Purchase of investments	(34,107)	(41,445)	(65,031)
Proceeds from sale or maturity of investments	44,289	46,696	26,572
Loans to franchisees	(4,834)	(12,348)	(7,823)
Loan repayments from franchisees	5,265	2,321	-
Deferred systems development costs	(1,208)	(1,989)	(2,614)
Acquisitions	(1,902)	(6,168)	(30)
Other	402	316	161
Net cash used in investing activities	(61,343)	(55,752)	(77,557)
Financing activities			
Payments on long-term debt	(1,430)	(175)	(1,367)
Proceeds from issuance of common stock	-	-	50,551
Proceeds from exercise of stock options	11,673	3,537	1,431
Tax benefit related to exercise of non-qualified stock options	2,953	2,339	1,315
Other	(6)	(27)	(12)
Net cash provided by financing activities	13,190	5,674	51,918
Net increase (decrease) in cash and cash equivalents	15,292	(5,371)	4,159
Cash and cash equivalents at beginning of year	18,692	24,063	19,904
Cash and cash equivalents at end of year	$ 33,984	$ 18,692	$ 24,063

See accompanying notes.

Papa John's International, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Description of Business

Papa John's International, Inc. (referred to as the "Company," "Papa John's" or in the first person notations of "we," "us" and "our") operates and franchises pizza delivery and carry-out restaurants under the trademark "Papa John's," currently in 46 states, the District of Columbia, Mexico, and Puerto Rico. Substantially all revenues are derived from retail sales of pizza to the general public by Company-owned restaurants, franchise royalties, sales of franchise and development rights, and sales to franchisees of food and paper products, restaurant equipment, printing and promotional items, risk management services, and information systems and related services used in their operations.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Papa John's and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Fiscal Year

Our fiscal year ends on the last Sunday in December of each year. All fiscal years presented consist of 52 weeks.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Revenue Recognition

Franchise fees are recognized when a franchised restaurant begins operations, at which time we have performed our obligations related to such fees. Fees received pursuant to development agreements which grant the right to develop franchised restaurants in future periods in specific geographic areas are deferred and recognized on a pro rata basis as the franchised restaurants subject to the development agreements begin operations. Both franchise and development fees are nonrefundable. Franchise royalties, which are based on a percentage of franchised restaurants' sales, are recognized as earned.

Cash Equivalents

Cash equivalents consist of all highly liquid investments with a maturity of three months or less at date of purchase. These investments are carried at cost which approximates fair value.

2. Significant Accounting Policies (continued)

Accounts Receivable

Substantially all accounts receivable are due from franchisees for purchases of food and paper products, restaurant equipment, printing and promotional items, risk management services, information systems and related services, and for royalties from December sales. Credit is extended based on an evaluation of the franchisee's financial condition and, generally, collateral is not required. We consider substantially all amounts to be collectible.

Inventories

Inventories, which consist of food products, paper goods and supplies, smallwares, store equipment and printing and promotional items, are stated at the lower of cost, determined under the first-in, first-out (FIFO) method, or market.

Deferred Pre-Opening Costs

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting the Costs of Start-Up Activities" (the "SOP"), which requires that costs related to start-up activities be expensed as incurred. Prior to 1998, we capitalized our start-up costs incurred primarily in connection with opening new restaurant and commissary locations and amortized these costs on a straight line basis over a period of one year from the facility's opening date. We adopted the provisions of the SOP in our financial statements for the year ended December 27, 1998. The adoption resulted in a charge in the first quarter of 1998 for the cumulative effect of an accounting change of $2.6 million, net of taxes of $1.5 million, to expense costs that had been previously capitalized prior to 1998. Excluding the one-time cumulative effect, the adoption of the new accounting standard did not have a material impact on 1998 operating results.

Investments

We determine the appropriate classification of investment securities at the time of purchase and reevaluate such designation as of each balance sheet date. All investment securities held at December 27, 1998, have been classified as available-for-sale. Available-for-sale securities are stated at fair value as determined primarily through quoted market prices. Unrealized gains and losses, net of tax, are reported as a separate component of stockholders' equity and are included in comprehensive income (see the discussion of comprehensive income below). The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion, along with interest and dividends earned and realized gains and losses, are included in investment income. The cost of securities sold is based on the specific identification method.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (generally five to ten years for restaurant, commissary and other equipment, and 20 to 40 years for buildings and improvements). Leasehold improvements are amortized over the terms of the respective leases, including the first renewal period (generally five to ten years).

Depreciation expense was $17.5 million in 1998, $13.3 million in 1997 and $9.1 million in 1996.

2. Significant Accounting Policies (continued)

Impairment of Long-lived Assets

Impairment losses are recorded on long-lived assets used in operations when impairment indicators are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying value of such assets.

Systems Development Costs

We defer certain systems development and related costs which meet established criteria. Amounts deferred are amortized over periods not exceeding five years beginning in the month subsequent to completion of the related systems project. Total costs deferred were approximately $1.2 million in 1998, $2.0 million in 1997, and $2.6 million in 1996. Unamortized deferred systems development costs were $4.3 million at December 27, 1998 and December 28, 1997, and are reported in other assets in the accompanying consolidated balance sheets.

Advertising and Related Costs

Advertising and related costs include the costs of Company-owned restaurant activities such as mail coupons, door hangers and promotional items and contributions to the Papa John's Marketing Fund, Inc. (the "Marketing Fund") and local market cooperative advertising funds. Through December 28, 1997, Company-owned restaurant contributions to the Marketing Fund and local market cooperative advertising funds were expensed as incurred. Contributions by Company-owned and franchised restaurants to the Marketing Fund and the cooperative advertising funds are based on an established percentage of monthly restaurant revenues. The Marketing Fund is responsible for developing and conducting marketing and advertising for the Papa John's system. The local market cooperative advertising funds are responsible for developing and conducting advertising activities in a specific market, including the placement of electronic and print materials developed by the Marketing Fund. Such funds are accounted for separately and are not included in our consolidated financial statements, except as described below beginning with the first quarter of 1998.

Effective December 29, 1997, we began recognizing Company-owned restaurant contributions to the Marketing Fund and to those local market cooperative advertising funds deemed to be controlled by us (collectively, the "Controlled Funds"), as advertising and related costs at the time the Controlled Funds actually incurred such expenses. Through December 28, 1997, the Controlled Funds generally incurred expenses as contributions were received; therefore, the impact of this change was not material.

2. Significant Accounting Policies (continued)

Earnings per Share

The calculations of basic and diluted earnings per share before the cumulative effect of a change in accounting principle for the years ended December 27, 1998, December 28, 1997 and December 29, 1996 are as follows (in thousands, except per share data):

	1998	1997	1996
Basic earnings per share:			
Income before cumulative effect of a change in accounting principle	$ 37,768	$ 26,853	$ 18,614
Weighted average shares outstanding	29,409	28,916	28,010
Basic earnings per share	$ 1.28	$ .93	$ .66
Diluted earnings per share:			
Income before cumulative effect of a change in accounting principle	$ 37,768	$ 26,853	$ 18,614
Weighted average shares outstanding	29,409	28,916	28,010
Dilutive effect of outstanding common stock options	918	676	660
Diluted weighted average shares outstanding	30,327	29,592	28,670
Diluted earnings per share	$ 1.25	$ .91	$ .65

Options to purchase common stock with an exercise price greater than the average market price were not included in the computation of the dilutive effect of common stock options because the effect would have been antidilutive. The number of antidilutive options was 213,000 in 1998, 695,000 in 1997 and 217,000 in 1996.

Comprehensive Income

We adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," in our 1998 interim financial reporting as required by the Financial Accounting Standards Board. SFAS No. 130 established new rules for the reporting of comprehensive income and its components. The adoption of this statement had no impact on our net income or stockholders' equity and was therefore not material to our 1998 financial statements. SFAS No. 130 requires the unrealized gains and losses on our available-for-sale securities to be included in other comprehensive income.

Prior Year Data

Certain prior year data has been reclassified to conform to the 1998 presentation.

3. Investments

A summary of our available-for-sale securities as of December 27, 1998 and December 28, 1997 follows (in thousands):

December 27,1998	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	$ 500	$ --	$ (1)	$ 499
Municipal bonds	32,011	158	--	32,169
Mortgage-backed securities	239	8	--	247
Fixed income mutual funds	10,822	--	(375)	10,447
Equity securities	1,998	1,549	--	3,547
Interest receivable	446	--	--	446
Total	$ 46,016	$ 1,715	$ (376)	$ 47,355

December 28, 1997	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government securities	$ 1,001	$ --	$ (4)	$ 997
Corporate debt securities	500	--	(1)	499
Municipal bonds	40,073	125	(1)	40,197
Mortgage-backed securities	556	5	--	561
Fixed income mutual funds	10,822	--	(217)	10,605
Equity securities	3,320	736	--	4,056
Interest reeivable	1,018	--	--	1,018
Total	$ 57,290	$ 866	$ (223)	$ 57,933

3. Investments (continued)

The amortized cost and estimated fair value of securities at December 27, 1998, by contractual maturity, are shown below (in thousands). Expected maturities will differ from contractual maturities because the issuers of securities may have the right to prepay obligations without prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 18,463	$ 18,577
Due after one year through three years	14,048	14,091
Mortgage-backed securities	239	247
Fixed income mutual funds	10,822	10,447
Equity securties	1,998	3,547
Interest receivable	446	446
Total	$ 46,016	$ 47,355

4. Net Property and Equipment

Net property and equipment consists of the following (in thousands):

	1998	1997
Land	$ 17,891	$ 14,219
Buildings and improvements	18,871	13,478
Leasehold improvements	47,322	35,406
Equipment and other	86,893	70,419
Construction in progress	46,430	11,790
	217,407	145,312
Less accumulated depreciation and amortization	(48,204)	(32,711)
Net property and equipment	$ 169,203	$ 112,601

5. Franchisee Loan Program

During 1996, we established a program under which selected franchisees may borrow funds for use in the construction and development of their restaurants. Loans outstanding to franchisees were approximately $12.5 million as of December 27, 1998 and $15.1 million as of December 28, 1997. As of December 27, 1998, commitments to lend up to an additional $1.1 million had been made. Such loans bear interest at fixed or floating rates (ranging from 5.5% to 9.8% at December 27, 1998), and are generally secured by the fixtures, equipment, signage and, where applicable, land of each restaurant and the ownership interests in the franchisee. Interest earned on franchisee loans was approximately $1.3 million in 1998, $1.1 million in 1997 and $153,000 in 1996, and is reported in investment income in the accompanying consolidated statements of income. Approximately $4.7 million of the loans outstanding as of December 27, 1998 and $8.0 million as of December 28, 1997 were to franchisees in which we or certain of our directors or officers had an ownership interest.

6. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	1998	1997
Salaries, wages and bonuses	$ 2,556	$ 2,124
Taxes other than income	4,946	4,045
Insurance	3,727	3,520
Income taxes	5,027	2,495
Facility costs	3,494	-
Other	5,727	2,948
Total	$25,477	$15,132

7. Long-Term Debt and Credit Arrangements

Long-term debt consists of a $2.0 million economic development loan (the "Loan") from the State of Mississippi in connection with the opening of a commissary in Jackson, Mississippi. The balance of the loan was $1.3 million as of December 27, 1998 and $1.5 million as of December 28, 1997, and is classified in accrued expenses and other long-term liabilities in the accompanying consolidated balance sheets.

We have a $10.0 million revolving credit agreement that expires on June 29, 1999. Outstanding balances accrue interest at 1% below the prime rate or at rates tied to other interest indices at our election. In the event of any default, the lender has a security interest in our cash account balances maintained with the lender. Letters of credit in the amount of $400,000 have been issued under the agreement on our behalf, reducing the remaining borrowing capacity to $9.6 million at December 27, 1998.

8. Income Taxes

A summary of the provision for income taxes (exclusive of the tax effect related to the cumulative effect of accounting change) follows (in thousands):

	1998	1997	1996
Current			
Federal	$18,849	$13,061	$ 7,658
State and local	3,247	2,183	1,318
Deferred (federal and state)	85	528	1,956
Total	$22,181	$15,772	$10,932

8. Income Taxes (continued)

Significant deferred tax assets (liabilities) follow (in thousands):

	1998	1997
Unearned development fees	$ 2,387	$ 1,630
Unrealized loss on investments	142	82
Accrued expenses	2,485	1,405
Other	304	270
Total deferred tax assets	5,318	3,387
Valuation allowance related to unrealized loss on investments	(142)	(82)
Net deferred tax asset	5,176	3,305
Deferred expenses	(1,976)	(3,158)
Accelerated depreciation	(5,101)	(3,833)
Unrealized gain on warrant	(588)	(270)
Other	(487)	(133)
Total deferred tax liabilities	(8,152)	(7,394)
Net deferred tax liability	$ (2,976)	$ (4,089)

The reconciliation of income tax computed at the U.S. federal statutory rate to income tax expense (exclusive of the tax effect related to the cumulative effect of accounting change) for the years ended December 27, 1998, December 28, 1997 and December 29, 1996 is as follows (in thousands):

	1998	1997	1996
Tax at U.S. federal statutory rate	$ 20,982	$ 14,919	$ 10,341
State and local income taxes	1,901	1,459	1,011
Tax exempt investment income	(761)	(783)	(788)
Other	59	177	368
Total	$ 22,181	$ 15,772	$ 10,932

Income taxes paid were $15.9 million in 1998, $11.0 million in 1997 and $6.5 million in 1996.

9. PJ America, Inc. Stock Warrant

PJ America, Inc. ("PJ America"), a franchisee of Papa John's, completed an initial public offering ("IPO") of its common stock effective October 25, 1996. In connection with the IPO, PJ America issued a warrant to us to purchase 225,000 shares of its common stock. The warrant is exercisable in whole or in part at any time within five years from the closing date of the IPO, and the purchase price of each share of common stock pursuant to the warrant is $11.25 per share (90% of the IPO price of $12.50 per share). The warrant was issued by PJ America to Papa John's in consideration for the grant of rights to enter into development agreements for certain specified territories and the waiver by us of certain market transfer fees. Our agreement with PJ America anticipates that PJ America will pay standard development and franchise fees in connection with opening restaurants in the specified territories.

We did not recognize income in connection with receipt of the warrant. The warrant is classified as an available-for-sale security, and accordingly, is stated at fair value in the consolidated balance sheets, with unrealized gains, net of tax, reported within comprehensive income.

9. PJ America, Inc. Stock Warrant (continued)

The fair value of the warrant was $1.5 million on December 27, 1998 and $731,250 on December 28, 1997, based upon the closing price per share of $18.13 and $14.50 for PJ America common stock on those respective dates, and is reported in investments in the accompanying consolidated balance sheets. The intrinsic value of the warrant (market value of PJ America common stock less the exercise price of the warrant) is considered a reasonable approximation of the fair value of the warrant.

Certain of our officers and/or directors are also officers and/or directors of PJ America.

10. Related Party Transactions

Certain of our officers and directors own equity interests in entities that operate and/or have rights to develop franchised restaurants. Certain of these affiliated entities have agreements to acquire area development rights at reduced development fees and also pay reduced initial franchise fees when restaurants are opened. All such entities pay royalties at the same rate as other franchisees. Following is a summary of transactions and balances with affiliated entities (in thousands):

	1998	1997	1996
Revenues from affiliates:			
Commissary sales	$ 64,977	$ 47,153	$ 35,972
Equipment and other sales	10,721	8,187	5,628
Franchise royalties	8,067	6,265	4,512
Franchise and development fees	1,372	1,381	900
Total	$ 85,137	$ 62,986	$ 47,012
Other income from affiliates	$ 570	$ 514	$ 85
Accounts receivable-affiliates	$ 2,273	$ 2,454	$ 2,932
Notes receivable-affiliates	$ 4,741	$ 7,997	$ 2,407

We paid $966,000 in 1998, $689,000 in 1997 and $515,000 in 1996 for charter aircraft services provided by entities owned by certain directors and officers, including the Chief Executive Officer of Papa John's.

We advanced $183,000 in 1998, $197,000 in 1997 and $384,000 in 1996, in premiums for split-dollar life insurance coverage on the Chief Executive Officer for the purpose of funding estate tax obligations. Papa John's and the officer share the cost of the premiums. The premiums advanced by us will be repaid out of the cash value or proceeds of the policies.

During the fourth quarter of 1997, we acquired a 49% equity ownership interest in Mountain Pizza Group, L.L.C. ("MPG"), for $150,000 in cash. In July 1998, we acquired the remaining 51% for $565,000 in cash. In connection with the 1998 acquisition, we also assumed $2.4 million in MPG debt. MPG, an entity which operated seven Papa John's restaurants in Denver, Colorado, was owned by our President. The operating results of MPG were accounted for by the equity method until the remaining 51% was acquired in 1998. Also during the fourth quarter of 1997, we acquired three Papa John's restaurants near Denver, Colorado for $720,000 in cash. These restaurants were owned by our Chief Executive Officer and his wife.

10. Related Party Transactions (continued)

During the second quarter of 1997, we acquired 16 Papa John's restaurants in North Carolina for $5.0 million (consisting of $4,960,000 in cash and a credit of $40,000 towards future development fees). A majority ownership interest in the franchisee of the North Carolina restaurants was held by certain of our directors and officers, including our Chief Executive Officer.

The above acquisitions were accounted for by the purchase method of accounting, whereby operating results subsequent to the acquisition date are included in our financial statements.

In December 1996, we sold our 10% ownership interest in L-N-W Pizza, Inc. ("L-N-W"), a franchisee that operates Papa John's restaurants in Florida, back to L-N-W. Our Chief Operating Officer was the 90% owner of L-N-W prior to the sale and is now the sole owner. We sold our 10% interest for total consideration of $411,000, which represented a gross value of approximately $400,000 per restaurant.

11. Lease Commitments

We lease office, retail and commissary space under operating leases with terms generally ranging from three to five years and providing for at least one renewal. Certain leases further provide that the lease payments may be increased annually based on the Consumer Price Index. We also lease certain equipment under operating leases with terms ranging from three to seven years. Future minimum lease payments are as follows: 1999 - $11.0 million; 2000 - $8.9 million; 2001 - $7.2 million; 2002 - $5.2 million; 2003 - $3.7 million; and thereafter - $8.0 million. Total rent expense was $10.3 million in 1998, $7.9 million in 1997, and $4.6 million in 1996.

12. Stock Options

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", we have elected to follow Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations in accounting for our employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123 requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB No. 25, because the exercise price of our employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

We award stock options under the Papa John's International, Inc. 1993 Stock Ownership Incentive Plan (the "Incentive Plan") and the Papa John's International, Inc. 1993 Non-Employee Directors Stock Option Plan (the "Directors Plan"). Shares of common stock authorized for issuance are 6,000,000 under the Incentive Plan and 270,000 under the Directors Plan. On February 25, 1999, the Board of Directors amended the Incentive Plan to increase the number of shares available for issuance to 6,400,000 shares and amended the Directors Plan to increase the number of shares available for issuance to 370,000 shares. These amendments will be submitted for stockholder approval at the Annual Meeting of Stockholders scheduled for May 20, 1999. Options granted under both plans generally expire ten years from the date of grant and vest over one to five year periods, except for certain options awarded under a multi-year operations compensation program which vest immediately upon grant.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, which also requires that the information be determined as if we have accounted for our employee stock options granted subsequent to December 25, 1994 under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1998 and 1997, respectively: risk-free interest rates of 4.8% and 5.7%; a dividend yield of 0%;

12. Stock Options (continued)

volatility factors of the expected market price of our common stock of .47; and a weighted-average expected life of the options of 4.0 and 3.6 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Our pro forma information follows (in thousands, except per share amounts):

	1998	1997	1996
Pro forma net income before cumulative effect of a change in accounting principle	$ 29,011	$ 19,754	$14,772
Pro forma earnings per share:			
Basic	$ .99	$ .68	$ .53
Diluted	$ .96	$ .67	$ .52

Because SFAS No. 123 is applicable only to options granted subsequent to December 25, 1994, our pro forma effect will not be fully reflected until a complete five years of vesting occurs for 1995 option awards in 2000.

Information pertaining to options for 1998, 1997 and 1996 is as follows (number of options in thousands):

	1998		1997		1996	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding-beginning of year	5,197	$ 25.28	3,532	$ 20.98	1,725	$12.01
Granted	1,535	37.90	2,259	29.30	2,108	27.31
Exercised	545	21.41	351	10.09	180	7.13
Cancelled	405	29.53	243	25.91	121	19.04
Outstanding-end of year	5,782	$ 28.54	5,197	$ 25.28	3,532	$ 20.98
Exercisable-end of year	2,232	$ 25.64	1,567	$ 21.96	870	$ 13.19
Weighted-average fair value of options granted during the year	$ 13.43		$ 10.22		$ 9.65	

12. Stock Options (continued)

The number, weighted-average exercise price and weighted-average remaining contractual life of options outstanding as of December 27, 1998, and the number and weighted average exercise price of options exercisable as of December 27, 1998 follow (number of options in thousands):

	Range of Exercise Prices	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life
Outstanding options:	$5.78 - $9.99	143	$ 6.24	4.56
	10.00 - 19.99	916	16.17	6.67
	20.00 - 29.99	1,700	26.44	7.96
	30.00 - 44.00	3,023	34.53	9.08
Total		5,782	28.54	8.26
Exercisable options:	$5.78 - $9.99	135	$ 6.06	
	10.00 - 19.99	604	16.12	
	20.00 - 29.99	552	27.19	
	30.00 - 44.00	941	33.65	
Total		2,232	25.64	

As of December 27, 1998, contingent upon approval by our stockholders of the amendments to the Incentive Plan and Directors Plan described above, 50,000 shares were available for future issuance under the Incentive Plan, and 106,750 shares were available for future issuance under the Directors Plan.

13. Defined Contribution Benefit Plan

We have established the Papa John's International, Inc. 401(k) Plan (the "Plan"), as a defined contribution benefit plan, in accordance with Section 401(k) of the Internal Revenue Code. The Plan is open to all employees who meet certain eligibility requirements and allows participating employees to defer receipt of a portion of their compensation and contribute such amount to one or more investment funds. Administrative costs of the Plan are paid by us and are not significant.

14. Segment Information

Effective at the beginning of 1998, we adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which superseded SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise." SFAS No. 131 establishes standards for the way we report information about operating segments in our financial statements and for related disclosures about products and services, geographical areas, and major customers. The adoption did not affect our results of operations or financial position, but did affect the disclosure of segment information.

We have defined three reportable segments: restaurants, commissaries, and franchising. The restaurant segment consists of the operations of all Company-owned restaurants and derives its revenues from retail sales of pizza, breadsticks, cheesesticks and soft drinks to the general public. The commissary segment consists of the operations of our regional dough production and product distribution centers and derives its revenues from the sale and distribution of food and paper products to Company-owned and franchised restaurants. The franchising segment consists of our franchise sales and support activities and derives its revenues from sales of franchise and development rights and collection of royalties from our franchisees. All other business units that do not meet the quantitative thresholds for determining reportable segments consist of operations that derive revenues from the sale of restaurant equipment, printing and promotional items, risk management services, and information systems and related services used in restaurant operations principally to Company-owned and franchised restaurants.

Generally, we evaluate performance and allocate resources based on profit or loss from operations before income taxes and eliminations. Certain administrative and capital costs are allocated to segments based upon predetermined rates or actual estimated resource usage. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We account for intercompany sales and transfers as if the sales or transfers were to third parties and eliminate the related profit in consolidation.

Our reportable segments are business units that provide different products or services. Separate management of each segment is required because each business unit is subject to different operational issues and strategies. Through December 27, 1998, substantially all revenues for each business segment were derived from business activities conducted with customers located in the United States. No single external customer accounted for 10% or more of our consolidated revenues.

14. Segment Information (continued)

Segment information is as follows:

(in thousands)	1998	1997	1996
Revenues from external customers:			
Restaurants	$324,894	$251,153	$167,982
Commissaries	261,009	188,034	142,998
Franchising	38,499	29,645	22,113
All others	45,404	39,952	26,959
Total revenues from external customers	$669,806	$508,784	$360,052
Intersegment revenues:			
Commissaries	$102,292	$ 77,596	$ 54,619
Franchising	128	107	183
All others	15,570	14,869	12,354
Total intersegment revenues	$117,990	$ 92,572	$ 67,156
Depreciation and amortization:			
Restaurants	$ 10,915	$ 8,294	$ 5,454
Commissaries	3,296	3,199	2,234
Franchising	44	26	-
All others	839	783	841
Unallocated corporate expenses	4,310	7,490	5,129
Total depreciation and amortization	$ 19,404	$ 19,792	$ 13,658
Income before income taxes:			
Restaurants	$ 11,430	$ 5,316	$ 2,427
Commissaries	17,893	14,260	8,598
Franchising	33,066	25,297	19,569
All others	5,033	3,422	426
Unallocated corporate expenses	(7,191)	(5,405)	(1,269)
Elimination of intersegment profits	(282)	(265)	(205)
Total income before income taxes	$ 59,949(1)	$ 42,625	$ 29,546
Gross fixed assets:			
Restaurants	$118,939	$ 91,237	$ 60,625
Commissaries	42,503	27,673	19,854
All others	4,368	4,110	3,906
Unallocated corporate assets	51,597	22,292	17,128
Accumulated depreciation	(48,204)	(32,711)	(20,796)
Net fixed assets	$169,203	$112,601	$ 80,717
Expenditures for fixed assets:			
Restaurants	$ 28,788	$ 29,068	$ 20,740
Commissaries	14,873	7,877	4,470
All others	290	269	578
Corporate	25,297	5,921	3,004
Total expenditures for fixed assets	$ 69,248	$ 43,135	$ 28,792

(1) Excludes the cumulative effect of a change in accounting principle.

15. Quarterly Data (unaudited, in thousands, except per share data)

Quarter	1st		2nd		3rd		4th	
	1998	1997	1998	1997	1998	1997	1998	1997
Total revenues	$152,928	$109,643	$162,273	$126,212	$166,428	$128,252	$188,177	$144,677
Operating income:								
As previously reported	12,559	8,382	14,066	9,200	13,835	9,697	15,841	11,915
As restated	12,024	7,934	13,418	8,832	14,234	9,705	15,841	11,649
Income before cumulative effect of a change in accounting principle	8,243	5,693	9,197	6,271	9,675	6,854	10,653	8,035
Net Income:								
As previously reported	8,280	5,693	9,392	6,271	9,591	6,854	10,653	8,035
As restated	5,640	5,693	9,197	6,271	9,675	6,854	10,653	8,035
Basic earnings per share:								
Income before cumulative effect of a change in accounting principle	$ .28	$ .20	$ .31	$ .22	$ .33	$ .24	$ .36	$ .28
Net income:								
As previously reported	.28	.20	.32	.22	.33	.24	.36	.28
As restated	.19	.20	.31	.22	.33	.24	.36	.28
Diluted earnings per share:								
Income before cumulative effect of a change in accounting principle	$ .28	$ .19	$ .30	$ .21	$ .32	$ .23	$ .35	$ .27
Net income:								
As previously reported	.28	.19	.31	.21	.32	.23	.35	.27
As restated	.19	.19	.30	.21	.32	.23	.35	.27

All quarterly information above is presented in 13 week periods. Quarterly amounts for 1998 previously reported have been restated to reflect the adoption of SOP 98-5. Operating income amounts for 1998 and 1997 previously reported have also been restated to conform with certain reclassifications made for 1998 year end presentation.

Report of Management

The consolidated financial statements appearing in this Annual Report have been prepared by management, which is responsible for their preparation, integrity and fair presentation. The statements have been prepared in accordance with generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgments.

Management is responsible for the system of internal controls over financial reporting at Papa John's International, Inc. and its subsidiaries, a system designed to provide reasonable assurance regarding the preparation of reliable published financial statements. This system is augmented by written policies and procedures and the selection and training of qualified personnel. Management believes that its system of internal controls over financial reporting provides reasonable assurance that the financial records are reliable for preparing financial statements.

The Audit Committee of the Board of Directors meets with the independent auditors and management periodically to discuss internal controls over financial reporting and other auditing and financial reporting matters. The Committee reviews with the independent auditors the scope and results of the audit effort. The Committee also meets with the independent auditors without management present to ensure that the independent auditors have free access to the Committee. The independent auditors are recommended by the Audit Committee of the Board of Directors and selected by the Board of Directors. Based upon their audit of the consolidated financial statements, the independent auditors, Ernst & Young LLP, have issued their Report of Independent Auditors, which follows.

Report of Independent Auditors

The Board of Directors and Stockholders
Papa John's International, Inc.

We have audited the accompanying consolidated balance sheets of Papa John's International, Inc. and subsidiaries (the "Company") as of December 27, 1998 and December 28, 1997, and the related consolidated statements of income, stockholders' equity and cash flows for the three years in the period ended December 27, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Papa John's International, Inc. and subsidiaries at December 27, 1998 and December 28, 1997, and the consolidated results of their operations and their cash flows for the three years in the period ended December 27, 1998, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective for the fiscal year 1998, the Company adopted SOP 98-5, "Reporting on the Costs of Start-Up Activities."

/s/ Ernst & Young LLP

Louisville, Kentucky
February 26, 1999

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

None.

PART III

Items 10, 11, 12 and 13. Directors and Officers of the Registrant; Executive Compensation; Security Ownership of Certain Beneficial Owners and Management; and Certain Relationships and Related Transactions:

The information required by these items, other than the information set forth in this Report under Part I, "Executive Officers of the Registrant," is omitted because we are filing a definitive proxy statement pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Report which includes the required information. Such information is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) Consolidated Financial Statements:

The following consolidated financial statements, notes related thereto and report of independent auditors are included in Item 8 of this Report:

Consolidated Statements of Income for the years ended December 27, 1998, December 28, 1997 and December 29, 1996
Consolidated Balance Sheets as of December 27, 1998 and December 28, 1997
Consolidated Statements of Stockholders' Equity for the years ended December 27, 1998, December 28, 1997 and December 29, 1996
Consolidated Statements of Cash Flows for the years ended December 27, 1998, December 28, 1997 and December 29, 1996
Notes to Consolidated Financial Statements
Report of Independent Auditors

(a)(2) Consolidated Financial Statement Schedules:

All schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are not applicable and therefore have been omitted.

(a)(3) Exhibits:

3.1 Our Amended and Restated Certificate of Incorporation. Exhibit 3.1 to our Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.

3.2 Our Restated By-Laws. Exhibit 3.2 to our Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.

3.3 Certificate of Amendment of Amended and Restated Certificate of Incorporation of Papa John's International, Inc. Exhibit 3 to our Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1997, is incorporated herein by reference.

4.1 Specimen Common Stock Certificate. Exhibit 4.1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1995 (Commission File No. 0-21660) is incorporated herein by reference.

4.2 Amended and Restated Certificate of Incorporation and Restated By-Laws (See 3.1, 3.2 and 3.3 above) is incorporated herein by reference.

*10.1 Consulting Agreement dated March 29, 1991, between Papa John's and Richard F. Sherman. Exhibit 10.4 to our Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.

10.2 Lease dated November 7, 1990, including amendments I, II and III thereto, between Papa John's and CWK #7, a Texas limited partnership, relating to our corporate offices. Exhibit 10.5 to our Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.

*10.3 Lease dated November 9, 1990, including amendments thereto, between Papa John's and Crow-Kessler, a Texas limited partnership, relating to our commissary and distribution facility in Louisville, Kentucky. Exhibit 10.6 to our Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.

10.4 Lease dated January 15, 1993, between Papa John's and CWK #7, a Texas limited partnership, relating to our corporate offices. Exhibit 10.7 to the Company's Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.

*10.5 Papa John's International, Inc. 1993 Stock Ownership Incentive Plan. Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended September 29, 1996 is incorporated herein by reference.

*10.6 Papa John's International, Inc. 1993 Stock Option Plan for Non-Employee Directors. Exhibit 10.3 to our quarterly report on Form 10-Q for the quarter ended September 29, 1996 is incorporated herein by reference.

*10.7 Employment and Non-Competition Agreement dated January 1, 1993, between Papa John's and Richard J. Emmett. Exhibit 10.14 to our Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.

10.8 Our standard Franchise Agreement. Exhibit 10.8 to our annual report on Form 10-K for the fiscal year ended December 29, 1996, is incorporated herein by reference.

10.9 Lease dated May 14, 1993, between PJ Food Service, Inc. and Sample Properties relating to our commissary facility in Raleigh, North Carolina. Exhibit 10.16 to our Registration Statement on Form S-1 (Registration No. 33-61366) is incorporated herein by reference.

10.10 Amendment IV to Lease dated November 7, 1990 (and related leases), by and between Papa John's and CWK #7, a Texas limited partnership, relating to our corporate offices. Exhibit 10.17 to our Registration Statement on Form S-1 (Registration No. 33-73530) is incorporated herein by reference.

10.11 Lease dated November 1, 1993, between PJ Food Service, Inc. and Jackson Developers, LLC, a Missouri limited liability company, relating to our commissary and distribution facility in Jackson, Mississippi. Exhibit 10.18 to our Registration Statement on Form S-1 (Registration No. 33-73530) is incorporated herein by reference.

10.12 Second Amended and Restated Loan Agreement, and related promissory note, each dated June 30,1995, between Papa John's and PNC Bank, Kentucky, Inc. Exhibit 10.1 to our quarterly report on Form 10-Q for the quarterly period ended June 25, 1995 is incorporated herein by reference.

10.13 Amendment V to Lease dated November 7, 1990 (and related leases), by and between Papa John's and CWK #7, a Texas limited partnership, relating to our corporate offices. Exhibit 10.22 to our Registration Statement on Form S-1 (Registration No. 33-73530) is incorporated herein by reference.

10.14 Loan Agreement among Mississippi Business Finance Corporation (acting for and on behalf of the State of Mississippi), Bank of Mississippi (as Servicing Trustee) and PJFS of Mississippi, Inc. Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended March 27, 1994 is incorporated herein by reference.

10.15 Amendment VI to Lease dated November 7, 1990 (and related leases), by and between Papa John's and CWK #7, a Texas Partnership, relating to the Company's corporate offices. Exhibit 10.28 to the Company's Annual Report on From 10-K for the fiscal year ended December 25, 1994 is incorporated herein by reference.

10.16 Third Amended and Restated Loan Agreement dated June 30, 1996, between Papa John's and PNC Bank, Kentucky, Inc. Exhibit 10.1 to our quarterly report on Form 10-Q for the quarterly period ended September 29, 1996 is incorporated herein by reference.

10.17 Agreement and Plan of Merger dated December 1, 1995, by and among Papa John's International, Inc., Papa John's USA, Inc., Kentuckiana Pizza, Ltd., Kentuckiana Pizza, Ltd., II (Collectively, "Kentuckiana Pizza") and all of the stockholders of Kentuckiana Pizza. Exhibit 2.1 to the Company's Current Report on Form 8-K dated December 1, 1995 is incorporated herein by reference.

10.18 Agreement and Plan of Merger dated October 16, 1995 by and among Papa John's International, Inc., Papa John's USA, Inc., NRG, Inc. ("NRG") and all of the stockholders of NRG. Exhibit 2.2 to our Current Report on Form 8-K dated December 1, 1995 is incorporated herein by reference.

*10.19 1996 Papa John's International, Inc. Executive Option Program. Exhibit 10.26 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1995 is incorporated herein by reference.

10.20 Lease dated November 29, 1995 between PJ Food Service, Inc. and Arlington-OP&F, Inc. relating to our distribution facility in Dallas, Texas. Exhibit 10.28 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1995 is incorporated herein by reference.

10.21 Lease dated January 3, 1996, between PJ Food Service, Inc. and Fraser, L.L.C. relating to the Company's commissary and distribution facility in Denver, Colorado. Exhibit 10.29 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1995 is incorporated herein by reference.

10.22 Amendment VII to Lease dated November 7, 1990 (and related leases) between Papa John's and CWK #7 Limited Partnership, related to our corporate offices. Exhibit 10.30 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1995 is incorporated herein by reference.

10.23 Lease dated January 23, 1996, between PJ Food Service, Inc. and CWK #8 relating to commercial and corporate office space in Louisville, Kentucky. Exhibit 10.31 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1995 is incorporated herein by reference.

10.24 Agreement for Purchase and Sale of Real Estate dated February 28, 1996, by and between Papa John's USA, Inc., NTS/Crossings Corporation and NTS Bluegrass Commonwealth Park, relating to approximately 6 acres of land in Louisville, Kentucky. Exhibit 10.32 to our Annual Report on Form 10-K for the fiscal year ended December 31, 1995 is incorporated herein by reference.

10.25 Lease dated September 30, 1996, between PJ Food Service, Inc. and Opus Southwest Corporation relating to our commissary and distribution facility opened in Tempe, Arizona. Exhibit 10.27 to our annual report on Form 10-K for the fiscal year ended December 29, 1996 is incorporated herein by reference.

10.26 Sublease dated January 16, 1997, between PJ Food Service, Inc. and Distribution Unlimited, Inc. relating to the Company's commissary and distribution facility opened in Rotterdam, New York. Exhibit 10.26 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.

10.27 Lease dated August 30, 1996, between PJ Food Service, Inc. and A. Terry Moss and Ira E. White relating to the Company's commissary and distribution facility opened in Des Moines, Iowa. Exhibit 10.29 to our annual report on Form 10-K for the fiscal year ended December 29, 1996 is incorporated herein by reference.

*10.28 Amendment to Papa John's International, Inc. 1993 Stock Ownership Incentive Plan. Exhibit 10 to our quarterly report on Form 10-Q for the quarter ended June 29, 1997 is incorporated herein by reference.

10.29 Discretionary Line of Credit dated June 30, 1997, between the Company and PNC Bank, Kentucky, Inc. Exhibit 10.1 to our quarterly report on Form 10-Q for the quarter ended September 28, 1997 is incorporated herein by reference.

*10.30 Amended and Restated Chief Operating Officer Agreement dated October 9, 1997, by and between Papa John's and Wade S. Oney. Exhibit 10.2 to our quarterly report on Form 10-Q for the quarter ended September 28, 1997 is incorporated herein by reference.

10.31 Lease dated November 27, 1997 by and between Papa John's and SF Property Investments, LLC, an Oregon limited liability corporation, relating to our commissary and distribution facility in Portland, Oregon. Exhibit 10.31 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.

10.32 Amendment II to Lease dated November 9, 1990 between the Company and Crow-Kessler, a Texas limited partnership, relating to our commissary and distribution facility in Louisville, Kentucky. Exhibit 10.32 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.

10.33 Amendment VIII to Lease dated November 7, 1990 (and related leases) between Papa John's and CWK #7 Limited Partnership, related to our corporate offices. Exhibit 10.33 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.

10.34 First Lease Modification Agreement to Lease dated May 14, 1993 between PJ Food Service, Inc., and Sample Properties relating to our commissary and distribution facility in Raleigh, North Carolina. Exhibit 10.34 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.

10.35 First Amendment to Lease dated November 29, 1995 between PJ Food Service, Inc. and Arlington-OP&F, Inc. relating to the Company's distribution facility in Dallas, Texas. Exhibit 10.35 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.

10.36 Amendment IX to Lease dated November 7, 1990 (and related leases) between Papa John's and CWK #7 Limited Partnership, related to our corporate offices. Exhibit 10.36 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.

10.37 Amendment III to Lease dated November 9, 1990 between Papa John's and Crow-Kessler, a Texas limited partnership, relating to our commissary and distribution facility in Louisville, Kentucky. Exhibit 10.37 to our annual report on Form 10-K for the fiscal year ended December 28, 1997 is incorporated herein by reference.

10.38 Lease dated December 6, 1998, between PJ Food Service, Inc. and The Buncher Company relating to our commissary and distribution facility to be opened in Pittsburgh, Pennsylvania.

10.39 Amendment to Papa John's International, Inc. 1993 Stock Ownership Incentive Plan. Exhibit 10 to our quarterly report on Form 10-Q for the quarter ended June 28, 1998 is incorporated herein by reference.

21 Subsidiaries of the Company:
(a) PJ Food Service, Inc., a Kentucky corporation
(b) Papa John's USA, Inc., a Kentucky corporation
(c) Papa John's Support Services, Inc., a Kentucky corporation
(d) PJFS of Mississippi, Inc., a Mississippi corporation
(e) Risk Services Corp., a Kentucky corporation
(f) Capital Delivery, Ltd., a Kentucky corporation

23 Consent of Ernst & Young LLP

27.1 Financial Data Schedule which is submitted electronically to the Securities and Exchange Commission for information only and not deemed to be filed with the Commission.

27.2 Restated Financial Data Schedule including columns for the quarters ended September 27, 1998, June 28, 1998 and March 29, 1998. The schedule is submitted electronically to the Securities and Exchange Commission for information only and is not deemed to be filed with the Commission.

99.1 Cautionary Statements.

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*Compensatory plan required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

(b) Reports on Form 8-K

There were no Reports on Form 8-K filed during the last fiscal quarter of the period covered by this report.

(c) Exhibits

The response to this portion of Item 14 is submitted as a separate section of this report.

(d) Consolidated Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are not applicable and therefore have been omitted.

SIGNATURES

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

Date: March 24, 1999 PAPA JOHN'S INTERNATIONAL, INC.

By: /s/ John H. Schnatter
Chief Executive Officer

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

Signature	Title	Date
/s/ John H. Schnatter John H. Schnatter	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	March 24, 1999
/s/ Blaine E. Hurst Blaine E. Hurst	Vice Chairman, President and Director	March 24, 1999
/s/ Charles W. Schnatter Charles W. Schnatter	Senior Vice President, Secretary, General Counsel and Director	March 24, 1999
/s/ O. Wayne Gaunce O. Wayne Gaunce	Director	March 24, 1999
/s/ Jack A. Laughery Jack A. Laughery	Director	March 24, 1999
/s/ Michael W. Pierce Michael W. Pierce	Director	March 24, 1999

Signature	Title	Date
/s/ Richard F. Sherman Richard F. Sherman	Director	March 24, 1999
/s/ E. Drucilla Milby E.Drucilla Milby	Senior Vice President, Chief Financial Officer and Treasurer(Principal Financial Officer)	March 24, 1999
/s/ J. David Flanery J. David Flanery	Vice President and Corporate Controller(Principal Accounting Officer)	March 24, 1999

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Sequentially Numbered Page
10.38	Lease dated December 6, 1998, between PJ Food Service, Inc. and The Buncher Company relating to our commissary and distribution facility to be opened in Pittsburgh, Pennsylvania.	
21	Subsidiaries of the Company	
23	Consent of Ernst & Young LLP	
27.1	Financial Data Schedule which is submitted electronically to the Securities and Exchange Commission for information only and is not deemed to be filed with the Commission.	
27.2	Restated Financial Data Schedule including columns for the quarters ended September 27, 1998, June 28, 1998 and March 29, 1998. The schedule is submitted electronically to the Securities and Exchange Commission for information only and is not deemed to be filed with the Commission	
99.1	Cautionary Statements	

EXHIBIT 10.38
Printed in U.S.A

AGREEMENT OF LEASE

AGREEMENT OF LEASE made this 6th day of December 1998 by and between THE BUNCHER COMPANY (hereinafter called "Landlord"), a Pennsylvania corporation having its principal place of business in the Allegheny County, Pennsylvania and P J FOOD SERVICE, INC. (hereinafter called "Tenant"), a corporation having its principal place of business in the City of Louisville, Jefferson County, Kentucky.

WHEREAS, Landlord has full right and power to lease pursuant hereto a certain parcel of land (the "Premises") more particularly described in and/or shown outlined in red on Exhibit A attached hereto, upon which is erected a portion of a building and other improvements incidental thereto (which building portion and other incidential improvements are hereinafter called the "Improvements"); and

WHEREAS, Landlord desires to lease to Tenant and Tenant desires to take and hire from Landlord the Premises and the improvements. (The Premises and the Improvements are sometimes hereinafter collectively called the "Leased Premises".)

NOW, THEREFORE, WITNESSETH, That Landlord hereby demises and leases unto Tenant, and Tenant hereby takes and hires from Landlord the Leased Premises, subject to the terms and conditions hereof.

TERM TO HAVE AND TO HOLD the Leased Premises unto Tenant for a term of five (5) years and two (2) months commencing at 12:01 A.M. on March 1, 1999 (the "Commencement Date") and ending at 11:59 P.M. on April 30, 2004; subject nevertheless, to the following covenants and conditions which Landlord and Tenant respectively covenant and agree to keep and perform.

RENT
See Rider
Paragraph #2

TAXES
See Rider
Paragraph #5

2. Tenant will pay to Landlord on demand and as additional rental hereunder all real estate taxes (including taxes levied or assessed in lieu of or as a substitution for real estate taxes) imposed, assessed or levied upon or against the Leased Premises during the term of this Lease.

In addition, Tenant will pay to Landlord on demand as additional rental hereunder, each and every item of expense in the nature of a tax or imposition for the payment of which Landlord is or shall become liable by reason by Landlord's estate or interest in the Leased Premises, or any portion thereof, including without limiting the generality thereof all personal property taxes, sales taxes, excise taxes, use and occupancy taxes, whether or not the same are now customarily levied or enacted and regardless of whether the same shall be general or special, foreseen or unforeseen, provided the same shall be (i) levied or assessed against Landlord or Tenant in connection with the Leased Premises, or any portion thereof, or (ii) levied, assessed or imposed upon, or against, or which shall be measured by, any rents or rental income, as such, payable to Landlord, provided, however, that Tenant shall not be obligated hereunder to pay any of the following:

a. any estate, inheritance, devolution, succession, transfer, legacy or gift tax which may be imposed upon or with respect to any transfer of Landlord's interest in the Leased Premises; or
b. any net income tax levied upon or against Landlord's income from all sources.

USE

3. Tenant will use and occupy the Leased Premises only for operating a food and dry goods commissary distribution center for the manufacture and distribution of dough and related products, and will not create, permit or maintain any nuisance thereon. Tenant will not use or occupy or suffer or permit the Leased Premises or any part thereof to be used or occupied for (a) any purpose contrary to law or the rules or regulations of any governmental authority having jurisdiction over the Leased Premises (b) any purpose which in the judgment of Landlord is hazardous or detrimental to persons or property.

MAINTENANCE
AND REPAIR
See Rider
Paragraph #3

4. Tenant will at Tenant's sole cost and expense keep the Leased Premises and all equipment and personal property of Landlord therein in good order, condition and repair, damage by insured casualty excepted. If Tenant fails or refuses to keep the Leased Premises in good order, condition and repair as aforesaid, Landlord may do so, and charge the cost thereof to Tenant to be collected as additional rental hereunder.

Landlord shall, during the term of this Lease, at its sole cost and expense and as promptly as is reasonable under the circumstances, make all needed structural repairs (exclusive of painting) to the Improvements upon receipt of notice from Tenant of the need for such repairs, unless the need for such repairs was caused by the wrongful act or negligence of Tenant, in which event Tenant shall promptly make such repairs at Tenant's sole cost and expense. Structural repairs shall mean only repairs to the roof, exterior walls, floors, foundations and steel frame of the Improvements. Structural repairs shall be deemed to be needed when the failure to make same will result in a hazard to persons or property and/or cause a major impairment to Tenant's use of the Leased Premises for the purpose set forth in section 3 hereof.

ALTERATIONS

5. Tenant will not make or permit to be made any alterations, improvements and additions to the Leased Premises or any part thereof except by and with the prior written consent of Landlord, which consent shall not be unreasonably withheld. All alterations, improvements and additions to the Leased Premises shall be made in accordance with all applicable laws and shall at once when made or installed be deemed to have attached to the freehold and to have become the property of Landlord and shall remain for the benefit of Landlord at the end of the term of this Lease or other expiration of this Lease in as good order and condition as they were when installed, reasonable wear and tear and damage insured casualty excepted; provided, however, if prior to the termination of this Lease, or within fifteen (15) days thereafter Landlord so directs by written notice to Tenant. Tenant shall at Tenant's sole cost and expense promptly remove the alterations, improvements and additions which were placed in the Leased Premises by Tenant and which are designated in said notice and repair any damage occasioned by such removal and restore the Leased Premises to the condition in which they were prior to such alterations, improvements or additions and in default thereof Landlord may effect said removals and repairs at Tenant's expense. In the event of making such alterations, improvements and additions as herein provided. Tenant further will indemnify and save harmless Landlord form all expense, liens, claims or damages or injuries to either persons or property arising out of, or resulting from the undertaking, making or removal of said alterations, additions and improvements.

ASSIGNMENT TO SUB-LETTING

6. Tenant shall not assign this Lease or sublet the whole or any part of the Leased Premises or permit any other persons to occupy same without the prior written consent of Landlord. Landlord shall not unreasonably withhold such consent. Any such assignment or subletting, even with the consent of Landlord, shall not relieve Tenant from liability for payment of rent or other sums herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease. The acceptance by Landlord of rent from any other person shall not be deemed to be a waiver of any of the provisions of this Lease or to be a consent to the assignment of this Lease or subletting of the Leased Premises.

Any transfer of this Lease from Tenant by merger, consolidation or liquidation shall constitute an assignment of this Lease and shall require the prior written consent of Landlord, which consent shall not be unreasonably withheld.

An assignment for the benefit of creditors or by operation of law shall not be effective to transfer any rights to an assigne without the prior written consent of the Landlord first having been obtained.

UTILITIES

7. Tenant will pay for all public and private utility services, including water and sewer rentals, used or consumed on or in connection with the Leased Premises. Electric and gas to be separately metered; water and sewer will be submetered and charges will be billed by Landlord based upon useage.

INSURANCE

8. During the term of this Lease, Tenant will at Tenant's sole cost and expense maintain with insurance companies satisfactory to Landlord comprehensive public liability and property damage insurance with respect to the Leased Premises, with minimum limit of $1,000,000 with respect to the death or injury of one person, and $2,000,000 with respect to the death or injury of two or more persons and $250,000 with respect to property damage. Such insurance coverage shall be endorsed to include the contractual liability assumed by Tenant under section 9 hereof.

See Rider Paragraph #4

Prior to the Commencement Date, Tenant shall furnish to Landlord certificates evidencing the comprehensive public liability insurance and property damage coverage as provided in this section 8 above, said certificates and policies to contain the standard 10 day notification clause to Landlord and Landlord's mortgagee in the event of change of cancellation of insurance coverage and shall name Landlord as an additional insured.

INDEMNITY

9. Tenant will protect and save and keep Landlord forever harmless and indemnified against and from any penalty or damage or charges imposed for any violation of any law or ordinance, whether occasioned by the neglect of Tenant or those holding under Tenant, and Tenant will at all times protect, indemnify and save and keep harmless Landlord against and from all claims, loss, cost, damage or expense arising out of or from any accident or other occurrence on or about the Leased Premises causing injury to any person or property whomsoever or whatsoever, and will protect, indemnify, save and keep harmless Landlord against and from any and all claims and against and from any and all loss, cost, damage, or expense arising out of any failure of Tenant in any respect to comply with and perform all the requirements and provisions of this Lease.

SURRENDER

10. Tenant will deliver up and surrender to Landlord possession of the Leased Premises upon expiration of the term of this Lease or upon the earlier termination of this Lease, broom clean and in as good condition and repair as the same shall be at the commencement of the term of this Lease, ordinary wear and tear and damage by insured casualty excepted. Tenant hereby waives any notice now or hereafter required by law with respect to vacating at the termination of any tenancy.

ACCESS TO LEASED PREMISES

11. Tenant will permit Landlord or Landlord's agent to inspect or examine the Leased Premises at any reasonable time and upon reasonable notice (immediately in case of an emergency) and permit Landlord to make such repairs to the Leased Premises as Landlord may deem necessary for preservation of the Leased Premises and which Tenant has failed so to make without the same being construed as an eviction of Tenant in whole or in part, and the rent shall in no wise abate while such repairs, alterations, improvements or additions are being made by reason of loss or interruption of the business of Tenant because of the prosecution of such work.

Landlord shall have the right to enter upon the Leased Premises at any reasonable time upon reasonable notice and from time to time during the term of this Lease for the purpose of exhibiting the same to prospective purchasers and for a period commencing 180 days prior to the end of the term of this Lease for the purpose of exhibiting the same to prospective tenants. During said 180-day period Landlord may place signs in or upon the Leased Premises to indicate that same are for rent or sale, which signs shall not be removed, obliterated or hidden by Tenant.

TENANTS PROPERTY

12. All fixtures, equipment, including equipment that may be bolted or attached to the Leased Premises and other property placed or installed in or on the Leased Premises by Tenant and designed for and used in the conduct of Tenant's business in the Leased Premises, shall at all times be and remain the property of Tenant. Tenant will at Tenant's sole cost and expense remove all such equipment, fixtures and other property form the Leased Premises prior to the termination of this Lease and Tenant will at Tenant's cost and expense repair any and all damage to the Leased Premises caused or occasioned by the installation or removal of said

fixtures, equipment or other property. Any and all such equipment, fixtures and other property which shall remain on the Leased Premises for more than five (5) days after the termination of this Lease, shall at Landlord's option be deemed abandoned by Tenant and become the sole property of Landlord, or may be removed by Landlord in which case Tenant shall pay or reimburse Landlord for the cost of such removal and of repairing any and all damage to the Leased Premises caused thereby.

SIGNS

13. Tenant may install at Tenant's own cost and expense an appropriate sign or signs on the Leased Premises referring to Tenant's business or services; provided, however, that the size, type and location of any such sign shall comply with all applicable laws and governmental rules, regulations and restrictions and shall be subject to Landlord's approval, which approval shall not be unreasonably withheld.

CONDEMNATION OF THE LEASED PREMISES

14. If the Leased Premises or any part thereof shall be taken or condemned either permanently or temporarily for any public use or purpose by any competent authority in condemnation proceedings or by any right of eminent domain, the entire compensation award thereof, both leasehold and reversion, shall belong to the Landlord without any deduction therefrom for any present or future estate of Tenant, and Tenant hereby assigns to Landlord all its right, title and interest to any such award. Tenant, shall, however, be entitled to claim, prove and receive in such condemnation proceedings such award as may be allowed for fixtures and other equipment installed by Tenant and for lost business or increased cost incurred, but only if such award shall be in addition to the award for the Leased Premises.

If substantially all of the Leased Premises shall be taken as aforesaid or if any such taking shall render the Leased Premises unfit for the conduct of Tenant's business, then this Lease shall terminate and shall become null and void from the time possession thereof is required for public use, and from that date the parties hereto shall be released from all further obligations hereunder.

If only a portion of the Leased Premises shall be so taken or condemned, which taking shall not render the Leased Premises substantially unfit for the conduct of Tenant's business, then Landlord at its own expense shall repair and restore the portion not affected by the taking and this Lease shall continue in full force and effect except that the rental shall be equitably and proportionately reduced.

DAMAGE OR DESTRUCTION

15. If, during the term of this Lease, the Improvements are so damaged or destroyed by insured casualty so as to render the Improvements unfit for occupancy by Tenant for the purposes set forth in section 3 of this Lease, and if the Improvements cannot in the sole judgment of Landlord be repaired, restored or rebuilt within five (5) months from the happening of such damage or destruction, then Landlord may terminate this Lease as of the date of such damage by giving Tenant notice in writing with respect thereto within thirty (30) days from the date of such happening. In such case, rental hereunder shall abate as of the date of such damage or destruction and Landlord shall be entitled to retain all insurance proceeds resulting from such damage or destruction. Landlord shall refund to Tenant any unearned rent paid in advance and Tenant shall as expeditiously as is reasonable under the circumstances remove such of its property as it is required to remove under the provisions of section 12 hereof and shall surrender the Leased Premises to Landlord who may enter upon and repossess the same, and all further liability Tenant and Landlord hereunder shall thereupon cease.

In the event any such damage to or destruction of the Improvements can in the sole judgment of Landlord be repaired within a period of five (5) months after the happening thereof, Landlord shall repair, restore or rebuild the Improvements with all reasonable dispatch, and this Lease shall not be affected in any manner, except that the liability of Tenant for rent shall be suspended for the period during which such repair, restoration or rebuilding is being made. However, if the damage is such as not to render the

Improvements totally unfit for the occupancy by Tenant for the purposes set forth in section 3 of this Lease, Landlord shall repair the Improvements with reasonable promptness and rentals hereunder shall abate pro rata to the extent that portions of the Leased Premises are not available for use by Tenant. In either situation provided for in this paragraph, Landlord shall be entitled to receive and retain all insurance proceeds resulting from such damage or destruction.

(3) Notwithstanding the foregoing provisions of this section 15, if the Improvements shall be destroyed or in the judgment of Landlord substantially damaged by insured casualty during the last three years of the term of this Lease, Landlord may within 30 days after the occurrence of such damage or destruction, cancel and terminate this Lease by giving written notice to Tenant, and if such notice is given, this Lease shall expire as of the date of such destruction with the same effect as though that date was the date of the expiration of the term of this Lease, rental hereunder shall abate as of the date of such damage or destruction, Landlord shall be entitled to retain all insurance proceeds resulting from such damage or destruction. Landlord shall refund to Tenant any unearned rent paid in advance, and Tenant shall as expeditiously as is reasonable under the circumstances remove such of its property as it is required to remove under the provisions of section 12 hereof and shall surrender the Leased Premises to Landlord who may enter upon and repossess the same, and all further liability Tenant and Landlord hereunder shall thereupon cease. If this Lease is not so cancelled and terminated, the provisions of the foregoing paragraphs of this section 15 shall control.

DEFAULT AND REMEDIES

16. All rights and remedies of Landlord herein enumerated shall be cumulative, and none shall exclude any other rights or remedies allowed by law. Tenant covenants and agrees that if any of the following events of default occur, that is, if:

a. Tenant shall fail, neglect or refuse to pay any rent or sums payable hereunder as rent at the times and in the amount as herein provided, or to pay any other monies agreed by it to be paid promptly when and as the same shall become due and payable under the terms hereof, or if Tenant shall fail to keep and maintain in full force and effect the insurance required under section 8 of this Lease, and if any such default should continue for a period of more than 10 days after notice thereof by Landlord to Tenant: or

b. Tenant shall abandon or vacate the Leased Premises or commit waste thereon, or any execution be issued against a substantial part of Tenant's assets or bankruptcy, receivership or in solvency proceedings be instituted by or against Tenant or an assignment made by Tenant for the benefit of creditors, or Tenant shall fail, neglect or refuse to keep and perform any of the other covenants, conditions, stipulations or agreements herein contained and covenanted and agreed to be kept and performed by it, and in the event any such failure, neglect or refusal shall continue for a period of more than 30 days after notice thereof is given in writing to Tenant by Landlord, provided, however, that if the cause for giving such notice involves the making of repairs or other matters reasonably requiring a longer period of time than the period of such notice. Tenant shall be deemed to have complied with such notice so long as it has commenced to comply with said notice within the period set forth in the notice and is diligently prosecuting compliance of said notice or has taken the proper steps or proceedings under the circumstances to prevent the seizure, destruction, alteration or other interference with said Leased Premises by reason of non-compliance with the requirements of any law or ordinance or with the rules, regulations or directions of any governmental authority, as the case may be,

then the entire rental for the balance of the term of this Lease shall at the option of Landlord at once become due and payable as if by the terms of this Lease it is payable in advance, and the Tenant does hereby authorize and fully empower Landlord to cancel or annul this Lease at once and to re-enter and take possession of the Leased Premises immediately, without any previous notice of intention to re-enter, and to remove all persons and their property therefrom, and to use such assists in effecting and perfecting such removal of Tenant as may be necessary and advisable to recover at once first and exclusive possession of the Leased Premises, without being deemed guilty of any manner of trespass and without prejudice to any remedies which might otherwise be used by Landlord, in which event this Lease shall terminate and Tenant shall indemnify Landlord against all unavoidable loss of rent which Landlord may incur by reason of such termination during the residue of the term of this Lease.

Landlord may, however, at its option at any time and after such default or violation of condition or covenant, re-enter and take possession of the Leased Premises without such re-entry working a forfeiture of the rents to be paid and the covenants, agreements and conditions to be kept and performed by Tenant for the term of this Lease. In such event Landlord shall have the right, but not the obligation, to divide or subdivide the Leased Premises in any manner Landlord may determine and to lease or let the same or portions hereof for such periods of time and at such rentals and for such use and upon such covenants and conditions as Landlord may elect, applying the net rentals from such letting first to the payment of Landlord's expenses incurred in dispossessing Tenant and the cost and expense of making such improvements in the Leased Premises as may be necessary in order to enable Landlord to re-let the same, and to the payment of any brokerage commissions or other necessary expenses of Landlord in connection with such re-letting. The balance, if any, shall be applied by Landlord from time to time on account of the payments due or payable by Tenant hereunder, with the right reserved to Landlord to bring such action or proceedings for the recovery of any deficits remaining unpaid as Landlord may deem desirable from time to time, without being obligated to await the end of the Term for the final determination of Tenant's account. Any balance remaining, however, after full payment and liquidation of Landlord's account as aforesaid shall be paid to Tenant, with the right reserved to Landlord at any time to give notice in writing to Tenant of Landlord's election to cancel and terminate this Lease and the simultaneous payment by Landlord to Tenant of any credit balance in Tenant's favor that may at the time be owing to Tenant shall constitute final and effective cancellation and termination of the Lease and the obligation hereunder on the part of either party to the other.

CONFESSION OF JUDGMENT

17. For value received and forthwith on every default hereunder or on any and every breach of covenant herein. Tenant hereby empowers any attorney of any court of record within the United States or elsewhere to appear for Tenant and with or without declaration filed, confess judgment or a series of judgments against Tenant and in favor of Landlord, its successors or assigns of any term in ejectment and/or for the full sum due by reason of any default hereunder, including unpaid rent for the balance of the term of this Lease together with costs of suit and attorney's commission of $200 for collection. Tenant further authorizes the issuance of such possessory writs or writs of execution as Landlord may elect upon any such judgement or judgments, with release of all errors and without stay of execution and inquisition, and extension upon any levy of real estate is hereby waived and condemnation agreed to and the exemption of any and all property from levy or sale by virtue of any law now in force or hereinafter enacted is also expressly waived.

HOLD OVER

18. If Tenant with the prior written consent of Landlord, shall remain in possession of the Leased Premises after the expiration of the term of this Lease, then Tenant shall be deemed a tenant of the Leased Premises from month to month at the same rental and subject to all of the terms and provisions hereof, except only as to the term of this Lease.

QUIET ENJOYMENT

19. If Tenant pays rental and other charges herein provided and shall perform all of the covenants and agreements herein stipulated to be performed on the Tenant's part. Tenant shall, at all times during the term of this Lease, have the peaceable and quiet enjoyment and possession of the Leased Premises without any manner of hindrance from Landlord or any persons lawfully claiming through Landlord, except as to any portion of the Leased Premises as may be taken under the power of eminent domain.

NOTICES

20. All notices, demands and requests which may be or are required to be given hereunder shall be given in writing and shall be deemed to have been duly given as of the date of mailing if sent by postage prepaid, first class. United States registered or certified mail, return receipt requested, to each of the parties at the following places, or to such other places as either party hereto may for itself designate in writing from time to time for the purpose of receiving notices hereunder:

THE BUNCHER COMPANY	P J Food Service, Inc.
c/o Buncher Management Agency, Inc.	P. O. Box 99900
5600 Forward Avenue/P. O. Box 81930	Louisville, KY 40269-0900
Pittsburgh, PA 15217-0930	

MARGINAL NOTES	21. Marginal notes used herein are for the purpose of convenience only and shall not be used in construing this Lease.
ENTIRE AGREEMENT	22. This Lease constitutes and contains the entire and only agreement between the parties, and supersedes and cancels any and all pre-existing agreements and understandings between the parties, relating to the subject matter hereof. No representation inducement, promise, condition or warranty not set forth herein has been made or relied upon by either party.
SUBORDINATION	23. This Lease is subject and subordinate to all ground or underlying leases and to all mortgages which may now or hereafter affect the Leased Premises, and to all renewals, modifications, consolidations, replacements and extensions thereof. This clause shall be self-operative and no further instrument of subordination shall be required; however, in confirmation of such subordination Tenant shall execute promptly any certificate to that effect upon request by Landlord. Tenant hereby constitutes and appoints Landlord as Tenant's attorney-in-fact to execute any such certificate or certificates for and on behalf of Tenant.
LIMITATION OF LANDLORD	24. Notwithstanding the provisions hereof, the term "Landlord" as used in this Lease means only the holder, for the time being, of Landlord's interest under this Lease so that in the event of any transfer of title to the Leased Premises to a party assuming Landlord's obligations hereunder Landlord shall be and hereby is entirely freed and relieved of all obligations of Landlord hereunder accruing after such transfer, and it shall be deemed without further agreement between the parties that such grantee, transferee or assignee has assumed and agreed to observe and perform all obligations of Landlord hereunder arising during the period it is the holder of Landlord's interest hereunder.
FORCE MAJEURE	25. Landlord shall not be liable to Tenant and shall not be in default under this Lease in any manner by reason of delay in performance of any covenant or condition in this Lease, if any such delay is caused by present or future governmental regulations, restrictions, strikes, lockouts, unusual unavailability of materials or labor, severe adverse weather conditions, or by any other reason or reasons, whether similar or not to foregoing, which delays are beyond the reasonable control of Landlord, provided that Landlord shall use Landlord's best efforts to overcome the same.
ATTACHMENTS	26. Attached to this Lease and made a part hereof, and initialed on behalf of both parties simultaneously with the execution of this Lease, are Exhibits A through B inclusive, and Rider pages 1 through 16 inclusive.
GOVERNING LAW	27. This Lease shall be construed, governed and enforced in accordance with the laws of the Commonwealth of Pennsylvania.
SEPARABILITY	28. If any term or provision of this Lease, or the application thereof to any party or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to parties or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.
CUMULATIVE REMEDIES	29. The specified remedies to which Landlord or Tenant may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means or redress to which Landlord or Tenant may be lawfully entitled in case of any breach by Landlord or Tenant of any provision of this Lease. Failure of Landlord or Tenant to insist in any one or more cases upon the strict performance of any of the covenants of this Lease shall not be construed as a waiver or a relinquishment for the future of such covenant. A receipt by Landlord of rent with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord or any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. In addition to the other remedies in this Lease provided, Landlord or Tenant shall be entitled to the restraint by injunction of the violation, or attempted or threatened violation, of any of the covenants, conditions or provisions of this Lease. Nothing in this Lease shall give either party the right to terminate this Lease except as otherwise specifically set forth in this Lease.
AMENDMENTS	30. This Lease may be amended, modified, renewed, extended, cancelled or terminated only by a written instrument duly executed by both of the parties hereto.
PROVISIONS CONSTRUED AS COVENANTS	31. All the provisions of this Lease, insofar as they are applicable to either or both of the parties hereto, shall be taken and construed as the covenant or covenants of such party or parties respectively to do or perform the thing or act

specified or not to do the act or thing inhibited.

BINDING EFFECT

32. The provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns: subject, nevertheless, to the restrictions on assignment by Tenant as set forth in section 6 hereof and to the provisions of section 24 hereof.

RESERVATIONS ROADS AND UTILITIES

33. Landlord reserves for itself and all tenants, the use of access roads and of utilities, and the right to make additional connections, as Landlord may deem necessary, without unreasonable interference with the operations of Tenant.

34. Acceptance of possession of the Leased Premises or opening the same for business shall be conclusive evidence that the Leased Premises are and were in good order and condition on the Commencement Date.

35. Tenant shall have the non-exclusive right to the use of the driveway area shaded in yellow on Exhibit A attached hereto which driveway may be used in common with Landlord, Tenant and other tenants and their employees, invitees and business visitors for pedestrian and vehicular traffic.

This Lease is made by virtue and in pursuance of a resolution of the Board of Directors of Tenant, adopted at a meeting thereof duly called and held on the ____ day of _________________, 19__, a full quorum of said Board being present and acting throughout, authorizing and directing the same to be made and done.

WITNESS the due execution hereof.

ATTEST:	THE BUNCHER COMPANY
/s/ Kenneth Buncher	By /s/ J. Balister
----------------------------	----------------------------
Exec. V.P. and Secretary	President

[Corporate Seal]

ATTEST:	P. J. FOOD SERVICE, INC.
	By /s/ Robert J. Wadell 9/17/98
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RIDER TO
AGREEMENT OF LEASE DATED
DECEMBER 6, 1998 BY AND BETWEEN
THE BUNCHER COMPANY, AS LANDLORD, AND
P J FOOD SERVICE, INC., AS TENANT

This Rider is attached to and made a part of the Agreement of Lease referred to above. To the extent any inconsistencies exist between the provisions of this Rider and the foregoing printed portions of the Agreement of Lease referred to above, the provisions of this Rider shall govern. All terms defined in the foregoing printed provisions of the Agreement of Lease shall have the same meaning herein as in the foregoing printed provisions unless otherwise set forth herein. The term "this Lease" shall mean the foregoing printed provisions as modified, amended and/or supplemented by this Rider.

1. COMPLETION: (A). Landlord shall use Landlord's best efforts to substantially complete, at Landlord's cost and expense, the tenant improvements described on Exhibit B attached hereto and made a part hereof (the "Tenant Improvements") prior to the Commencement Date. If the Tenant Improvements are not so completed, this Lease shall remain in full force and effect except that rental, tax, insurance and utility payments for water and sewage and other sums due as additional rental under this Lease shall not commence until the seventh (7th) day (hereinafter known as the "Beginning Date") after Landlord has provided written notice to Tenant ("Letter Amendment") setting forth (i) that the Tenant Improvements are substantially completed and the Leased Premises are ready for occupancy, (ii) that a certificate of occupancy has been issued by New Sewickley Township, (iii) the actual Beginning Date, the actual Commencement Date and expiration date of the term of this Lease, and (iv) subject to paragraph 2 of this Rider, the dates and amounts of the rental payments due hereunder. The Letter Amendment when issued as provided herein shall be incorporated into and made a part of this Lease. If the Beginning Date is other than the first day of a month, Tenant shall pay to Landlord as rental the sum of $649.42 for each day from the Beginning Date to the first day of the month following the Beginning Date, and the initial term shall run for a full sixty-two (62) months from the first day of the month following the Beginning Date so as to end on the last day of the sixty-second (62nd) full month after the Beginning Date.

(B). If the Tenant Improvements are substantially completed more than seven (7) days prior to the scheduled Commencement Date, the Beginning Date shall be the seventh (7th) day after Tenant has been notified that the Tenant Improvements are so completed and there shall be no change in the Commencement Date or the expiration date as set forth in the printed portion of this Lease. Tenant shall pay to Landlord as rental for the Leased Premises the sum of $649.42 for each day from the Beginning Date to the Commencement Date.

All terms and conditions of this Lease shall be effective from the Beginning Date as though the term of this Lease had commenced on the Beginning Date except that the expiration date of the initial term shall be as provided above in this paragraph.

2. RENTAL: Tenant shall pay to Landlord as rental for the Leased Premises the following amounts at the following times:

A. On the first day of the first full calendar month of the initial term of this Lease following the Beginning Date, if applicable, Tenant shall pay to Landlord as rental for the Leased Premises the per diem rental, if any, as set forth in paragraphs 1 (A) or 1 (B) of this Rider.

B. Except for the payment of Tenant's pro rata share of real estate taxes, insurance premiums, utility charges for water and sewage and other sums due as additional rental, the first and second full months of the term of this Lease shall be rent free.

C. Beginning on May 1, 1999, or on the first day of the third (3rd) full calendar month of the initial term of this Lease (i.e., the third (3rd) full calendar month following the Beginning Date), if applicable, and on the first day of each calendar month thereafter until the first day of the twenty-seventh (27th) full calendar month of the initial term of this Lease, Tenant shall pay to Landlord as monthly rental for the Leased Premises the amount of $19,753.17.

D. Beginning on the first day of the twenty-seventh (27th) full calendar month of the initial term of this Lease and on the first day of each calendar month thereafter until the first day of the thirty-ninth (39th) full calendar month of the initial term of this Lease, Tenant shall pay to Landlord as monthly rental for the Leased Premises the amount of $20,826.71.

E. Beginning on the first day of the thirty-ninth (39th) full calendar month of the initial term of this lease and on the first day of each calendar month thereafter during the remaining balance of the initial term, Tenant shall pay to Landlord as monthly rental for the Leased premises the amount of $21,900.25.

The rentals under paragraphs 2 C, D and E above shall be payable in advance, without demand, deduction or set off. All rentals and other sums payable hereunder shall be paid to Landlord's agent, Buncher Management Agency, Inc., 5600 Forward

Avenue, P. O. Box #81930, Pittsburgh, Pennsylvania 15217-0930 or at such other place or to such other person as may be designated by Landlord in writing.

3. MAINTENANCE AND REPAIR: During the term of this Lease, Tenant, at its sole cost and expense, shall procure a satisfactory maintenance contract with an authorized service company for the HVAC equipment serving the Leased Premises and keep records of service to the HVAC system for Landlord's review.

Landlord will assign to Tenant at the commencement of the term of this Lease, the benefits of all assignable manufacturer's warranties, if any, covering the equipment serving the Leased Premises and will grant to Tenant a one (1) year warranty of the workmanship and materials for work in the Leased Premises performed by Landlord from any defects unless caused by lack of maintenance by Tenant or any act or negligence of Tenant or those acting under Tenant.

Tenant understands and acknowledges that the Leased Premises is a part of a commerce park being developed by Landlord. Landlord reserves the right to institute reasonable rules and regulations governing the maintenance of the Leased Premises and the commerce park which Tenant agrees to observe.

In addition to Tenant's obligation for maintenance and repair of the Leased Premises as set forth in the first paragraph of section 4 of the printed portion of this Lease, Tenant shall, at Tenant's sole cost and expense, comply with all governmental laws and regulations, including but not limited to local, state, federal administrative requirements and regulations, relating to Tenant's use and occupancy of the Leased Premises and the business conducted therein and thereon including without limitations compliance with laws relating to accessibility to, usability by and discrimination against disabled individuals.

4. INSURANCE: Tenant and Landlord agree that the Leased Premises is a portion of Landlord's building (the "Building"), more particularly shown on Exhibit A attached hereto.

Landlord shall maintain fire and extended coverage insurance on the Building for its replacement value in such amounts as Landlord may from time to time reasonably determine. Within ten (10) days after Landlord provides to Tenant supporting documentation of the reasonable cost of insuring the Building, Tenant will pay to Landlord as additional rental hereunder, Tenant's pro rata share of the insurance premium paid or payable by Landlord for so insuring the Building. Tenant's pro rata share of such insurance premium shall be based on the number of square feet of space in the Building portion of the Leased Premises to the number of square feet of space in the Building as the same may exist from time to time. As currently calculated, Tenant's pro rata share is determined as follows: i.e., 51,530 square feet divided by 113,082 square feet or 45.60%. In addition, Tenant shall be liable for any increase in such insurance premiums resulting from Tenant's use of the Leased Premises. Tenant shall be responsible for insuring against any loss to Tenant's own fixtures and contents in or about the Leased Premises. If the Leased Premises is damaged as a result of an insured risk, Tenant shall be responsible for its proportionate share of the deductible portion of Landlord's insurance coverage which deductible is currently $1,000.00.

In addition to the insurance requirements set forth in section 8 of the printed portion of this Lease, Tenant shall maintain during the term of this Lease or any extension thereof worker's compensation and employer's liability insurance at the statutory limits on its employees at the Leased Premises and shall indemnify and hold harmless Landlord from and against any and all expenses connected with claims made by Tenant's employees for injuries incurred at the Leased Premises.

5. TAXES: The parties hereto acknowledge that the assessment for real estate taxes for the Leased Premises is included in the assessment for all buildings and the entire land area (collectively hereinafter called the "Property") of which the Leased Premises is a part. The Property is more particularly identified on the tax records as Parcel Number 69-165-0155-000.

Tenant shall pay to Landlord its allocated share of the real estate taxes on the Property as the same shall be determined by Landlord from time to time during the term of the Lease. Landlord shall provide Tenant at the time of invoice, supporting documentation of Tenant's allocable share of the real estate taxes.

Upon the execution of this Lease by the parties hereto, Landlord shall make application to Beaver County and to the Freedom Area School District for an abatement of real estate taxes under the existing regulations of each named body pursuant to the Local Economic Revitalization Tax Assistance Act. Tenant may terminate this Lease if Landlord has not received a letter by January 1, 1999 from the solicitor or other officials of Beaver County and Freedom Area School District notifying Landlord that the Leased Premises qualifies for the said tax abatement; provided however, Landlord may elect, at its option to pay the amount of real estate tax that would have abated if the abatement for the Leased Premises has been granted. As used herein the tax abatement percentage allocable to the Leased Premised shall be as set forth in Buncher Management Agency, Inc.'s letter to Tenant dated June 18, 1998.

6. HAZARDOUS SUBSTANCES: Tenant shall not cause, permit or allow any Hazardous Substance to be generated, emitted, discharged, released or disposed of, on, in or from the Leased premises by Tenant, Tenant's agents, employees, contractors, invitees or those

holding under Tenant. Tenant shall comply with all Environmental Laws governing or relating to the generation, transportation, use, storage, emission, discharge, release, threatened release or disposal of Hazardous Substances with respect to the use and occupancy of the Leased Premises or the condition thereof. Without limitation of the foregoing, if Tenant causes, permits or allows the emission, discharge, release, threatened release or disposal of any Hazardous Substance from, on or in the Leased Premises (hereinafter called the "Contamination") in violation of any Environmental Laws, Tenant shall promptly, at its sole cost and expense, take any and all actions necessary to remediate and/or remove Contamination and to comply with the Environmental Laws.

Tenant shall defend, indemnify and hold Landlord harmless from and against all claims, damages, remedial or removal actions or obligations, fines, judgments, liens, penalties, costs, expenses, diminished property value, lost or diminished rental revenue, liabilities or losses of any kind asserted against, or suffered or incurred by, Tenant and/or Landlord resulting directly or indirectly from the presence, generation, transportation, use, storage, emission, discharge, release, threatened release or disposal of Hazardous Substances on, in or from the Leased Premises, provided, however, that Tenant's indemnity hereunder shall not extend to Contamination existing on the Leased Premises prior to the date of this Lease and for Contamination of the Leased Premises directly attributable to or Contamination caused by Landlord or any unrelated third party without the consent or knowledge of Tenant or under Tenant's control. The provisions of the foregoing sentence shall survive the termination of this Lease.

As used herein, the term "Hazardous Substance" or "Hazardous Substances", shall mean any and all substances or materials which are defined as or listed as "hazardous materials", "toxic substances", "hazardous air pollutants", "toxic pollutants", "pollutants", and/or "contaminants" as those terms are used, defined or listed under any Environmental Laws. As used herein the term "Hazardous Substance" shall also include any petroleum product, including gasoline, diesel fuel, motor oil and waste oil.

As used herein the term "Environmental Laws" shall mean any federal, state or local law, statute, ordinance, rule, order, regulation, injunction, writ or decree now or hereafter existing which governs or otherwise relates to the generation, transportation, use, storage, emission, discharge, release, threatened release or disposal of Hazardous Substances including, without limitation, the Resource, Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act, the Hazardous Materials Transportation Act, the Toxic Substances Control Act, the Clean Air Act and the Clean Water Act.

Landlord represents and warrants that to Landlord's best knowledge and belief, the Leased Premises contains no Hazardous

Substance.

7. ROLL OVER TERM: Unless Tenant notifies Landlord more than six (6) months prior to the expiration of the initial term, that it does not desire to extend the term of this Lease for a Roll Over Term, (as defined herein) the term of this Lease will automatically extend for an additional term of five (5) years (the "Roll Over Term"). The Roll Over Term shall be on the same terms and conditions set forth in this Lease except that the monthly rental for the Roll Over Term shall be determined pursuant to the following formulas:

> Monthly rental for the Roll Over Term shall equal $20,826.71 times a fraction the numerator of which is the CPI in effect on February 1, 1999 plus 75% of the amount by which the CPI in effect on the expiration of the initial term exceeds the CPI for February 1, 1999 and the denominator of which is the CPI for February 1, 1999.

Notwithstanding the result of the above calculation, the monthly rental for the Roll over Term shall not be less than $21,900.25.

The CPI, as referred to herein, means the Consumer Price Index for all Urban Consumers 1993-95=100 relating to the United States City Average for All Items, as issued by the Bureau of Labor Statistics of the United States Department of Labor, or any successor to the function thereof. In the event of the conversion of the CPI to a different standard reference base or any other revision thereof, the determination hereunder shall be made with the use of such Bureau of Labor Statistics or successor to the functions thereof or in the absence of the publication of such conversion factor, such formula or table as the parties shall mutually designate.

Notwithstanding the above, if PJ Food Service Inc., itself is not in full possession of the Leased Premises at the commencement of the Roll Over Term, Landlord may, at its option, terminate this Lease as of the last day of the initial term.

8. BROKERAGE: Except as provided below, Landlord and Tenant each hereby warrants to the other that no real estate broker has been involved in this transaction on its behalf and that no finder's fees or real estate commissions have been earned by any third party. Tenant agrees to indemnify Landlord and Landlord hereby agrees to indemnify Tenant for any liability or claims for commissions or fees arising from a breach of this warranty. The only real estate broker involved in this transaction is Oxford Realty Services, Inc. whose commissions or fees with respect to the this transaction, shall be paid by Landlord in accordance with that certain letter dated September 23, 1998.

9. PARKING: Tenant shall have the exclusive right to the use of the parking areas located within the Leased Premises as shown outlined in red on Exhibit A attached hereto. Tenant shall have the non-exclusive right to such additional parking, if available as determined by Landlord, in the Common Area Parking, as defined herein and shown shaded in orange on Exhibit A attached hereto, located on the Property.

10. COMMON AREA MAINTENANCE: A. Landlord shall, at its sole cost and expense (i) maintain in reasonably good condition and repair, when necessary as determined by Landlord, the driveway shown shaded in yellow on Exhibit A and the parking lots shown shaded in orange on Exhibit A (the "Common Area Parking") attached hereto (ii) snow plow and/or salt the aforementioned driveways and Common Area Parking when necessary as determined by Landlord and (iii) maintain the landscape areas located within the Property, within Tenant's Leased Premises and in the leased premises of other tenants in the Building. The driveway, the Common Area Parking and the landscape areas are collectively hereinafter called the "Common Areas".

Tenant shall pay to Landlord a monthly charge (the "CAM Charge"), as reasonably determined from time to time by Landlord, being Tenant's allocable share of the Common Area Expense, as hereinafter defined. As used herein, "Common Area Expenses" shall mean all reasonable costs and expenses incurred by Landlord of whatever nature for maintaining the Common Area including but not limited to a reasonable reserve for the replacement of the asphalt surfaces of the Common Areas. All capital repairs and replacements shall be amortized in accordance with GAAP and as so amortized shall be considered a Common Area Expense.

Beginning on the Commencement Date, Tenant shall pay to Landlord, as additional rental, a CAM Charge of $644.13 per month (said amount being Landlord's estimate of the monthly Common Area Expenses allocable to Tenant for the year 1999). The CAM Charge shall be subject to adjustment at the end of each calendar year during the term of the Lease based upon the actual Common Area Expenses incurred by Landlord during the previous calendar year and an estimate of Common Area Expenses for the ensuing calendar year.

Landlord shall provide Tenant within sixty (60) days after each calendar year proper documentation to support said CAM Charge and the Common Area Expenses.

B. ADJUSTMENT MECHANISM: During each calendar year following the first calendar year, but no later than sixty (60) days following each calendar year, Landlord shall submit a statement supported by reasonable documentation setting forth the amount of the Common Area Expenses and Tenant's allocable share of the Common Area Expenses and the difference if any between the amount actually owed by Tenant and the amount actually paid by Tenant in accordance with this paragraph 10. Landlord agrees to keep books and records documenting Common Area Expenses. Tenant shall have the right for a period of one (1) year after Landlord has submitted said statements, at Tenant's cost, to inspect Landlord's statement of Common Area Expenses after reasonable notice during normal operating hours. If Tenant owes Landlord the difference, Tenant shall pay the difference as additional rental within thirty (30) days of billing by Landlord. If Landlord owes Tenant the difference, Landlord shall pay Tenant the difference. Tenant's covenant to pay Tenant's allocable share of the Common Area Expenses for the term of this Lease or any extension thereof shall survive the expiration or early termination of this Lease.

11. CONDITION PRECEDENT: A. As a condition precedent to the effectiveness of this Lease, Tenant shall at or prior to the execution and delivery of this Lease to Landlord by Tenant, deliver to Landlord an irrevocable and unconditional Letter of Credit from a financial institution acceptable to Landlord in the amount of $150,000 as security for Tenant's obligations under this Lease. Provided Tenant is not in default under this Lease, the amount of the Letter of Credit may be reduced by $50,000 on each anniversary date of the term of this Lease. Landlord shall have the right to draw upon said Letter of Credit to cover any default in the payment of monthly rental or additional rental due Landlord under this Lease.

WITNESS the due execution hereof as of the date of the foregoing Agreement of Lease.

ATTEST:	THE BUNCHER COMPANY
Kenneth Buncher	J. Balister
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Exec. V.P. and Secretary	President
(Corporate Seal)	
ATTEST:	P J FOOD SERVICE, INC.
	Robert J. Wadell 9-17-98
-------------------------------	------------------------------
(Corporate Seal)	

Exhibit 21

Subsidiaries of the Company

(a) PJ Food Service, Inc., a Kentucky corporation
(b) Papa John's USA, Inc., a Kentucky corporation
(c) Papa John's Support Services, Inc., a Kentucky corporation
(d) PJFS of Mississippi, Inc., a Mississippi corporation
(e) Risk Services Corp., a Kentucky corporation
(f) Capital Delivery, Ltd., a Kentucky corporation

Exhibit 23

Consent of Independent Auditors

We consent to the incorporation by reference in (i) the Registration Statements (Forms S-8 No. 333-27823, No. 333-16447 and No. 33-67472) pertaining to the Papa John's International, Inc. 1993 Stock Ownership Incentive Plan, (ii) the Registration Statement (Form S-8 No. 33-67470) pertaining to the Papa John's International, Inc. 1993 Stock Option Plan for Non-Employee Directors, (iii) the Registration Statement (Form S-8 No. 333-48999) pertaining to the Papa John's International, Inc. 401(k) Plan, (iv) the Registration Statement (Form S-8 No. 333-66985) pertaining to the Papa John's International, Inc. Wade S. Oney Employment Agreement, and (v) the Registration Statement (Form S-4 No. 33-96552) of Papa John's International, Inc. of our report dated February 26, 1999, with respect to the consolidated financial statements of Papa John's International, Inc. and subsidiaries included in the Annual Report (Form 10-K) for the year ended December 27, 1998.

/s/ Ernst & Young LLP

Louisville, Kentucky
March 19, 1999

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1,000

12-MOS
DEC-27-1998
DEC-29-1997
DEC-27-1998
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1,000

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DEC-29-1997	DEC-29-1997	DEC-29-1997
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9,105	9,071	10,697
57,361	49,967	55,179
202,204	176,720	161,529
44,717	40,423	37,184
300,133	283,312	273,090
41,916	35,547	30,057
1,130	1,130	1,130
0	0	0
0	0	0
295	295	293
246,663	236,264	222,047
300,133	283,312	273,090
454,143	297,343	144,409
481,629	315,201	152,928
232,922	151,177	73,790
388,152	253,350	123,508
53,801	36,409	17,396
0	0	0
0	0	0
43,040	27,683	13,084
15,925	10,243	4,841
27,115	17,440	8,243
0	0	0
0	0	0
(2,603)	(2,603)	(2,603)
24,512	14,837	5,640
0.84	0.51	0.19
0.81	0.49	0.19

Exhibit 99.1 - Cautionary Statements

Information provided herein by Papa John's contains, and from time to time we may disseminate materials and make statements which contain "forward looking" information within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), including information within Management's Discussion and Analysis of Financial Condition and Results of Operations. The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act. Although we believe that our expectations are based on reasonable assumptions, actual results may differ materially from those in the forward looking statements as a result of various factors, including but not limited to, the following:

1. Our ability and the ability of our franchisees to continue to expand through the opening of new restaurants is affected by a number of factors, many of which are beyond our control and our franchisees' control. These factors include, among other things, selection and availability of suitable restaurant locations, negotiation of suitable lease or financing terms, constraints on permitting and construction of other restaurants, higher than anticipated construction costs, and the hiring, training and retention of management and other personnel. Accordingly, there can be no assurance that we or the Papa John's franchisees will be able to meet planned growth targets or open restaurants in markets now targeted for expansion.

2. The restaurant industry is intensely competitive with respect to price, service, location and food quality, and there are many well established competitors with substantially greater financial and other resources than Papa John's and our franchisees. Some of these competitors have been in existence for a substantially longer period than us or our franchisees and may be better established in the markets where restaurants operated by Papa John's or our franchisees are, or may be, located. A change in the pricing or other marketing or promotional strategies of one or more of our major competitors could have an adverse impact on sales and earnings at restaurants operated by us and our franchisees.

3. An increase in the cost of cheese or other commodities could adversely affect the profitability of our restaurant business. Cheese, representing approximately 40% of our food cost, and other commodities are subject to seasonal fluctuations, weather, demand and other factors that are beyond our control.

4. Changes in consumer taste, demographic trends, traffic patterns and the type, number and location of competing restaurants could adversely affect our restaurant business.

5. Our restaurant operations are subject to federal and state laws governing such matters as wages, working conditions, citizenship requirements and overtime. A significant number of hourly personnel employed by us and our franchisees are paid at rates related to the federal minimum wage. Accordingly, further increases in the minimum wage will increase labor costs for us and our franchisees.

6. Our international operations are subject to a number of additional factors, including international economic and political conditions, currency regulations and fluctuations, differing cultures and consumer preferences, diverse government regulations and structures, availability and cost of land and construction, and differing interpretation of the obligations established in franchise agreements with international franchisees, Accordingly, there can be no assurance that our international operations will achieve or maintain profitability or meet planned growth rates.

7. Our operations could be affected by factors related to the year 2000 computer bug. Such factors include, but are not limited to: (1) our ability to complete the phases of our year 2000 assessment by the dates estimated by management; (2) our ability to identify information technology (IT) and non IT systems that are not year 2000 compliant; (3) our ability to implement system modifications and conversions successfully and timely; (4) the results of year 2000 testing differing from those anticipated; (5) the resolution of year 2000 issues by external companies with which we do business; and (6) our ability to implement effective contingency plans when deemed necessary. Accordingly, the effects of the factors identified above could materially impact our business.