SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

AMERICAN RESTAURANT PARTNERS L P
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UNITED STATES
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 (Fee Required)

For the fiscal year ended December 29, 1998

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)

For the transition period from _______ to _______

Commission File Number 1-9606

AMERICAN RESTAURANT PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

Delaware	48-1037438
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

555 N. Woodlawn, Suite 3102 Wichita, Kansas	67208
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (316) 684-5119

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

Title of each class

Class A Income Preference Units of
Limited Partner Interests

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

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. (X)

As of March 1, 1999 the aggregate market value of the income preference units held by non-affiliates of the registrant was $2,073,941.

PART I

Item 1. Business

General Development of Business

American Restaurant Partners, L.P., a Delaware limited partnership (the "Partnership"), was formed on April 27, 1987 for the purpose of acquiring and operating through American Pizza Partners, L.P., a Delaware limited partnership ("APP"), substantially all of the restaurant operations of RMC Partners, L.P. ("RMC") in connection with a public offering of Class A Income Preference units by the Partnership. The transfer of assets from RMC was completed on August 21, 1987 and the Partnership commenced operations on that date. Subsequently, the Partnership completed its public offering of 800,000 Class A

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Income Preference units and received net proceeds of $6,931,944.

The Partnership is a 99% limited partner in APP which conducts substantially all of the business for the benefit of the Partnership. RMC American Management, Inc. ("RAM") is the managing general partner of both the Partnership and APP. RAM and RMC own an aggregate 1% interest in APP.

On March 13, 1996, APP purchased a 45% interest in Oklahoma Magic, L.P. (Magic), a newly formed limited partnership that owns and operates Pizza Hut restaurants in Oklahoma. Effective August 11, 1998, APP's interest in Magic increased from 45% to 60% in connection with Magic's purchase of a 25% interest from a former limited partner. RAM, which owns a 1.0% interest in Magic, is the managing general partner of Magic. The remaining 39.0% interest is held by Restaurant Management Company of Wichita, Inc. (the Management Company). APP and Magic are collectively referred to as the "Operating Partnerships".

As of December 29, 1998, the Partnership owned and operated a total of 89 restaurants (collectively, the "Restaurants"). APP owned and operated 54 traditional "Pizza Hut" restaurants, 5 "Pizza Hut" delivery/carryout facilities and 3 dualbrand locations. During 1998, APP opened one "Pizza Hut" restaurant, and closed a delivery/carryout unit and a convenience store location. Magic owned and operated 17 traditional "Pizza Hut" restaurants and 10 "Pizza Hut" delivery/carryout facilities. The following table sets forth the states in which the Partnership's Pizza Hut Restaurants are located:

	Units Open At 12-30-97	Units Opened in 1998	Units Closed in 1998	Units Open At 12-29-98
Georgia	8	--	--	8
Louisiana	2	--	1	1
Montana	18	1	--	19
Texas	27	--	1	26
Wyoming	8	--	--	8
Oklahoma	27	--	--	27
Total	90	1	2	89

Financial Information About Industry Segments

The restaurant industry is the only business segment in which the Partnership operates.

Narrative Description of Business

The Partnership operates the Restaurants under license from Pizza Hut, Inc. ("PHI"), a subsidiary of Tricon Global Restaurants, Inc. which was created with the spin-off of PepsiCo, Inc.'s restaurant division. Since it was founded in 1958, PHI has become the world's largest pizza restaurant chain in terms of both sales and number of restaurants. As of March 1, 1999, there were approximately 7,300 Pizza Hut restaurants and delivery/carryout facilities with locations in all 50 states and in over 85 countries. PHI owns and operates approximately 51% of these restaurants and independent franchisees own and operate approximately 49% of these restaurants.

All Pizza Hut restaurants offer substantially the same menu items, including several varieties of pizza as well as pasta, salads and sandwiches. All food items are prepared from high quality ingredients in accordance with PHI's proprietary recipes and a special blend of spices available only from PHI. Pizza is offered in several different sizes with a thin crust, hand tossed traditional crust, or a thick crust, known as "Pan Pizza", as well as with a wide variety of toppings. Food products not prescribed by PHI may only be offered with the prior express approval of PHI.

PHI maintains a research and development department which develops new recipes and products, tests new procedures for food preparation and approves suppliers for Pizza Hut restaurants.

Pizza Hut restaurants are constructed in accordance with prescribed design specifications and most are similar in exterior appearance and interior decor. The typical restaurant building is a one-story brick building with 1,800 to 3,000 square feet, including kitchen and storage areas, and features a distinctive

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red roof. Seating capacity ranges from 75 to 140 persons and the typical property site will accommodate parking for 30 to 70 automobiles. Building designs may be varied only upon request and when required to comply with local regulations or for unique marketing reasons.

Franchise Agreements

General. The relationships between PHI and its franchisees are governed by franchise agreements (the "Franchise Agreements"). Pursuant to the Franchise Agreements, PHI franchisees are granted the right to establish and operate restaurants under the Pizza Hut system within a designated geographic area. The initial term of each Franchise Agreement is 20 years, but prior to expiration, the franchisee may renew the agreement for an additional 15 years, if not then in default. Renewals are subject to execution of the then current form of the Franchise Agreement, including the current fee schedules. Unless the franchisee fails to develop its assigned territory, PHI agrees not to establish, and not to license others to establish, restaurants within the franchisee's territory.

Standards of Operation . PHI provides management training for employees of franchisees and each restaurant manager is required to meet certain training requirements. Standards of quality, cleanliness, service, food, beverages, decor, supplies, fixtures and equipment for Pizza Hut restaurants are prescribed by PHI. Although new standards and products may be prescribed from time to time, any revision requiring substantial expenditures by franchisees must be first proven successful through market testing conducted in 5% of all Pizza Hut restaurants. Failure to comply with the established standards is cause for termination of a Franchise Agreement by PHI and PHI has the right to inspect each restaurant to monitor compliance. Management of the Partnership believes that the existing Restaurants meet or exceed the applicable standards; neither the predecessors to RMC nor the Partnership has ever had a Franchise Agreement terminated by PHI.

Advertising. All franchisees are required to join a cooperative advertising association ("co-op") with other franchisees within local marketing areas defined by PHI. Contributions of 2% of each restaurant's monthly gross sales must be made to such co-ops for the purchase of advertising through local broadcast media. The term "gross sales" shall mean gross revenues (excluding price discounts and allowances) received as payment for the beverages, food, and other goods, services and supplies sold in or from each restaurant, and gross revenues from any other business operated on the premises, excluding sales and other taxes required by law to be collected from guests. All advertisements must be approved by PHI which contributes on the same basis to the appropriate co-op for each restaurant operated by PHI. Franchisees are also required to be members of I.P.H.F.H.A., Inc. ("IPHFHA") an independent association of franchisees which, together with representatives of PHI, develops and directs national advertising and promotional programs.

Members of IPHFHA are required to pay national dues equal to 2% of each restaurant's monthly gross sales. Such dues are primarily used to conduct the national advertising and promotional programs. Although it is not a member of IPHFHA, PHI contributes on the same basis as members for each restaurant that PHI operates.

Effective January 1, 1996 through December 31, 1997, PHI and the members of IPHFHA agreed to decrease their contribution to the co-ops by 0.5% to 1.5% of gross sales and increase their national dues by 0.5% to 2.5% of gross sales. Effective January 1, 1998, PHI and the members of IPHFHA agreed to change both the contributions to the co-ops and national dues back to 2% of gross sales.

Purchase of Equipment, Supplies and Other Products. The Franchise Agreements require that all equipment, supplies and other products and materials required for operation of Pizza Hut restaurants be obtained from suppliers that meet certain standards established and approved by PHI. AmeriServe is the primary supplier of equipment, food products and supplies to franchisees. AmeriServe offers certain equipment, food products and supplies for sale to franchisees for use in their restaurants, but franchisees are not required to purchase such items from AmeriServe. Further, PHI limits the rate of profit on AmeriServe's sales of food, paper products and similar restaurant supplies to franchisees to a 14% gross profit and a 2.5% net pre-

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tax profit. Profits in excess of such amounts are returned annually on a proportionate basis to franchisees purchasing products from AmeriServe. Because of these financial incentives, the Partnership purchases substantially all of its equipment, supplies, and other products and materials from AmeriServe, except for produce items, which are purchased locally for each Restaurant. Most of the equipment, supplies, and other products and materials used in the Restaurants' operations, however, are commodity items that are available from numerous suppliers at market prices. Certain of the items used in preparation of the Restaurants' products currently are available only to Pizza Hut franchisees from PHI.

Franchise Fees. Franchisees must pay monthly service fees to PHI based on each restaurant's gross sales. The monthly service fee under each of the Partnership's Franchise Agreements is 4% of gross sales, or, if payment of a percentage of gross sales of alcoholic beverages is prohibited by state law, 4.5% of gross sales of food products and nonalcoholic beverages. Fees are payable monthly by the 30th day after the end of each month and franchisees are required to submit monthly gross sales data for each restaurant, as well as quarterly and annual profit and loss data on each restaurant, to PHI. In addition to the monthly service fees, an initial franchise fee of $15,000 is payable to PHI prior to the opening of each new restaurant.

No Transfer or Assignment without Consent. No rights or interests granted to franchisees under the Franchise Agreements may be sold, transferred or assigned without the prior written consent of PHI which may not be unreasonably withheld if certain conditions are met. Additionally, PHI has a first right of refusal to purchase all or any part of a franchisee's interests if the franchisee proposes to accept a bona fide offer from a third party to purchase such interests and the sale would result in a change of control of the franchisee.

PHI requires that the principal management officials of a franchisee retain a controlling interest in a franchisee that is a corporation or partnership.

Default and Termination. Franchise Agreements automatically terminate in the event of the franchisee's insolvency, dissolution or bankruptcy. In addition, Franchise Agreements automatically terminate if the franchisee attempts an unauthorized transfer of a controlling interest of the franchise. PHI, at its option, may also unilaterally terminate a Franchise Agreement if the franchisee (i) is convicted of a felony, a crime of moral turpitude or another offense that adversely affects the Pizza Hut system, its trademarks or goodwill, (ii) discloses, in violation of the Franchise Agreement, confidential or proprietary information provided to it by PHI, (iii) knowingly or through gross negligence maintains false books or records or submits false reports to PHI, (iv) conducts the business so as to constitute an imminent danger to the public health, or (v) receives notices of default on three (3) or more occasions in twelve (12) months, or five (5) or more occasions in thirty-six (36) months even if each default had been cured. A termination under item (v) will affect only the individual restaurants in default, unless the defaults relate to the franchisee's entire operation, or are part of a common pattern or scheme, in which case all of the franchisee's rights will be terminated.

Further, at its option, but only after thirty (30) days written notice of default and the franchisee's failure to remedy such default within the notice period, PHI may terminate a Franchise Agreement if the franchisee (i) fails to make any required payments or submit required financial or other data, (ii) fails to maintain prescribed restaurant operating standards, (iii) fails to obtain any required approval or consent, (iv) misuses any of PHI's trademarks or otherwise materially impairs its goodwill, (v) conducts any business under a name or trademark that is confusingly similar to those of PHI, (vi) defaults under any lease, sublease, mortgage or deed of trust covering a restaurant, (vii) fails to procure or maintain required insurance, or (viii) ceases operation without the prior consent of PHI. Management believes that the Partnership is in compliance in all material respects with its current Franchise Agreements; neither the predecessors to RMC nor the Partnership has ever had a Franchise Agreement terminated by PHI.

In addition to items (i) through (viii) noted in the preceding paragraph, the Franchise Agreements allow PHI to also terminate a Franchise Agreement after thirty (30) days written notice if the franchisee attempts an unauthorized transfer of less than a controlling interest. A termination under these items will

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affect only the individual restaurants in default, unless the defaults relate to the franchisee's entire operation, in which case all of the franchisee's rights will be terminated.

Tradenames, Trademarks and Service Marks. "Pizza Hut" is a registered trademark of PHI. The Franchise Agreements license franchisees to use the "Pizza Hut" trademark and certain other trademarks, service marks, symbols, slogans, emblems, logos, designs and other indicia or origin in connection with their Pizza Hut restaurants and all franchisees agree to limit their use of such marks to identify their restaurants and products and not to misuse or otherwise jeopardize such marks. The success of the business of the Restaurants is significantly dependent on the ability of the Partnership to operate using these marks and names and on the continued protection of these marks and names by PHI.

Future Expansion. Under the terms of the Franchise Agreements, the Partnership has the right to open additional Pizza Hut restaurants within certain designated territories. The Partnership is not obligated to open any new restaurants in 1999 or future years.

Seasonality

Due to the seasonal nature of the restaurant business in general, the locations of many of the Restaurants near summer tourist attractions, and the severity of winter weather in the areas in which many of the Restaurants are located, the Partnership realizes approximately 40% of its operating profits in periods six through nine (18 weeks). Although this seasonal trend is likely to continue, the severity of these seasonal cycles may be lessened to the extent that the Partnership operates Pizza Hut restaurants in warmer climates and nontourist population areas in the future. The Partnership does not anticipate that the current seasonal trends will cause the Partnership's negative working capital to deteriorate even further during seasonal lows even if these trends continue.

Competition

The retail restaurant business is highly competitive with respect to trademark recognition, price, service, food quality and location, and is often affected by changes in tastes, eating habits, national and local economic conditions, population and traffic patterns. The Restaurants compete with large regional and national chains, including both fast food and full service chains, as well as with independent restaurants offering moderately priced food. Many of the Partnership's competitors have more locations, greater financial resources, and longer operating histories than the Partnership. The Restaurants compete directly with other pizza restaurants for dine-in, take-out and delivery customers.

Government Regulation

The Partnership and the Restaurants are subject to various government regulations, including zoning, sanitation, health, safety and alcoholic beverage controls. Restaurant employment practices are also governed by minimum wage, overtime and other working condition regulations which, to date, have not had a material effect on the operation of the Restaurants. The Partnership believes that it is in compliance with all laws and regulations which govern its business. In order to comply with the regulations governing alcoholic beverage sales in Montana, Texas and Wyoming, the licenses permitting beer sales in certain Restaurants in those states are held in the name of resident persons or domestic entities to whom they were originally issued, and are utilized by the Partnership under lease arrangements with such resident persons or entities. Because of the varying requirements of various state agencies regulating liquor and beer licenses, the Partnership Agreement provides that all Unitholders and all other holders of limited partner interests must furnish the Managing General Partner with all information it reasonably requests in order to comply with any requirements of these state agencies, and that the Partnership has the right to purchase all Units held by any person whose ownership of Units would adversely affect the ability of the Partnership to obtain or retain licenses to sell beer or wine in any Restaurant.

Employees

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As of March 1, 1999, the Partnership did not have any employees. The Operating Partnerships had approximately 2,100 employees at the Restaurants. Each Restaurant is managed by one restaurant manager and one or more assistant restaurant managers. Many of the other employees are employed only part-time and, as is customary in the restaurant business, turnover among the part-time employees is high. Employees at one of the Restaurants were covered by a collective bargaining agreement through July 7, 1997. The employees at this restaurant voted to decertify as of that date. The Restaurants are managed by employees of the Management Company which has its principal offices in Wichita, Kansas. The Management Company has a total of 37 employees which devote all or a significant part of their time to management of the Restaurants. In addition, the Partnership may employ certain management officials of the Management Company on a part time basis. Employee relations are believed to be satisfactory.

Financial Information About Foreign and Domestic Operations and Export Sales

The Partnership operates no restaurants in foreign countries.

Item 2. Properties

The following table lists the location by state of Restaurants operated by APP as of December 29, 1998.

	Leased From Unrelated Third Parties	Leased From Affiliate of the General Partners	Owned	Total
Georgia	1	-	7	8
Louisiana	-	-	1	1
Montana	9	-	10	19
Texas	15	-	11	26
Wyoming	1	1	6	8
Total APP	26	1	35	62

Five of the properties owned by APP are subject to ground leases from unrelated third parties. The property leased from an affiliate of the General Partners is subject to a mortgage or deed of trust. Most of the properties, including that owned by an affiliate of the General Partners are leased for a minimum term of at least five years and are subject to one or more five year renewal options. Two leases with initial terms of less than five years contain renewal options extending through at least 2001. Management believes leases with shorter terms can be renewed for multiple year periods, or the property can be purchased, without significant difficulty or unreasonable expense.

In addition to the operating restaurants above, APP has remaining lease obligations on two closed restaurants. Both of the locations are subleased through their remaining lease term.

The following table lists the Restaurants operated by Magic as of December 29, 1998.

	Leased From Unrelated Third Parties	Leased From Affiliate	Total
Oklahoma	25	2	27
Total Magic	25	2	27

Most of the properties including the two owned by an affiliate are leased for a minimum term of at least five years and are subject to one or more five year renewal options. One lease with an initial term of less than five years contains renewal options through 2002.

In addition to the operating restaurants above, Magic has remaining lease obligations on two closed restaurants. Magic is attempting to sublease these locations through the remainder of their lease terms which expire in 2001.

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The amount of rent paid is either fixed or includes a fixed rental plus a percentage of the Restaurant's sales, subject, in some cases, to maximum amounts. The leases require the Partnership to pay all real estate taxes, insurance premiums, utilities, and to keep the property in general repair.

Pizza Hut restaurants are constructed in accordance with prescribed design specifications and most are similar in exterior appearance and interior decor. The typical restaurant building is a one-story brick building with 1,800 to 3,000 square feet, including kitchen and storage areas, and features a distinctive red roof. Seating capacity ranges from 75 to 140 persons and the typical property site will accommodate parking for 30 to 70 automobiles. Building designs may be varied only upon request and when required to comply with local regulations or for unique marketing reasons. Typical capital costs for a restaurant facility are approximately $150,000 for land, $250,000 for the building and $135,000 for equipment and furnishings. Land costs can vary materially depending on the location of the site. Delivery/carryout facilities vary in size and appearance. These facilities are generally leased from unrelated third parties.

Item 3. Legal Proceedings

As of December 29, 1998, the Partnership was not a party to any pending legal proceedings material to its business.

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

Not applicable.

PART II

Item 5. Market for the Registrant's Class A Income Preference Units and Related Security Holder Matters

The Partnership's Class A Income Preference Units were traded on the American Stock Exchange under the symbol "RMC" through November 13, 1997. On that date, the Partnership delisted from the American Stock Exchange and limited trading of its units. The Class A Income Preference Units were traded on the Pink Sheets from December 1, 1997 through January 2, 1998. Effective January 1, 1998, the Partnership offered a Qualified Matching Service, whereby the Partnership will match persons desiring to buy units with persons desiring to sell units. Market prices for units during 1998 and 1997 were:

Calendar Period	High	Low
1998		
First Quarter	$2.75	$1.90
Second Quarter	2.60	2.25
Third Quarter	2.80	2.60
Fourth Quarter	2.80	2.70
1997		
First Quarter	$5.75	$4.81
Second Quarter	5.13	4.81
Third Quarter	5.00	2.75
Fourth Quarter	4.38	1.50

As of December 29, 1998, approximately 1,200 unitholders owned American Restaurant Partners, L.P. Class A Income Preference Units of limited partner interest. Information regarding the number of unitholders is based upon holders of record excluding individual participants in security position listings.

Cash distributions to unitholders were:

Record Date	Payment Date	Per Unit
1998		
January 12, 1998	January 30, 1998	$0.05
April 13, 1998	May 1, 1998	0.05

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July 13, 1998	July 31, 1998	0.10
October 12, 1998	October 30, 1998	0.10
Cash distributed during 1998		$0.30

1997

January 12, 1997	January 31, 1997	$0.11
April 11, 1997	April 25, 1997	0.11
July 14, 1997	July 25, 1997	0.05
October 13, 1997	October 25, 1997	0.05
Cash distributed during 1997		$0.32

The Partnership will make quarterly distributions of "Cash Available for Distribution" with respect to the Income Preference, Class B Units, and Class C Units. "Cash Available for Distribution", consists, generally, of all operating revenues less operating expenses (excluding noncash items such as depreciation and amortization), capital expenditures for existing restaurants, interest and principal payments on Partnership debt, and such cash reserves as the Managing General Partner may deem appropriate. Therefore, the Partnership may experience quarters in which there is no Cash Available for Distribution. The Partnership may retain cash during certain quarters and distribute it in later quarters in order to make quarterly distributions more consistent.

<TABLE>

Item 6. Selected Financial Data

(in thousands, except per Unit data, number of Restaurants, and average weekly sales per Restaurant)

<CAPTION>

	American Restaurant Partners, L.P.				
	Year Ended				
	December 29, 1998 (d)	December 30, 1997	December 31, 1996	December 26, 1995	December 27, 1994
<S>	<C>	<C>	<C>	<C>	<C>
Income statement data:					
Net sales	$ 43,544	$ 38,977	$ 40,425	$ 40,004	$ 37,445
Income from operations	2,443	433	3,076	3,890	3,587
Net income (loss)	809	(1,993)	1,584	2,481	2,385
Net income (loss) per Class A Income Preference Unit (a)	0.20	(0.50)	0.40	0.63	1.04
Balance sheet data:					
Total assets	$ 30,703	$ 22,226	$ 23,745	$ 16,134	$ 16,445
Long-term debt	29,630	20,005	18,859	10,525	10,787
Obligations under capital leases	1,543	1,645	1,665	1,732	1,800
Partners capital (deficiency):					
General Partners	(8)	(8)	(5)	(3)	(3)
Class A	5,543	5,624	6,295	6,573	6,729
Class B and C	(10,058)	(8,322)	(5,811)	(4,688)	(4,479)
Cost in excess of carrying value of assets acquired	(1,324)	(1,324)	(1,324)	(1,324)	(1,324)
Cumulative comprehensive income	(108)	19	(44)	-	-
Notes receivable from employees	-	-	-	(6)	(32)
Cash dividends declared per unit:					
Class A Income Preference	0.30	0.32	0.74	0.74	1.07
Class B	0.30	0.32	0.74	0.74	0.52
Class C	0.30	0.32	0.74	0.74	0.52
Statistical data:					
Capital expenditures: (b)					
Existing Restaurants	$ 2,465	889	2,612	1,185	1,093
New Restaurants	162	935	4,136	-	1,038
Average weekly sales per Restaurant: (c)					
Red Roof	11,918	11,813	12,544	12,862	12,278
Delivery/carryout facility/C-store	10,508	8,160	10,547	12,463	11,536
Restaurants in operation at end of period	89	63	67	60	60

</TABLE>

NOTES TO SELECTED FINANCIAL DATA

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(a) Net earnings per Class A Income Preference Unit were determined by allocating the earnings in the same manner required by the Partnership Agreements for the allocation of taxable income and loss. Therefore, net earnings of the Operating Partnerships have been allocated to the limited partners who are holders of Class A Income Preference Units (Units) first until the amount allocated equals the preference amount. The remaining net earnings are allocated to all partners in accordance with their respective Units in the Partnership with all outstanding Units being treated equally. The preference requirement was satisfied in May of 1994. Upon expiration of the preference, net earnings were allocated equally to all outstanding units.

(b) Capital expenditures include the cost of land, buildings, new and replacement restaurant equipment and refurbishment of leasehold improvements. Capital expenditures for existing restaurants represent such capitalized costs for all restaurants other than newly constructed restaurants.

(c) Average weekly sales were calculated by dividing net sales by the weighted average number of restaurants open during the period. The quotient was then divided by the number of days in the period multiplied times seven days.

(d) The Partnership began consolidating the accounts of Magic on August 11, 1998 when APP's interest in Magic increased from 45% to 60%. The 1998 selected financial data reflects this consolidation.

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

Results of Operations

The following discussion compares the Partnership's results for the years ended December 29, 1998, December 30, 1997 and December 31, 1996. Comparisons of 1997 to 1996 are affected by an additional week of results in the 1996 reporting period. Because the Partnership's fiscal year ends on the last Tuesday in December, a fifty-third week is added every five or six years. This discussion should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements included elsewhere herein.

The accompanying consolidated financial statements include the accounts of the Partnership and its majority owned subsidiaries, American Pizza Partners, L.P. and APP Concepts, LLC. Effective August 11, 1998, the interest of American Pizza Partners, L.P. in Magic increased from 45% to 60% in connection with Magic's purchase of a 25% interest from a former limited partner (see Note 13 to the accompanying financial statements). Accordingly, the Partnership began consolidating the accounts of Magic from that date. All significant intercompany balances and transactions have been eliminated. The table below shows the historical Statements of Operations as well as proforma results of operations assuming the Partnership's interest in Magic increased to 60% as of January 1, 1997. The proforma results are shown in order to provide a more meaningful basis for a comparative discussion of the years ended December 29, 1998 and December 30, 1997.

<TABLE>
<CAPTION>

	Historical			Proforma (1)	
	1998	1997	1996	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$43,543,633	$38,977,341	$40,424,953	$53,631,453	$54,689,655
Operating costs and expenses:					
Cost of sales	11,710,209	10,586,372	10,762,075	14,289,075	14,895,268
Restaurant labor and beneifits	12,500,842	11,043,688	10,672,283	15,522,283	15,939,414
Advertising	2,844,451	2,511,470	2,744,864	3,595,040	3,827,444
Other restaurant					

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operating expenses exclusive of depreciation and amortization	8,337,961	7,691,831	7,433,450	10,656,012	11,382,741	
General and administrative:						
Management fees	2,894,911	2,710,449	2,808,484	3,348,863	3,261,044	
Other	631,999	371,443	766,551	761,827	601,017	
Depreciation and amortization	2,149,606	2,078,061	1,687,090	2,664,692	2,907,574	
Loss (gain) on restaurant closings	23,747	792,219	97,523	(93,220)	1,577,018	
Equity in loss of affiliate	7,250	758,383	375,632	-	-	
Income from operations	2,442,657	433,425	3,076,343	2,886,881	298,135	
Interest income	29,783	29,350	34,253	29,783	29,350	
Interest expense	(2,662,061)	(2,476,304)	(1,668,551)	(3,115,146)	(3,267,918)	
Gain on life insurance settlement	875,533	-	-	875,533	-	
Gain on fire settlement	-	-	157,867	-	-	
Income (loss) before minority interest	685,912	(2,013,529)	1,599,912	677,051	(2,940,433)	
Minority interest in income (loss) of Operating Partnerships	122,805	20,135	(15,999)	129,273	696,778	
Net income	$ 808,717	$(1,993,394)	$ 1,583,913	$ 806,324	$(2,243,655)	$

<FN>
(1) The proforma statements of operations for 1998 and 1997 include consolidation of Magic as if the Partnership's interest in Magic increased to 60% as of January 1, 1997.
</FN>
</TABLE>

Net Sales

Proforma net sales for the year ended December 29, 1998 decreased $1,059,000 or 1.9%, from $54,690,000 for the year ended December 30, 1997 to $53,631,000 for the year ended December 29, 1998. This decrease was entirely attributable to restaurants closed in 1997 as comparable restaurants sales increased 4.4%.

Net sales for the year ended December 30, 1997 decreased $1,448,000, or 3.6%, from $40,425,000 to 38,977,000. The additional week in 1996 accounted for approximately 2 percentage points of the decrease. Comparable restaurant sales decreased 5.2% from 1996. This decrease reflected the continuing increase in competition in the Texas market.

Income From Operations

Proforma income from operations for the year ended December 29, 1998 increased $2,589,000 from $298,000 to $2,887,000, an 868.8% increase over the year ended December 30, 1997. As a percentage of proforma net sales, proforma income from operations increased from 0.5% in 1997 to 5.4% in 1998. Proforma cost of sales decreased as a percentage of proforma net sales from 27.2% in 1997 to 26.6% of proforma net sales in 1998. Proforma labor and benefits expense decreased from 29.1% of proforma net sales in 1997 to 28.9% of proforma net sales in 1998 despite the minimum wage increase that took effect September 1, 1997. These margin improvements are the result of continued diligent follow-up and focus on efficiencies in the restaurants. Advertising decreased as a percentage of proforma net sales from 7.0% in 1997 to 6.7% in 1998. Other restaurant operating expenses decreased from 20.8% of proforma net sales in 1997 to 19.9% of proforma net sales in 1998 primarily attributable to the reduction of fixed costs through restaurant closings and consolidations during the last half of 1997. General and administrative expenses increased from 7.1% of proforma net sales in 1997 to 7.7% of proforma net sales in 1998. This increase is due to an increase in Magic's management fee from 3.5% of proforma net sales during 1997 to 4.5% of proforma net sales during 1998 and an increase in bonuses paid on improved operating results. Depreciation and amortization expense decreased from 5.3% of proforma net sales in 1997 to 5.0% of proforma net sales in 1998 due to restaurant closings and consolidations during the last half of 1997. Loss on restaurant closings amounted to 2.9% of proforma net sales or $1,577,000 in

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1997 compared to a gain on restaurant closings in 1998 of $93,000. This gain is the result of favorable buyouts of two long-term leases on restaurants closed in 1997.

Income from operations for the year ended December 30, 1997 decreased $2,643,000 from $3,076,000 to $433,000, an 85.9% decrease from the prior year. As a percentage of net sales, income from operations decreased from 7.6% in 1996 to 1.1% in 1997. Cost of sales increased as a percentage of net sales from 26.6% in 1996 to 27.2% in 1997 due to increased commodity costs. Restaurant labor and benefits expense increased from 26.4% of net sales in 1996 to 28.3% of net sales in 1997 as a result of minimum wage increases implemented October 1, 1996 and September 30, 1997 along with lower same store sales. Advertising decreased from 6.8% of net sales in 1996 to 6.4% of net sales in 1997. Other restaurant operating expenses increased from 18.4% of net sales in 1996 to 19.7% of net sales in 1997 attributable to the effects of lower same store sales on fixed operating expenses. General and administrative expense decreased from 8.8% of net sales in 1996 to 7.9% of net sales in 1997 primarily due to lower bonuses paid on operating results. Depreciation and amortization expense increased from 4.2% of net sales in 1996 to 5.3% of net sales in 1997 due to the construction of new restaurants and remodels of existing restaurants during 1996 and the first six periods of 1997. Loss on restaurant closings amounted to 2.0% of net sales in 1997 and 0.2% of net sales in 1996. Five restaurants were closed in 1997 compared to one in the prior year. Equity in loss of affiliate amounted to 1.9% of net sales in 1997 compared to 0.9% of net sales in 1996 reflecting the Partnership's share of operations in Oklahoma Magic, L.P. acquired in March 1996.

Net Earnings

Proforma net earnings increased $3,050,000 to proforma net income of $806,000 for the year ended December 29, 1998 compared to a proforma net loss of $2,244,000 for the year ended December 30, 1997. A gain on life insurance settlement of $876,000 is included in the 1998 proforma net income. This gain, the increase in proforma income from operations noted above, and a decrease in interest expense of $153,000 were offset by a decrease in the minority interest in loss of affiliate of $537,000.

Net earnings decreased $3,577,000 to a net loss of $1,993,000 for the year ended December 30, 1997 compared to net income of $1,584,000 for the year ended December 31, 1996. This decrease is attributable to the decrease in income from operations of $2,643,000 noted above combined with an increase in interest expense of $808,000. The default of certain loans within the Partnership's pooled borrowings from Franchise Mortgage Acceptance Company resulted in additional interest expense of $280,000 (see Note 3 of the accompanying financial statements). The remaining increase in interest expense of $528,000 is due to additional debt primarily used to fund the acquisition of a 45% interest in Magic and to develop new restaurants. The 1996 net earnings include a $158,000 gain on fire settlement.

Liquidity and Capital Resources

The Partnership generates its principal source of funds from net cash provided by operating activities. Management believes that net cash provided by operating activities and various other sources of income will provide sufficient funds to meet planned capital expenditures for recurring replacement of equipment in existing restaurants and to service debt obligations for the next twelve months.

At December 29, 1998, the Partnership had a working capital deficiency of $9,211,000 compared to a deficiency of $15,712,000 at December 30, 1997. The decease in working capital deficiency at December 29, 1998 is primarily a result of a $6,718,000 decrease in current portion of long-term debt. At December 30, 1997, the entire amount of outstanding notes payable to Heller Financial Corporation and FMAC were classified as a current liability because the Partnership was in default of the fixed charge coverage ratio covenant. There have been no defaults in making scheduled payments of either principal or interest. On April 20, 1998, APP refinanced with new promissory notes due to FMAC the notes with Heller Financial Corporation, $4.2 million of notes with Intrust Bank, and $3.0 million of notes with FMAC over 15 years at an interest rate of 8.81% bringing APP into compliance with the fixed charge coverage ratio covenant. The

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write-off of unamortized loan cost related to this refinancing was not material. At December 29, 1998, Magic is not in compliance with the fixed charge coverage ratio covenant required by the notes held by FMAC. Accordingly, the entire amount of Magic's borrowings with FMAC is reflected in the current portion of long-term debt. The Partnership routinely operates with a negative working capital position which is common in the restaurant industry and which results from the cash sales nature of the restaurant business and payment terms with vendors.

Net Cash Provided by Operating Activities

During 1998, net cash provided by operating activities amounted to $838,000, a decrease of $1,518,000 from 1997. This decrease is primarily attributable to a decrease in accounts payable.

Investing Activities

Property and equipment expenditures represent the largest investing activity by the Partnership. Capital expenditures for 1998 were $2,627,000 of which $1,696,000 was for the purchase of previously leased restaurants and $162,000 was for the development of new restaurants. The remaining $769,000 was for the replacement of equipment in existing restaurants. In addition, the Partnership invested $390,000 in Magic prior to Magic's purchase of a 25% interest from a former limited partner.

Financing Activities

Cash distributions paid in 1998 totaled $1,195,000 and amounted to $0.30 per unit. The Partnership's distribution objective, generally, is to distribute all operating revenues less operating expenses (excluding noncash items such as depreciation and amortization), capital expenditures for existing restaurants, interest and principal payments on Partnership debt, and such cash reserves as the managing General Partner may deem appropriate.

During 1998, the Partnership collected on a life insurance policy purchased in 1993 on one of its original investors. This investor owned approximately 438,600 Class B and C units. The policy was purchased with the intent of providing the Partnership a means of repurchasing his units upon his death if his heirs so desired. The investor died in May of 1998. The Partnership recognized a gain of $876,000 upon receipt of the insurance proceeds. The units were repurchased on December 29, 1998 at $2.55 per unit for a total purchase price of $1,118,430. In addition, if the nine Pizza Hut restaurants located within the Billings, Montana ADI, including the associated franchises, real estate and operating assets, (the BM Restaurants) are sold to an unrelated party in one or more transactions and the sale transaction(s) are closed prior to January 1, 2001, then the heirs will receive as additional consideration for the purchase of the units a contingent payment of $0.50 per unit, or $219,300. If the BM Restaurants are not sold within that time, the obligation to make the contingent payment will expire. The Partnership is not required to market or sell the BM Restaurants or to accept any offer by any party to purchase such BM Restaurants.

During 1998, the Partnership's proceeds from long term borrowings amounted to $13,395,000 of which $9,633,000 was obtained to refinance existing debt. The remaining proceeds were used primarily to purchase previously leased restaurants and to replenish operating capital. The Partnership does not plan to open any new restaurants during 1999. Management anticipates spending $721,000 in 1999 for recurring replacement of equipment in existing restaurants which the Partnership expects to finance from net cash provided by operating activities. The actual level of capital expenditures may be higher in the event of unforeseen breakdowns of equipment or lower in the event of inadequate net cash flow from operating activities.

Year 2000 Compliance

The Partnership has instituted a Year 2000 project to prepare its computer systems and communication systems for the Year 2000. The project includes identification and assessment of all software, hardware and equipment that could potentially be affected by the Year 2000 issue. The Partnership uses external agents on nearly all critical applications and systems. The external agents have

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assured the Partnership that they expect to be fully Year 2000 compliant before Year 2000 issues will impact the Partnership. Testing is expected to be completed during the second quarter of 1999. The Partnership also receives representations and warranties from vendors of all new hardware and software that such systems are Year 2000 compliant.

The Partnership does not believe costs related to Year 2000 compliance will be material to its financial position or results of operations. However, the Partnership may be vulnerable to the failure of external agents and critical suppliers to resolve their own Year 2000 issues. Where practicable, the Partnership will assess and attempt to mitigate its risks with respect to the failure of these entities to be Year 2000 ready. In the event external agents do not complete their Year 2000 readiness, the Partnership would be unable to process accounts payable and payroll. The Partnership has contingency plans for critical applications that include, among other actions, manual workarounds, adjusting staffing strategies and outsourcing applications. The effect, if any, on the Partnership's results of operations from the failure of such parties to be Year 2000 ready is not reasonably estimable.

Other Matters

In November, 1996 Magic notified Hospitality Group of Oklahoma, Inc. (HGO), a 25% limited partner in Magic, that it was seeking to terminate HGO's interest in Magic pursuant to the terms of the related Partnership Agreement for alleged violations of the Pizza Hut Franchise Agreement and the alleged occurrence of an Adverse Terminating Event as defined in the Partnership Agreement. Magic alleged that HGO contacted and offered employment to a significant number of the management employees of Magic. Magic also alleged that HGO made certain misrepresentations at the formation of Magic. HGO denied that such franchise violations occurred and that it made any misrepresentations at the formation of Magic. HGO asserted that it was fraudulently induced to enter into the Magic Partnership Agreement by Restaurant Management Company of Wichita, Inc. and was further damaged by alleged mismanagement of Magic's operations.

The matter was settled in August 1998 with Magic paying HGO a section 736(a) guaranteed payment of $255,000 for the period November 11, 1996 through the settlement date. In addition, Magic purchased HGO's interest in Magic for $205,000 consisting of $105,000 cash and a $100,000 note at 8% interest, payable quarterly for five years. Magic also paid the two stockholders of HGO $240,000 for a noncompete agreement prohibiting them from engaging in the pizza business for the next 60 months in any market Magic operated in as of May 11, 1998. Upon completion of the settlement, the Partnership's interest in Magic increased from 45% to 60%.

The Partnership delisted from the American Stock Exchange effective November 13, 1997 and limited trading of its units. As a result, the Partnership will continue to be taxed as a partnership rather than being taxed as a corporation. The Partnership does offer a Qualified Matching Service, whereby the Partnership will match persons desiring to buy units with persons desiring to sell units.

The Partnership's earnings are affected by changes in interest rates primarily from its long-term debt arrangements. Under its current policies, the Partnership does not use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point adverse move (increase) in interest rates along the entire interest rate yield curve would increase the Partnership's interest expense and decrease net income by $63,000 over the term of the related debt. This amount was determined by considering the impact of the hypothetical interest rates on the Partnership's borrowing cost. These analyses do not consider the effects of the reduced level of overall economic activity that could exist in such an environment.

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act, which are intended to be covered by the safe harbors created thereby. Although the Partnership believes the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and, therefore, there can be no assurance the forward-looking statements included in this report will prove to be

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accurate. Factors that could cause actual results to differ from the results discussed in the forward-looking statements include, but are not limited to, consumer demand and market acceptance risk, the effect of economic conditions, including interest rate fluctuations, the impact of competing restaurants and concepts, the cost of commodities and other food products, labor shortages and costs and other risks detailed in the Partnership's Securities and Exchange Commission filings.

Item 8. Financial Statements and Supplementary Data

See the consolidated financial statements and supplementary data listed in the accompanying "Index to Consolidated Financial Statements and Supplementary Data" on Page F-1 herein. Information required for financial statement schedules under Regulation S-X is either not applicable or is included in the consolidated financial statements or notes thereto.

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

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

RAM, as the Managing General Partner, is responsible for the management and administration of the Partnership under a Management Services Agreement with the Operating Partnerships. Partnership management services include, but are not limited to: preparing and reviewing projections of cash flow, taxable income or loss, and working capital requirements; conducting periodic physical inspections, market surveys and continual Restaurant reviews to determine when assets should be sold and, if so, determining acceptable terms of sale; arranging any debt financing for capital improvements or the purchase of assets; supervising any litigation involving the Partnerships; preparing and reviewing Partnership reports; communicating with Unitholders; supervising and reviewing Partnership bookkeeping, accounting and audits; supervising the presentation of and reviewing Partnership state and federal tax returns; personnel functions, and supervising professionals employed by the Partnerships in connection with any of the foregoing, including attorneys, accountants and appraisers.

The direct management of the Restaurants is performed by the Management Company pursuant to a substantially identical Management Services Agreement with RAM. As compensation for management services, the Management Company will receive a management fee equal to 7% of the gross sales of the Restaurants in APP and 4.5% of gross sales of the Restaurants in Magic. In addition, the Management Company will be reimbursed for the cost of certain products purchased for use directly in the operation of the Restaurants and for outside legal, accounting, tax, auditing, advertising, and marketing services. Certain other expenses incurred by the Management Company which relate directly to the operation of the Restaurants, including insurance and profit sharing and incentive bonuses and related payroll taxes for supervisory personnel, shall be paid by the Operating Partnerships through RAM.

Set forth below is certain information concerning the director and executive officers of both RAM and the Management Company.

Name	Age	Present Position with the Management Company and Business Experience for Past 5 Years
Hal W. McCoy	53	Chairman, Chief Executive Officer, President and sole director. McCoy holds a Bachelor of Arts degree from the University of Oklahoma. From 1970 to 1974, he was at different times Marketing Manager at PHI, where he was responsible for consumer research, market research, and market planning, and Systems Manager, where he was responsible for the design and

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installation of PHI's first management data processing system. In 1974, he founded the predecessor to the Management Company and today owns or has controlling ownership in entities operating a combined total of 112 franchised "Pizza Hut" and "Long John Silver's" restaurants.

J. Leon Smith	56	Vice President. Smith holds a Bachelor of Science degree in Hotel and Restaurant Management from Oklahoma State University and a Juris Doctorate from the University of Oklahoma. He has been employed by McCoy since 1974, first as Director of Operations for the Long John Silver's division and then as Director of Real Estate Development and General Counsel.
Terry Freund	43	Chief Financial Officer. Freund holds a Bachelor of Arts degree in Accounting from Wichita State University. He has been employed by McCoy since 1984. He is responsible for virtually all of the financial and administrative functions in the company.

Item 11. Executive Compensation

The executive officers of the Management Company perform services for all of the restaurants managed by the Management Company, including the Restaurants. Cash compensation of executive officers of the Management Company who are also officers of affiliated companies is allocated for accounting purposes among the various entities owning such restaurants on the basis of the number of restaurants each entity owns. Only the compensation of the Chief Executive Officer and Chief Financial Officer is shown below as the other officer's total cash compensation does not exceed $100,000. Neither RAM nor the Operating Partnerships compensate their officers, directors or partners for services performed, and the salaries of the executive officers of the Management Company are paid out of its management fee and not directly by the Partnership.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation Salary	Bonus	Total	Allocable to Partnership
Hal W. McCoy	1998	$171,627	$40,370	$211,997	$142,821
President and Chief	1997	127,322	36,451	163,773	79,716
Executive Officer	1996	135,661	79,031	214,692	121,901
Terry Freund	1998	84,297	20,063	104,360	67,441
Assistant Secretary and	1997	83,049	13,275	93,324	48,343
Chief Financial Officer	1996	82,237	39,851	122,088	67,916

Incentive Bonus Plan

The Management Company maintains a discretionary supervisory incentive bonus plan (the "Incentive Bonus Plan") pursuant to which approximately 22 employees in key management positions, including Mr. McCoy are eligible to receive quarterly cash bonus payments if certain management objectives are achieved. Performance is measured each quarter and bonus payments are awarded and paid at the discretion of Mr. McCoy. The amounts paid under this plan for fiscal year 1998, 1997 and 1996 to Mr. McCoy and Mr. Freund are included in the amounts shown in the cash compensation amounts set forth above. The total amount allocated to the Restaurants under the Incentive Bonus Plan for the fiscal year ended December 29, 1998 was $262,959 of which $43,510 was paid to all executive officers as a group. Bonuses paid under the Incentive Bonus Plan are paid by the Operating Partnerships.

The Incentive Bonus Plan in effect for the fiscal year ending December 28, 1999 provides for payment of aggregate supervisory bonuses in an amount equal to 15% of the amount by which the Partnership's income from operations plus depreciation and amortization expenses exceed a prescribed threshold. The

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threshold generally represents capital expenditures, interest and principal payments on Partnership debt, and cash distributions. For the fiscal year ended December 29, 1998 the Partnership's income from operations plus depreciation and amortization expenses was $4,592,263.

Class A Unit Option Plan

The Partnership, APP, RAM and the Management Company have adopted a Class A Unit Option Plan (the "Plan") pursuant to which 75,000 Class A Units are reserved for issuance to employees, including officers, of the Partnership, APP, RAM and the Management Company. Participants will be entitled to purchase a designated number of Units at an option price which shall be equal to the fair market value of the Units on the date the option is granted. Options granted under the Plan will be for a term to be determined by the Managing General Partner at the time of issuance (not to exceed ten years) and shall not be transferable except in the event of the death of the optionee, unless the Managing General Partner otherwise determines and so specifies in the terms of the grant. The Plan is administered by the Managing General Partner which, among other things, designates the individuals to whom options are granted, the number of Units for which such options are to be granted and other terms of grant. The executive officers have no outstanding options at December 29, 1998.

Item 12. Security Ownership of Certain Beneficial Owners and Management

PRINCIPAL UNITHOLDERS

The following table sets forth, as of March 1, 1999, information with respect to persons known to the Partnership to be beneficial owners of more than five percent of the Class A Income Preference Units, Class B or Class C Units of the Partnership:

Title of Class	Name & Address of Beneficial Owner	Amount & Nature of Beneficial Ownership	Percent of Class
Class A Income Preference Units	None		
Class B	Hal W. McCoy 555 N. Woodlawn Suite 3102 Wichita, KS 67208	656,537 (1)	69.55%
Class B	John Hunter 117 Lilac Lane San Antonio, TX 78209	116,564	12.35%
Class C	Hal W. McCoy 555 N. Woodlawn Suite 3102 Wichita, KS 67208	1,271,876 (1)	76.33%
Class C	John Hunter 117 Lilac Lane San Antonio, TX 78209	106,536	6.39%

(1) Hal W. McCoy beneficially owns 94.81% of RMC Partners, L.P. which owns 691,815 Class B Units and 1,338,248 Class C Units. Mr. McCoy owns 95.65% of RMC American Management, Inc. which owns 3,680 Class C Units. Mr. McCoy has voting authority over the units.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth, as of March 1, 1999, the number of Class A Income Preference Units, Class B Units, or Class C Units beneficially owned by the director and by the director and executive officers of both RAM and the Management Company as a group.

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Percent of Class

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B	Hal W. McCoy	656,537 (1)	69.55%
C	Hal W. McCoy	1,271,876 (1)	76.33%
B	Director & all officers as a group (3 Persons)	711,714 (1)	75.39%
C	Director & all officers as a group (3 Persons)	1,370,436 (1)	82.24%

(1) See the table under "Principal Unitholders"

Item 13. Certain Relationships and Related Transactions

One of the Restaurants is located in a building owned by an affiliate of the General Partners. The lease provides for minimum annual rentals of $25,000 and is subject to additional rentals based on a percentage of sales in excess of a specified amount. The lease is a net lease, under which the lessee pays the taxes, insurance and maintenance costs. The lease is for an initial term of 15 years with options to renew for three additional five-year periods. Although this lease was not negotiated at arm's length, RMC believes that the terms and conditions thereof, including the rental rate, is not less favorable to the Partnership than would be available from unrelated parties.

Pursuant to the Management Services Agreements (Agreements) entered into June 26, 1987, the Restaurants of APP are managed by the Management Company for a fee equal to 7% of the gross sales of the Restaurants and reimbursement of certain costs incurred for the direct benefit of the Restaurants. Neither the terms and conditions of the Agreements, nor the amount of the fee were negotiated at arm's length. Based on prior experience in managing the Restaurants, however, the Managing General Partner believes that the terms and conditions of the Management Services Agreement, including the amount of the fee, are fair and reasonable and not less favorable to the Partnership than those generally prevailing with respect to similar transactions between unrelated parties. The 7% fee approximated the actual unreimbursed costs incurred by the Managing General Partner in managing the Restaurants when the Agreements were entered into in June of 1987. The 7% fee remains in effect for the life of the Agreements which expire December 31, 2007.

Pursuant to separate Management Services Agreements entered into March 13, 1996, the Restaurants of Magic are managed by the Management Company for a fee equal to 4.5% of the gross sales of the Restaurants and reimbursement of certain costs incurred for the direct benefit of the Restaurants. The terms and conditions of the Agreements were negotiated at arm's length with the former owners of the Oklahoma restaurants who were originally 25% partners in Magic. The Management Company agreed to a reduced fee due its ownership interest in Magic. The 4.5% fee remains in effect for the remaining life of the Agreements which expire February 28, 2010.

PART IV

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

(a) 1. Financial statements

See "Index to Consolidated Financial Statements and Supplementary Data" which appears on page F-1 herein.

3. Exhibits

The exhibits filed as part of this annual report are listed in the "Index to Exhibits" at page 32.

(b) Reports on Form 8-K

None.

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INDEX TO EXHIBITS
(Item 14(a))

Exhibit No.	Description of Exhibits	Page/Notes
3.1	Amended and Restated Certificate of Limited Partnership of American Restaurant Partners, L.P.	A
3.2	Amended and Restated Agreement of Limited Partnership of American Restaurant Partners, L.P.	A
3.3	Amended and Restated Certificate of Limited Partnership of American Pizza Partners, L.P.	A
3.4	Amended and Restated Agreement of Limited Partnership of American Pizza Partners, L.P.	A
4.1	Form of Class A Certificate	A
4.2	Form of Application for Transfer of Class A Units	A
10.1	Management Services Agreement dated June 26, 1987 between American Pizza Partners, L.P. and RMC American Management, Inc.	A
10.2	Management Services Agreement dated June 26, 1987 between RMC American Management, Inc. and Restaurant Management Company of Wichita, Inc.	A
10.3	Form of Superseding Franchise Agreement between the Partnership and Pizza Hut, Inc. and schedule pursuant to Item 601 of Regulation S-K.	A
10.4	Form of Blanket Amendment to Franchise Agreements	A
10.5	Incentive Bonus Plan	A
10.6	Class A Unit Option Plan	B
10.7	Revolving Term Credit Agreement dated June 29, 1987 between American Pizza Partners, L.P. and the First National Bank in Wichita	C
10.8	Form of 1990 Franchise Agreement between the Partnership and Pizza Hut, Inc. and schedule pursuant to Item 601 of Regulation S-K	D
10.9	Contribution Agreement, dated as of February 1, 1996, relating to the closing date of March 13, 1996, by and among American Pizza Partners, L.P., Hospitality Group of Oklahoma, Inc., RMC American Management, Inc., Restaurant Management Company of Wichita, Inc. and Oklahoma Magic, L.P.	E
10.10	Settlement Agreement between Oklahoma Magic, L.P. and Hospitality Group of Oklahoma, Inc.	F-25
23.1	Consent of Ernst & Young LLP	F-28
27.1	Financial Data Schedule	F

A. Included as exhibits in the Partnership's Registration Statement on Form S-1 (Registration No.33-15243) dated August 20, 1987 and included herein by reference to exhibit of same number.

B. Incorporated by reference to the Partnership's Registration Statement on Form S-8 dated March 21, 1988.

C. Incorporated by reference to Exhibit 10.7 of the Partnership's Form 10-K for the year ended December 31, 1987.

D. Incorporated by reference to Exhibit 10.8 of the Partnership's Form 10-K for the year ended December 31, 1991.

E. Incorporated by reference to Exhibit 2 of the Partnership's Form 8-K dated March 13, 1996.

F. Submitted electronically to the Securities and Exchange Commission for information only and not filed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused

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this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN RESTAURANT PARTNERS, L.P.
(Registrant)
By: RMC AMERICAN MANAGEMENT, INC.
Managing General Partner

Date: 3/26/99 By: /s/ Hal W. McCoy

Hal W. McCoy
President and
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.

Name	Title	Date
/s/ Hal W. McCoy Hal W. McCoy	President and Chief Executive Officer (Principal Executive Officer) of RMC American Management, Inc.	3/26/99
/s/ Terry Freund	Chief Financial Officer	3/26/99

Index to Consolidated Financial Statements and Supplementary Data

The following financial statements are included in Item 8:

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American Restaurant Partners, L.P.	
Report of Independent Auditors	F-2
Consolidated Balance Sheets as of December 29, 1998 and December 30, 1997	F-3
Consolidated Statements of Operations for the years ended December 29, 1998, December 30, 1997, and December 31, 1996	F-4
Consolidated Statements of Partners' Capital (Deficiency) for the years ended December 29, 1998, December 30, 1997 and December 31, 1996	F-6
Consolidated Statements of Cash Flows for the years ended December 29, 1998, December 30, 1997, and December 31, 1996	F-7
Notes to Consolidated Financial Statements	F-8

All financial statement schedules have been omitted since the required information is not present.

	Page
Oklahoma Magic, L.P.	
Report of Independent Auditors	F-29
Balance Sheets as of December 30, 1997 and Unaudited as of December 31, 1996	F-30
Statements of Operations for the year ended December 30, 1997 and Unaudited for the 41 weeks (since inception) ended December 31, 1996	F-31
Statements of Partners' Capital for the year ended December 30, 1997 and Unaudited for the 41 weeks (since inception) ended December 31, 1996	F-32
Statements of Cash Flows for the year ended December 30, 1997 and Unaudited for the 41 weeks (since inception) ended December 31, 1996	F-33
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REPORT OF INDEPENDENT AUDITORS

The General Partners and Limited Partners
American Restaurant Partners, L.P.

We have audited the accompanying consolidated balance sheets of American Restaurant Partners, L.P. (the Partnership) as of December 29, 1998 and December 30, 1997, and the related consolidated statements of operations, partners' capital (deficiency), and cash flows for each of the three years in the period ended December 29, 1998. These financial statements are the responsibility of the Partnership'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 American Restaurant Partners, L.P. at December 29, 1998 and December 30, 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 29, 1998, in conformity with generally accepted accounting principles.

/s/Ernst & Young LLP

Wichita, Kansas
March 12, 1999

AMERICAN RESTAURANT PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS

ASSETS	December 29, 1998	December 30, 1997
Current assets:		
Cash and cash equivalents	$ 329,946	$ 509,398
Investments available-for-sale, at fair market value	68,635	195,751
Accounts receivable	264,754	84,447
Due from affiliates	90,146	67,918
Notes receivable from affiliates - current portion	62,511	72,387
Inventories	441,326	311,516
Prepaid expenses	287,046	245,177
Total current assets	1,544,364	1,486,594
Property and equipment, at cost:		
Land	4,082,418	3,698,168
Buildings	8,586,103	7,702,639
Restaurant equipment	12,823,544	11,114,444
Leasehold rights and improvements	8,006,852	4,425,532
Property under capital leases	2,077,751	2,369,199
	35,576,668	29,309,982
Less accumulated depreciation and amortization	14,733,218	12,481,826
	20,843,450	16,828,156
Other assets:		

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Franchise rights, net of accumulated amortization of $1,416,937 ($785,578 in 1997)	5,780,163	1,010,616
Notes receivable from affiliates	50,201	75,899
Deposit with affiliate	450,000	350,000
Investment in Oklahoma Magic, L.P.	-	1,795,774
Goodwill, net of accumulated amortization of $109,402	714,469	-
Other	1,320,132	679,106
	$30,702,779	$22,226,145

AMERICAN RESTAURANT PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND PARTNERS' CAPITAL (DEFICIENCY)	December 29, 1998	December 30, 1997
Current liabilities:		
Accounts payable	$ 2,390,582	$ 3,042,151
Due to affiliates	226,322	50,539
Accrued payroll and other taxes	635,805	385,016
Accrued liabilities	1,272,957	784,661
Current maturities of long-term debt, including $4,186,311 and $11,556,077 of notes payable in default in 1998 and 1997, respectively	6,182,101	12,899,728
Current portion of obligations under capital leases	47,528	36,492
Total current liabilities	10,755,295	17,198,587
Other noncurrent liabilities	563,095	204,337
Long-term debt	23,447,773	7,105,615
Obligations under capital leases	1,495,486	1,608,356
Minority interests in Operating Partnerships	395,908	120,702
Commitments and contingencies	-	-
Partners' capital (deficiency):		
General Partners	(8,245)	(7,864)
Limited Partners:		
Class A Income Preference, authorized 875,000 units; issued 814,010 units (814,304 in 1997)	5,543,603	5,623,790
Classes B and C, issued 948,039 and 1,663,820 class B and C units, respectively (1,193,852 and 1,976,807 units in 1997, respectively)	(10,058,014)	(8,322,372)
Cost in excess of carrying value of assets acquired	(1,323,681)	(1,323,681)
Cumulative comprehensive (loss) income	(108,441)	18,675
Total partners' capital (deficiency)	(5,954,778)	(4,011,452)
	$30,702,779	$22,226,145

See accompanying notes.

<TABLE>

AMERICAN RESTAURANT PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 29, 1998,
December 30, 1997 and December 31, 1996

<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Net sales	$43,543,633	$38,977,341	$40,424,953
Operating costs and expenses:			
Cost of sales	11,710,209	10,586,372	10,762,986
Restaurant labor and benefits	12,500,842	11,043,688	10,672,030
Advertising	2,844,451	2,511,470	2,744,864
Other restaurant operating expenses exclusive of			

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depreciation and amortization	8,337,961	7,691,831	7,433,450
General and administrative:			
Management fees - related party	2,894,911	2,710,449	2,808,484
Other	631,999	371,443	766,551
Depreciation and amortization	2,149,606	2,078,061	1,687,090
Loss on restaurant closings	23,747	792,219	97,523
Equity in loss of affiliate	7,250	758,383	375,632
Income from operations	2,442,657	433,425	3,076,343
Interest income	29,783	29,350	34,253
Interest expense	(2,662,061)	(2,476,304)	(1,668,551)
Gain on life insurance settlement	875,533	-	-
Gain on fire settlement	-	-	157,867
	(1,756,745)	(2,446,954)	(1,476,431)
Income (loss) before minority interest	685,912	(2,013,529)	1,599,912
Minority interests in (income) loss of Operating Partnerships	122,805	20,135	(15,999)
Net income (loss)	$ 808,717	$(1,993,394)	$ 1,583,913
Net income (loss) allocated to Partners:			
Class A Income Preference	$ 165,210	$ (406,975)	$ 324,763
Class B	$ 242,003	$ (596,643)	$ 473,352
Class C	$ 401,504	$ (989,776)	$ 785,798
Weighted average number of Partnership units outstanding during period:			
Class A Income Preference	814,145	815,305	815,309
Class B	1,192,579	1,195,273	1,188,332
Class C	1,978,589	1,982,849	1,972,716
Basic and diluted income (loss) before minority interest per Partnership unit	$ 0.17	$ (0.50)	$ 0.40
Basic and diluted minority interest per Partnership unit	$ 0.03	$ -	$ -
Basic and diluted net income (loss) per Partnership unit	$ 0.20	$ (0.50)	$ 0.40
Distributions per Partnership unit	$ 0.30	$ 0.32	$ 0.74

<FN>

See accompanying notes.

</FN>
</TABLE>

<TABLE>

AMERICAN RESTAURANT PARTNERS, L.P.

Consolidated Statements of Partners' Capital (Deficiency)

Years ended December 29, 1998, December 30, 1997, and December 31, 1996

<CAPTION>

	General Partners		Limited Partners							
	Classes B and C		Class A Income Preference		Classes B and C		Notes receivable from employees	Cost in excess of carrying value of assets acquired	Cumulative comprehensive income (loss)	Total
	Units	Amounts	Units	Amounts	Units	Amounts				
Balance at December 26, 1995	3,940	$(3,290)	815,309	$ 6,572,923	3,143,920	$(4,688,254)	$(6,300)	$(1,323,681)	$ -	$ 551,398
Net Income	-	1,572	-	324,763	-	1,257,578	-	-	-	1,583,913
Unrealized loss on investments available-for-sale	-	-	-	-	-	-	-	-	(44,325)	(44,325)
Comprehensive income										1,539,588
Partnership distributions	-	(2,916)	-	(603,166)	-	(2,335,633)	-	-	-	(2,941,715)
Units sold to employees	-	-	-	-	30,750	58,500	-	-	-	58,500
Units issued to employees as compensation	-	-	-	-	-	15,900	-	-	-	15,900

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Units purchased from employees	-	-	-	-	(45,261)	(119,208)	-	-	-	(119,208)
Reduction of notes receivable	-	-	-	-	-	-	6,300	-	-	6,300
Balance at December 31, 1996	3,940	(4,634)	815,309	6,294,520	3,129,409	(5,811,117)	-	(1,323,681)	(44,325)	(889,237)
Net Loss	-	(1,970)	-	(406,975)	-	(1,584,449)	-	-	-	(1,993,394)
Unrealized gain on investments available-for-sale	-	-	-	-	-	-	-	-	63,000	63,000
Comprehensive loss										(1,930,394)
Partnership distributions	-	(1,260)	-	(260,718)	-	(1,015,039)	-	-	-	(1,277,017)
Units sold to employees	-	-	-	-	47,250	106,233	-	-	-	106,233
Units purchased	-	-	(995)	(3,037)	(6,000)	(18,000)	-	-	-	(21,037)
Balance at December 30, 1997	3,940	(7,864)	814,314	5,623,790	3,170,659	(8,322,372)	-	(1,323,681)	18,675	(4,011,452)
Net Income	-	801	-	165,210	-	642,706	-	-	-	808,717
Unrealized loss on investments available-for-sale	-	-	-	-	-	-	-	-	(127,116)	(127,116)
Comprehensive income										681,601
Partnership distributions	-	(1,182)	-	(244,128)	-	(949,721)	-	-	-	(1,195,031)
Units purchased	-	-	(304)	(1,269)	(558,800)	(1,428,627)	-	-	-	(1,429,896)
Balance at December 29, 1998	3,940	$(8,245)	814,010	$5,543,603	2,611,859	$(10,058,014)	-	$(1,323,681)	$(108,441)	$(5,954,778)

<FN>

See accompanying notes.

</FN>
</TABLE>

<TABLE>

AMERICAN RESTAURANT PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 29, 1998
December 30, 1997 and December 31, 1996

<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Cash flows from operating activities:			
Net income (loss)	$ 808,717	$(1,993,394)	$ 1,583,913
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	2,149,606	2,078,061	1,687,090
Provision for deferred rent	9,554	10,067	13,477
Provision for deferred compensation	-	-	6,300
Unit compensation expense	-	-	15,900
Equity in loss of affiliate	7,250	758,383	375,632
Loss on default in pooled loans	67,963	269,761	-
(Gain) loss on disposition of assets	(41,498)	4,876	12,791
Gain on life insurance settlement	(875,533)	-	-
Loss on restaurant closings	23,747	792,219	97,523
Minority interest in Operating Partnerships	(122,805)	(20,135)	15,999
Gain on fire settlement	-	-	(157,867)
Net change in operating assets and liabilities:			
Accounts receivable	(121,199)	71,277	(79,119)
Due from affiliates	(16,525)	(48,503)	5,134
Inventories	(26,398)	32,487	(43,590)
Prepaid expenses	204,523	(33,169)	(67,972)
Deposit with affiliate	-	-	(20,000)
Accounts payable	(1,692,680)	857,340	211,525
Due to affiliates	173,306	(38,115)	26,362
Accrued payroll and other taxes	248,360	(160,800)	225,914
Accrued liabilities	35,092	(224,276)	222,339
Other, net	6,151	-	-
Net cash provided by operating activities	837,631	2,356,079	4,131,351
Investing activities:			
Investment in affiliate prior to consolidation	(390,000)	-	(3,000,000)
Net cash from consolidation of affiliate	56,061	-	-
Purchases of certificates of deposit	-	(6,567)	(5,103)
Redemption of certificates of deposit	-	164,202	-

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Purchase of securities available for sale	-	-	(97,389)
Additions to property and equipment	(2,626,566)	(1,824,195)	(6,747,527)
Proceeds from sale of property and equipment	518,641	24,810	7,520
Purchase of franchise rights	-	(15,000)	(66,000)
Funds advanced to affiliates	-	-	(57,131)
Collections of notes receivable from affiliates	35,574	87,255	47,045
Net proceeds from fire settlement	-	-	180,437
Other, net	-	(69,856)	(232,535)
Net cash used in investing activities	(2,406,290)	(1,639,351)	(9,970,683)
Financing activities:			
Proceeds from long-term borrowings	13,394,950	2,369,000	16,020,932
Payments on long-term borrowings	(10,466,003)	(1,492,740)	(7,686,372)
Payments on capital lease obligations	(36,689)	(20,196)	(66,535)
Proceeds from life insurance settlement	1,039,747	-	-
Distributions to Partners	(1,195,031)	(1,277,017)	(2,941,715)
Contribution of capital in Magic from minority partners	94,200	-	-
Proceeds from issuance of Class B and C units	-	68,733	58,500
Repurchase of units	(1,429,896)	(21,037)	(119,208)
General Partners' distributions from Operating Partnerships	(12,071)	(12,899)	(29,792)
Net cash provided by (used in) financing activities	1,389,207	(386,156)	5,235,810
Net (decrease) increase in cash and cash equivalents	(179,452)	330,572	(603,522)
Cash and cash equivalents at beginning of period	509,398	178,826	782,348
Cash and cash equivalents at end of period	329,946	509,398	178,826

<FN>

See accompanying notes.

</FN>
</TABLE>

AMERICAN RESTAURANT PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

American Restaurant Partners, L.P. was formed in connection with a public offering of Class A Income Preference Units in 1987 and owns a 99% limited partnership interest in American Pizza Partners, L.P. (APP). The remaining 1% of American Pizza Partners, L.P. is owned by RMC Partners, L.P. and RMC American Management, Inc. (RAM) as the general partners.

On March 13, 1996, APP purchased a 45% interest in a newly formed limited partnership, Oklahoma Magic, L.P. (Magic), that owns and operates twenty-seven Pizza Hut restaurants in Oklahoma. Effective August 11, 1998, APP's interest in Magic increased from 45% to 60% in connection with Magic's purchase of a 25% interest from a former limited partner. The remaining partnership interests are held by Restaurant Management Company of Wichita, Inc. (39%) (the Management Company) and RAM (1%), the managing general partner.

BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of American Restaurant Partners, L.P. and its majority owned subsidiaries, American Pizza Partners, L.P. and APP Concepts, L.C.. The Partnership also began consolidating the accounts of Magic effective August 11, 1998. American Restaurant Partners, L.P., APP, APP Concepts, L.C. and Magic are hereinafter collectively referred to as the Partnership. All significant intercompany transactions and balances have been eliminated. The Partnership accounted for its investment in Oklahoma Magic, L.P. using the equity method of accounting prior to the increase in their ownership from 45% to 60%.

FISCAL YEAR

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The Partnership operates on a 52 or 53 week fiscal year ending on the last Tuesday in December. The Partnership's operating results reflected in the accompanying consolidated statements of operations include 52 weeks, 52 weeks and 53 weeks for the years ended December 29, 1998, December 30, 1997 and December 31, 1996, respectively.

EARNINGS PER PARTNERSHIP UNIT

In 1997 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings Per Share (Statement 128). Statement 128 replaced the calculation of primary and fully diluted earnings per Partnership unit with basic and diluted earnings per Partnership unit. All earnings per Partnership unit amounts for all periods have been presented, and where appropriate, restated to conform to Statement 128 requirements.

OPERATIONS

All of the restaurants owned by the Partnership are operated under a franchise agreement with Pizza Hut, Inc., the franchisor. The agreement grants the Partnership exclusive rights to develop and operate restaurants in certain franchise territories. The Partnership operates restaurants in Georgia, Louisiana, Montana, Texas, Wyoming and Oklahoma.

A schedule of restaurants in operation for the periods presented in the accompanying consolidated financial statements is as follows:

	1998	1997	1996
American Pizza Partners, L.P.			
Restaurants in operation at beginning of period	63	67	60
Opened	1	1	7
Closed	(2)	(5)	--
Restaurants in operation at end of period	62	63	67
Oklahoma Magic, L.P.			
Restaurants in operation at beginning of period	27		
Opened	-		
Closed	-		
Restaurants in operation at end of period	27		

INVENTORIES

Inventories consist of food and supplies and are stated at the lower of cost (first-in, first-out method) or market.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the life of the lease or improvement, whichever is shorter.

The estimated useful lives used in computing depreciation are as follows:

Buildings	10 to 30 years
Restaurant equipment	3 to 7 years
Leasehold rights and improvements	5 to 20 years

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for renewals and betterments, which materially extend the useful lives for assets or increase their productivity, are capitalized. Depreciation expense was $1,795,783, $1,856,547 and $1,541,819 for the years ended December 29, 1998, December 30, 1997 and December 31, 1996, respectively.

AMORTIZATION OF GOODWILL

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Goodwill resulting from APP's original investment in Magic is being amortized over 29 years using the straight-line method.

FRANCHISE RIGHTS AND FEES

Agreements with the franchisor provide franchise rights for a period of 20 years and are renewable at the option of the Partnership for an additional 15 years, subject to the approval of the franchisor. Initial franchise fees are capitalized and amortized by the straight-line method over periods not in excess of 20 years. Periodic franchise royalty and advertising fees, which are based on a percent of sales, are charged to operations as incurred.

PREOPENING COSTS

Costs incurred before a restaurant is opened, which represent the cost of staffing, advertising, and similar preopening costs, are charged to operations as incurred.

CONCENTRATION OF CREDIT RISKS

The Partnership's financial instruments that are exposed to concentration of credit risks consist primarily of cash, certificates of deposit and accounts receivable. The Partnership places its funds into high credit quality financial institutions and, at times, such funds may be in excess of the Federal Depository insurance limit. The Partnership generally does not require collateral against accounts receivable. Credit risks associated with the majority of customer sales are minimal as such sales are primarily for cash. All notes receivable from affiliates are supported by the guarantee of the majority owner of the Partnership.

INCOME TAXES

The Partnership is not subject to federal or state income taxes and, accordingly, no provision for income taxes has been reflected in the accompanying consolidated financial statements. Such taxes are the responsibility of the partners based on their proportionate share of the Partnership's taxable earnings.

Due to differences in the rules related to reporting income for financial statement purposes and for purposes of income tax returns by individual limited partners, the tax information sent to individual limited partners differs from the information contained herein. At December 29, 1998, the Partnership's reported amount of its net assets for financial statement purposes were more than the income tax bases of such net assets by approximately $698,000. The differences between generally accepted accounting principles net income (loss) and taxable loss are as follows:

	1998	1997
Generally accepted accounting net income (loss)	$ 808,717	$(1,993,394)
Depreciation and amortization	(133,606)	(205,737)
Capitalized leases	163,641	128,791
Equity in loss of affiliate	(751,845)	(655,814)
Loss on restaurant closings	(190,972)	784,297
Loss on disposition of assets	(36,642)	(216,534)
Unicap adjustment	(70,985)	(76)
Non-taxable life insurance proceeds	(866,778)	-
Other	32,295	(12,946)
Taxable loss	$(1,046,175)	$(2,171,413)

The Omnibus Budget Reconciliation Act of 1987 provides public limited partnerships become taxable entities beginning in 1998. After considering various alternatives, the Partnership delisted from the American Stock Exchange effective November 13, 1997 and now limits trading of its units. As a result, the Partnership will continue to be taxed as a partnership rather than being taxed as a corporation.

ADVERTISING COSTS

Advertising production and media costs are expensed as incurred.

USE OF ESTIMATES

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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 those estimates.

CASH EQUIVALENTS

For purposes of the statements of cash flows, the Partnership considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

ACCOUNTING FOR UNIT BASED COMPENSATION

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, recommends, but does not require, companies to change their existing accounting for employee stock options under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, to recognize expense for equity-based awards utilizing their estimated fair value on the date of grant. Companies electing to continue to follow accounting rules under APB Opinion No. 25 are required to provide pro forma disclosures of what operating and per share results would have been had the new fair value method been used. The Partnership has elected to continue to apply the existing accounting contained in APB Opinion No. 25, and the required pro forma disclosures have not been presented as there are no material unvested options and no options have been granted in 1998, 1997 or 1996.

INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale are carried at fair value, with the unrealized gains and losses reported as comprehensive income. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in other income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in other income.

RECLASSIFICATIONS

Certain amounts shown in the 1997 and 1996 consolidated financial statements have been reclassified to conform with the 1998 presentation.

EFFECT OF NEW ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board issued Statement No. 130, Reporting Comprehensive Income (Statement No. 130). Statement No. 130 establishes standards for reporting and display of comprehensive income and its components in the financial statements. Comprehensive income, as defined, includes all changes reflected directly in Partnership equity during a period from non-owner transactions. The Partnership adopted Statement No. 130 in 1998.

2. RELATED PARTY TRANSACTIONS

The Partnership has entered into a management services agreement with RAM whereby RAM is responsible for management of the restaurants for a fee equal to 7% for APP, and 4.5% for Magic, of the gross receipts of the restaurants, as defined. RAM has entered into a management services agreement containing substantially identical terms and conditions with Restaurant Management Company of Wichita, Inc. (the Management Company).

Affiliates of the Management Company provide various other services for the Partnership including promotional advertising. In addition to participating in advertising provided by the franchisor, an affiliated company engages in promotional activities to further enhance restaurant sales. The affiliate's fees for such services are based on the actual costs incurred and principally relate to the reimbursement of print and media costs. In exchange for advertising services provided directly by the affiliate, the Partnership pays a commission based upon 15% of the advertising costs incurred. Such costs were not significant in 1998, 1997 or 1996.

The Partnership maintains a deposit with the Management Company equal to approximately one and one-half month's management fee. Such deposit, $450,000 and $350,000 at December 29, 1998 and December 30, 1997, respectively, may be increased or decreased at

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the discretion of RAM.

The Management Company maintains an incentive bonus plan whereby certain employees are eligible to receive bonus payments if specified management objectives are achieved. Such bonuses are not greater than 15% of the amount by which the Partnership's cash flow exceeds threshold amounts as determined by management. Bonuses paid under the plan are reimbursed to the Management Company by the Partnership.

Transactions with related parties included in the accompanying consolidated financial statements and notes are summarized as follows:

	1998	1997	1996
Management fees	$2,894,911	$2,710,448	$2,808,484
Management Company bonuses	226,522	155,637	342,684
Advertising commissions	75,745	73,062	66,150

The Partnership has made advances to various affiliates under notes receivable which bear interest at market rates. The advances are to be received in varying installments with maturities as follows: 1999 - $62,511; 2000 - $5,471; 2001 - $6,043; 2002 - $6,676; 2003 - $7,375; Thereafter - $24,636. All such notes are guaranteed by the majority owner of the Partnership. In addition, the Partnership has certain other amounts due from and to affiliates which are on a noninterest bearing basis.

3. LONG-TERM DEBT

Long-term debt consists of the following at December 29, 1998 and December 30, 1997:

	1998	1997
Notes payable to Intrust Bank in Wichita, payable in monthly installments aggregating $122,520, including interest at variable rates from 8.5% to 9.50%, due at various dates through 2004	$ 8,045,758	$7,998,688
Notes payable to Franchise Mortgage Acceptance Company (FMAC) payable in monthly installments aggregating $262,643, including interest at fixed rates from 8.81% to 10.95%, due at various dates through May 2013	20,815,919	9,824,118
Notes payable to Heller Financial Corporation payable in monthly installments aggregating $48,043, including interest at fixed rates of 9.32% and 9.55%, refinanced during 1998	-	2,001,719
Notes payable to HGO, payable in quarterly installments of $41,397 including interest at a fixed rate of 8%, due at various dates through August 2003	600,115	-
Notes payable to various banks, payable in monthly installments aggregating $4,169, including interest at fixed and variable rates from 8.96% to 10.0% at December 29, 1998, due at various dates through August 2006	168,082	180,818
	29,629,874	20,005,343
Less current portion	6,182,101	12,899,728
	$23,447,773	$27,105,615

All borrowings through Heller Financial Corporation were part of borrowing agreements which required, among other conditions, the Partnership maintain certain financial ratios which include a fixed charge coverage ratio, as defined. All borrowings through FMAC require the Partnership maintain a fixed charge coverage ratio as defined by the loan covenants under the borrowing agreements. The Partnership has met all scheduled debt payments; however, it was not in compliance with the fixed charge

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coverage ratio required by the loan covenants under the borrowing agreements during and subsequent to the year ended December 30, 1997. Accordingly, the entire amount of these borrowings was reflected in the current portion of long-term debt at December 30, 1997. On April 20, 1998, APP refinanced with new promissory notes to FMAC the notes with Heller Financial Corporation, $4.2 million of notes with Intrust Bank, and $3.0 million of notes with FMAC over 15 years at an interest rate of 8.81% bringing APP into compliance with the fixed charge coverage ratio. The write-off of unamortized loan cost related to this refinancing was not material. Magic is not in compliance with the fixed charge coverage ratio required by the FMAC loan covenants during and subsequent to the year ended December 29, 1998. Accordingly, the entire amount of Magic's borrowings with FMAC is reflected in the current portion of long-term debt at December 29, 1998.

The refinancing with FMAC required the Management Company to act as Accommodation Maker and execute the promissory notes and security agreements as borrower, enabling APP to obtain a lower interest rate and more favorable borrowing terms. In return, APP must pay the Management Company an annual fee equal to 1% of the outstanding loan balance, determined as of the first day of each calendar quarter, payable in advance. The accommodation fee amounted to $70,775 for the year ended December 29, 1998.

Certain borrowings through FMAC are part of loans "pooled" together with other franchisees in good standing and approved restaurant concepts, as defined, and sold to the secondary market. The Partnership has provided to FMAC a limited, contingent guarantee equal to 13% of the original loan balance for APP and 15% of the original loan balance for Magic ($555,560 at December 29, 1998), referred to as the "Performance Guarantee Amount" (PGA). At December 29, 1998 and December 30, 1997, certain loans within the Partnership's "pool" were in default. This resulted in the Partnership recording interest expense of $67,963 and $280,062, during 1998 and 1997 respectively, representing the Partnership's total liability for these defaulted loans under the PGA. This liability is payable in monthly installments over the remaining term of the loan. The PGA remains in effect until the loans are discharged, prepaid, accelerated, or mature, as defined in the secured promissory note.

Subsequent to December 29, 1998, Intrust Bank made a commitment to APP to renew $2,055,000 of its notes payable through April 1, 2000. In addition, Intrust Bank refinanced $500,000 of Magic's notes payable with a new promissory note dated January 1, 1999 which matures January 1, 2004. Accordingly, the current and non-current portion of long-term debt reflects the terms of the agreements.

All borrowings are secured by substantially all land, buildings, and equipment of the Partnership. In addition, all borrowings, except for the FMAC loans are supported by the guarantee of the majority owner of the Partnership.

Future annual long-term debt maturities, exclusive of capital lease commitments over the next five years are as follows: 1999 - $6,182,101; 2000 - $3,918,463; 2001 - $2,040,176; 2002 - $2,010,269; and 2003 - $3,550,511.

Cash paid for interest was $2,194,670, $1,943,870 and $1,383,668 for the years ended December 29, 1998, December 30, 1997, and December 31, 1996, respectively.

4. LEASES

The Partnership leases land and buildings for various restaurants under both operating and capital lease arrangements. Initial lease terms normally range from 5 to 20 years with renewal options generally available. The leases are net leases under which the Partnership pays the taxes, insurance, and maintenance costs, and they generally provide for both minimum rent payments and contingent rentals based on a percentage of sales in excess of specified amounts.

Minimum and contingent rent payments for land and buildings leased from affiliates were $30,250, $27,500 and $27,500 for the years ended December 29, 1998, December 30, 1997 and December 31, 1996.

Total minimum and contingent rent expense under all operating lease agreements were as follows:

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	1998	1997	1996
Minimum rentals	$904,665	$780,143	$827,558
Contingent rentals	147,673	101,657	171,144

Future minimum payments under capital leases and noncancelable operating leases with an initial term of one year or more at December 29, 1998, are as follows:

	Capital Leases	Operating Leases With Unrelated Parties	Operating Leases With Affiliates
1999	$ 221,317	$1,243,548	$ 30,250
2000	226,829	1,085,242	30,250
2001	230,077	951,394	30,250
2002	230,077	779,837	7,563
2003	230,077	593,685	-
Thereafter	1,834,601	2,294,214	-
Total minimum payments	2,972,978	$6,947,920	$ 98,313
Less interest	1,429,964		
	1,543,014		
Less current portion	47,528		
	$1,495,486		

Amortization of property under capital leases, determined on the straight-line basis over the lease terms totaled $106,677, $150,288, and $165,360 for the years ended December 29, 1998, December 30, 1997 and December 31, 1996, respectively. Capital lease interest was $290,374, $212,890 and $210,551, respectively, over the same years ended. The amortization is included in depreciation and amortization expense and the interest is included in interest expense in the accompanying consolidated statements of operations. The cost of property under capital leases was $2,077,751 and $2,369,199 at December 29, 1998 and December 30, 1997, respectively, and accumulated amortization on such property under capital leases was $1,188,156 and $1,273,066 at December 29, 1998 and December 30, 1997, respectively.

5. LIMITED PARTNERSHIP UNITS

The Partnership has three classes of Partnership Units outstanding, consisting of Class A Income Preference, Class B, and Class C Units. The Units are in the nature of equity securities entitled to participate in cash distributions of the Partnership on a quarterly basis at the discretion of RAM, the General Partner. In the event the Partnership is terminated, the Unitholders will receive the remaining assets of the Partnership after satisfaction of Partnership liability and capital account requirements.

6. DISTRIBUTIONS TO PARTNERS

On January 5, 1999, the Partnership declared a distribution of $.10 per Unit to all Unitholders of record as of January 15, 1999. The total distribution is not reflected in the December 29, 1998 consolidated financial statements.

7. UNIT OPTION PLAN

The Partnership, RAM, and the Management Company adopted a Class A Unit Option Plan (the Plan) pursuant to which 75,000 Class A Units are reserved for issuance to employees, including officers of the Partnership, RAM, and the Management Company. The Plan is administered by the Managing General Partner which will, among other things, designate the number of Units and individuals to whom options will be granted. Participants in the Plan are entitled to purchase a designated number of Units at an option price equal to the fair market value of the Unit on the date the option is granted. Units under option are exercisable over a three-year period with 50% exercisable on the date of grant and 25% exercisable on each of the following two anniversary dates. The term of options granted under the Plan will be determined by the Managing General Partner at the time of issuance (not to exceed ten years) and will not be transferable

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except in the event of the death of the optionee, unless the Managing General Partner otherwise determines and so specifies in the terms of the grant. Units covered by options which expire or are terminated will again be available for option grants.

A summary of Units under options in the Plan is as follows:

	Units	Option Price
Balance at December 31, 1996	1,715	$8.50-9.00
Terminated	(800)	9.00
Expired	(290)	9.00
Balance at December 30, 1997 and December 29, 1998	625	$8.50

At December 29, 1998, options on 625 Units were exercisable. Unit options available for future grants totaled 48,611 at December 29, 1998 and December 30, 1997.

8. FIRE SETTLEMENT

During 1996, the Partnership incurred a fire at one of its restaurants. The property was insured for replacement cost and the Partnership realized a gain of $157,867.

9. LIFE INSURANCE SETTLEMENT

During 1998, the Partnership collected on a life insurance policy purchased in 1993 on one of its original investors. This investor owned approximately 438,600 Class B and C units. The policy was purchased with the intent of providing the Partnership a means of repurchasing his units upon his death if his heirs so desired. The investor died in May of 1998. The Partnership recognized a gain of $876,000 upon receipt of the insurance proceeds. The units were repurchased on December 29, 1998 at $2.55 per unit for a total purchase price of $1,118,430. In addition, if the nine Pizza Hut restaurants located within the Billings, Montana ADI, including the associated franchises, real estate and operating assets, (the BM Restaurants) are sold to an unrelated party in one or more transactions and the sale transaction(s) are closed prior to January 1, 2001, then the heirs will receive as additional consideration for the purchase of the units a contingent payment of $0.50 per unit, or $219,300. If the BM Restaurants are not sold within that time, the obligation to make the contingent payment will expire. The Partnership is not required to market or sell the BM Restaurants or to accept any offer by any party to purchase such BM Restaurants.

10. CLASS B AND C RESTRICTED UNITS SOLD TO EMPLOYEES

On July 1, 1994, the Partnership entered into a Unit Purchase Agreement with certain employees whereby the employees may purchase Class B and C Units every six months beginning July 1, 1994, and continuing until January 1, 1998. The purchase price per unit was $2.00 with a total of 75,000 units to be purchased over three and one-half years. During 1997 and 1996, the Partnership issued 47,250 and 30,750 Class B and C units for $94,500 and $58,500, respectively.

During 1993, the Partnership issued 25,200 Class B and C Units to certain employees in exchange for notes receivable which were forgiven by the Partnership over a three-year period. The forgiveness of the note receivable balance together with interest thereon was recognized as compensation expense over the three-year period. Total compensation expense recognized in 1996 was $6,300 which is included as restaurant labor and benefits in the accompanying statements of income. The Units are subject to a repurchase agreement whereby the Partnership has agreed to repurchase the Units in the event the employee is terminated for an amount not to exceed $3.00 per unit.

11. PARTNERS' CAPITAL

During 1998 and 1997, the Partnership purchased 304 and 995 Class A Income Preference Units for $1,269 and $3,037, respectively. These Units were retired by the Partnership.

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12. INVESTMENTS

The Partnership purchased common stock of a publicly traded company for investment purposes. The following is a summary of available-for-sale securities:

	Cost	Cumulative Unrealized Gains/(Losses)	Estimated Fair Value
December 29, 1998	$177,076	$(108,441)	$ 68,635
December 30, 1997	$177,076	$ 18,675	$195,751
December 31, 1996	$177,076	$ (44,325)	$132,751

The net adjustment to unrealized gain/(loss) on securities available-for-sale is included in comprehensive income.

13. INVESTMENT IN AFFILIATE

On March 13, 1996, the Partnership purchased a 45% interest in Magic, a newly formed limited partnership, for $3.0 million in cash. Magic owns and operates twenty-seven Pizza Hut restaurants in Oklahoma. In November 1996 Magic notified Hospitality Group of Oklahoma, Inc. (HGO), the former owners of the Oklahoma restaurants, that it was seeking to terminate HGO's interest in Magic pursuant to the terms of the Partnership Agreement for alleged violations of the Pizza Hut Franchise Agreement and the alleged occurrence of an Adverse Terminating Event as defined in the Partnership Agreement. Magic alleged HGO contacted and offered employment to a significant number of the management employees of Magic. Magic also alleged HGO made certain misrepresentations at the formation of Magic. HGO denied such franchise violations occurred and that it had made any misrepresentations at the formation of Magic. HGO asserted it was fraudulently induced to enter into the Magic Partnership Agreement by Restaurant Management Company of Wichita, Inc. and was further damaged by alleged mismanagement of Magic's operations.

The matter was settled in August 1998 with Magic paying HGO a Section 736(a) guaranteed payment of $255,000 for the period November 11, 1996 through the settlement date. In addition, Magic purchased HGO's interest in Magic for $205,000 consisting of $105,000 cash and a $100,000 note at 8% interest for five years, payable quarterly. Magic also paid the two stockholders of HGO $240,000 for a noncompete agreement prohibiting them from engaging in the pizza business for the next 60 months in any market Magic operated in as of May 11, 1998. Upon completion of the settlement, the Partnership's interest in Magic increased from 45% to 60%. Therefore, beginning August 11, 1998, Magic's financial statements were consolidated into the Partnership's consolidated financial statements. Prior to August 11, 1998, the Partnership accounted for its investment in Magic using the equity method of accounting. As of December 29, 1998, the Partnership has goodwill, net of accumulated amortization, of $714,469 representing the excess purchase price of the original equity investment in the net assets acquired. The goodwill is being amortized over 29 years. Condensed financial statements for Magic accounted for under the equity method of accounting through August 10, 1998 are as follows:

	(Unaudited) August 10, 1998	December 30, 1997
Balance sheet:		
Current assets	$ 433,472	$ 543,764
Noncurrent assets	9,498,425	9,946,529
	$ 9,931,897	$10,490,293
Current liabilities	$ 6,422,027	$ 6,608,680
Noncurrent liabilities	1,769,124	2,260,317
Partners' equity	1,740,746	1,621,296
	$ 9,931,897	$10,490,293

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	(Unaudited) For the 32 weeks ended August 10, 1998	For the Year ended December 30, 1997	(Unaudited) For the 41 weeks ended December 31, 1996
Statement of Operations:			
Revenues	$10,087,820	$15,712,313	$12,805,324
Cost of sales	2,578,865	4,308,896	3,670,348
Operating expenses	7,071,979	12,297,095	9,531,718
Operating income (loss)	436,976	(893,678)	(396,742)
Other expense (principally interest)	453,087	791,610	437,976
Net loss	$ (16,111)	$(1,685,288)	$ (834,718)

The proforma unaudited results of operations for the years ended December 29, 1998 and December 30, 1997, assuming the increase in the Partnership's interest in Magic from 45% to 60% occured as of January 1, 1997, are as follows:

	(Unaudited) December 29, 1998	December 30, 1997
Net sales	$53,631,453	$54,689,655
Net income (loss)	806,324	(2,243,655)
Net income (loss) per per Partnership unit	$ 0.20	$ (0.56)

Exhibit 10.10

SETTLEMENT AGREEMENT

This is an agreement between the parties to settle a dispute now pending in American Arbitration Association Case No. 5718012997. It is intended that this settlement be a binding and enforceable agreement upon execution by the parties. The parties acknowledge that additional documentation may be necessary in order to complete the transaction referenced in this Settlement Agreement. The parties will work in good faith toward the preparation and execution of those documents. The parties understand that the terms of the Settlement Agreement may be enforced without regard to the subsequent execution of those documents.

The terms of the settlement are as follows:

1. The settling parties are Oklahoma Magic, L.P., Hal W. McCoy, Hospitality Group of Oklahoma, Inc. ("HGO"), Homayoun Aminmadani, and Farzin Ferdowsi. Oklahoma Magic, L.P. and its affiliates Hal W. McCoy, Restaurant Management Company of Wichita, Inc., and RMC American Management, Inc. are collectively referred to as "Oklahoma Magic". For the purpose of the releasees referred to herein, Oklahoma Magic shall join in the release given to HGO, Homayoun Aminmadani, and Farzin Ferdowsi and shall receive the same release from them. The settling parties agree to exchange mutual Releases fully releasing and discharging any claims they may have against the other, their agents and employees, which are the subject of the arbitration proceeding referenced herein or which may otherwise exist between the parties as of the date of this settlement.

2. Oklahoma Magic will pay to HGO the sum of $205,000 for the purchase of HGO's interest in Oklahoma Magic, L.P., payable as $105,000 in cash on or before August 11, 1998, and the remaining $100,000 to be paid by a $100,000 note, dated August 11, 1998, at 8% for five years, payable quarterly, with the first payment due on November 11, 1998. The payment of that amount recognizes the termination of HGO's partnership interest pursuant to the adverse terminating event as declared by Mr. McCoy's letter dated November 11, 1996, with the date of termination as set forth therein. Upon receipt of the cash payment, HGO will execute all documents necessary to transfer its ownership interest, and all parties to the agreement will exchange mutual releases.

3. Oklahoma Magic will pay to HGO the sum of $255,000 as a

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Section 736(a) guaranteed payment for the time period between November of 1996 and October of 1998. This payment to be made on or before August 11, 1998.

4. In return for a noncompete agreement, Oklahoma Magic will pay to Homayoun Aminmadani and Farzin Ferdowsi the sum of $240,000. This sum is to be paid on or before August 11, 1998. This sum is calculated at $2,000 per month each (for a total of $4,000) for 60 months for Homayoun Aminmadani and Farzin Ferdowsi. The money is all to be paid up front with no discount for the advance payment. Homayoun Aminmadani and Farzin Ferdowsi will execute a noncompete agreement whereby they agree not to engage in the pizza business (as defined by the 1990 PHI Franchise Agreement) in any market where Oklahoma Magic, L.P. operates on May 11, 1998. [This is the old HGO market.]

5. The cash payments by Oklahoma Magic, as referenced in paragraphs 2, 3 and 4 above, are due and owing on or before August 11, 1998. If Oklahoma Magic defaults in all, or a portion of, the cash payments then due and owing, Oklahoma Magic will, in addition to the payments required under this agreement, be liable for interest on the unpaid amount at the rate of 10% per annum calculated from May 11, 1998, until paid, together with costs of collection, including attorney's fees.

6. Acceptance of this agreement will result in the termination of the current arbitration proceeding, subject only to the right of the parties to enforce this agreement.

7. It is contemplated that HGO and Homayoun Aminmadani and Farzin Ferdowsi will be released by PHI from whatever their obligations are under the Oklahoma Magic Franchise Agreement (Franchise Agreement No. 858) and that PHI must approve this transfer of interest from HGO to Oklahoma Magic, L.P. Oklahoma Magic, L.P. will request the release and transfer approval. Oklahoma Magic will take all steps necessary to obtain the release and transfer and will bear all expenses related thereto. If PHI will not release HGO, Homayoun Aminmadani and Farzin Ferdowsi then, at their option, this agreement may be terminated or, in the alternative, Oklahoma Magic shall indemnify them from all losses, costs or expense, including attorney's fees, related to the Franchise Agreement.

8. The parties agree they mutually regret their past disagreements and misunderstandings. The parties to this agreement will not initiate contact to seek to employ employees from the other party without express written permission, which permission shall not be unreasonably withheld.

This agreement has been signed by Mr. McCoy on behalf of himself, Oklahoma Magic, L.P., Restaurant Management Company of Wichita, Inc., and RMC American Management, Inc. Messrs. Aminmadani and Ferdowsi need to sign on behalf of Hospitality Group of Oklahoma, Inc., and on behalf of themselves. The parties agreed that this agreement may be executed in counterparts, each of which shall be deemed an original. The parties agree that facsimile signatures are effective as original signatures.

Hal W. McCoy
Oklahoma Magic, L.P.
RMC American Management, Inc.
Restaurant Management Company
of Wichita, Inc,

By: /s/ Hal W. McCoy

Hal W. McCoy, individually
and in his respective
capacity as an officer of
the named entities

Hospitality Group of Oklahoma, Inc.

By: /s/ Homayoun Aminmadani

Homayoun Aminmadani, individually,
and in his representative
capacity as an officer of
Hospitality Group
of Oklahoma, Inc.

By: /s/ Farzin Ferdowsi

Farzin Ferdowsi, individually,
and in his representative
capacity as an officer of
Hospitality Group of Oklahoma, Inc.

Exhibit 23.1

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Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-20784) pertaining to the Class A Unit Option Plan of American Restaurant Partners, L.P. of our report dated March 12, 1999, with respect to the consolidated financial statements of American Restaurant Partners, L.P. and our report dated March 19, 1998, with respect to the consolidated financial statements of Oklahoma Magic, L.P. included in American Restaurant Partners, L.P.'s Annual Report (Form 10-K) for the year ended December 29, 1998.

/s/Ernst & Young LLP

Wichita, Kansas
March 22, 1999

REPORT OF INDEPENDENT AUDITORS

The Partners
Oklahoma Magic, L.P.

We have audited the accompanying consolidated balance sheet of Oklahoma Magic, L.P. (Partnership) as of December 30, 1997 and the related statement of operations, partners' capital, and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Oklahoma Magic, L.P. at December 30, 1997, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming Oklahoma Magic, L.P. will continue as a going concern. As more fully described in Note 7, the Partnership has incurred recurring operating losses and has a working capital deficiency. In addition, the Partnership has not complied with certain covenants of loan agreements with banks. These conditions raise substantial doubt about the Partnership's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 7. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/Ernst & Young LLP

Wichita, Kansas
March 19, 1998

OKLAHOMA MAGIC, L.P.

BALANCE SHEETS

	December 30, 1997	(Unaudited) December 31, 1996
ASSETS		

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Current assets:		
Cash and cash equivalents	$ 242,741	$ 594,026
Investments available for sale, at fair market value	-	73,750
Accounts receivable	70,300	71,964
Due from affiliates	28,780	33,134
Inventories	112,920	131,678
Prepaid expenses	89,023	90,707
Total current assets	543,764	995,259
Property and equipment, at cost:		
Land	433,468	403,389
Restaurant equipment	1,461,776	1,396,565
Leasehold rights and building improvements	3,240,488	3,313,182
	5,135,732	5,113,136
Less accumulated depreciation and amortization	769,318	326,059
	4,366,414	4,787,077
Other assets:		
Franchise rights, net of accumulated amortization of $367,141 ($148,419 in 1996)	5,069,765	5,288,487
Development rights, net of accumulated amortization of $15,204 ($6,146 in 1996)	209,796	218,854
Deposit with affiliate	110,000	100,000
Other	190,554	230,270
	$10,490,293	$11,619,947

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:		
Accounts payable	$ 1,152,058	$ 1,137,616
Due to affiliates	-	8,048
Accrued payroll and other taxes	219,650	197,963
Accrued liabilities	347,387	401,730
Current maturities of long-term debt, including $4,597,311 of notes payable in default in 1997	4,889,585	1,475,695
Total current liabilities	6,608,680	3,221,052
Other noncurrent liabilities	355,468	-
Long-term debt	1,904,849	5,115,950
Partners' capital:		
General Partner	43,700	47,913
Limited Partners	1,577,596	3,258,671
Unrealized loss in investment securities	-	(23,639)
Total partners' capital	1,621,296	3,282,945
	$10,490,293	$11,619,947

See accompanying notes.

OKLAHOMA MAGIC, L.P.

STATEMENTS OF OPERATIONS

	Year ended December 30, 1997	(Unaudited) 41 weeks ended December 31, 1996
Net sales	$15,712,313	$12,805,324
Operating costs and expenses:		
Cost of sales	4,308,896	3,670,348
Restaurant labor and benefits	4,895,725	4,028,218
Advertising	1,283,130	1,065,245
Other restaurant operating expenses exclusive of		

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depreciation and amortization	3,924,738	3,376,983
General and administrative:		
Management fees - related party	550,596	448,184
Other	28,594	78,638
Depreciation and amortization	829,513	534,450
Loss on restaurant closings	784,799	-
Loss from operations	(893,678)	(396,742)
Interest expense	(791,610)	(437,976)
Net loss	$(1,685,288)	$ (834,718)

See accompanying notes.

<TABLE>

OKLAHOMA MAGIC, L.P.

STATEMENTS OF PARTNERS' CAPITAL

Years Ended December 30, 1997 and December 31, 1996

<CAPTION>

<S>	General Partner <C>	Limited Partners <C>	Unrealized gain/(loss) on securities available for sale <C>	Total <C>
Balance at March 13, 1996, inception (Unaudited)	$ 50,000	4,091,302	-	4,141,302
Net loss (Unaudited)	(2,087)	(832,631)	-	(834,718)
Change in unrealized loss on securities available for sale (Undaudited)	-	-	(23,639)	(23,639)
Balance at December 31, 1996 (Unaudited)	47,913	3,258,671	(23,639)	3,282,945
Net loss	(4,213)	(1,681,075)	-	(1,685,288)
Change in unrealized loss on securities available for sale	-	-	23,639	23,639
Balance at December 30, 1997	$ 43,700	1,577,596	-	1,621,296

<FN>

See accompanying notes.

</FN>

OKLAHOMA MAGIC, L.P.

STATEMENTS OF CASH FLOWS

	Year Ended December 30, 1997	(Unaudited) 41 Weeks Ended December 31, 1996
Cash flows from operating activities:		
Net loss	$(1,685,288)	$ (834,718)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	829,513	534,450
(Gain)/loss on disposition of assets	17,895	(5,250)
Gain on fire settlement	(32,150)	-
Loss on restaurant closings	784,799	-
Loss on default in pooled loans	140,991	-
Net change in operating assets and liabilities:		
Accounts receivable	1,664	(71,964)
Due from affiliates	4,354	(33,134)
Inventories	18,758	8,322
Prepaid expenses	1,684	(88,107)
Deposit with affiliate	(10,000)	(100,000)
Accounts payable	14,442	1,137,616
Due to affiliates	(8,048)	8,048
Accrued payroll and other taxes	21,687	197,963
Accrued liabilities	(54,343)	279,230
Net cash provided by operating activities	45,958	1,032,456

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Investing activities:		
Purchase of securities available for sale	-	(97,389)
Proceeds from sale of securities available for sale	83,243	-
Additions to property and equipment	(679,440)	(1,546,660)
Purchase of development rights	-	(225,000)
Proceeds from sale of property and equipment	40,598	5,250
Net proceeds from fire settlement	121,588	-
Other, net	(25,030)	95,418
Net cash used in investing activities	(459,041)	(1,768,381)
Financing activities:		
Proceeds from long-term borrowings	1,350,000	1,113,674
Payments on long-term borrowings	(1,288,202)	(249,017)
Net cash provided by financing activities	61,798	864,657
Net (decrease) increase in cash and cash equivalents	(351,285)	128,732
Cash and cash equivalents at beginning of period	594,026	465,294
Cash and cash equivalents at end of period	$ 242,741	$ 594,026

See accompanying notes.

OKLAHOMA MAGIC, L.P.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 30, 1997
(Information with respect to data prior to
January 1, 1997 is unaudited.)

1. SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Oklahoma Magic, L.P. (the Partnership) was formed in connection with the purchase of thirty-three Pizza Hut restaurants in Oklahoma on March 13, 1996. The partnership interests are held by American Restaurant Partners, L.P. (ARP)(45%), Restaurant Management Company of Wichita, Inc. (29.25%), an affiliate of ARP, Hospitality Group of Oklahoma, Inc. (HGO)(25%),the former owners of the Oklahoma restaurants, and RMC American Management, Inc. (RAM) (.75%), the managing general partner of the Partnership.

BASIS OF PRESENTATION

The Partnership operates on a 52 or 53 week fiscal year ending on the last Tuesday in December. The Partnership's operating results reflected in the accompanying statements of operations include 52 weeks for the year ended December 30, 1997 and 41 weeks (from the date of inception) for the year ended December 31, 1996.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. See Note 7 to the Financial Statements.

OPERATIONS

All of the restaurants owned by the Partnership are operated under a franchise agreement with Pizza Hut, Inc., the franchisor. The agreement grants the Partnership exclusive rights to develop and operate restaurants in certain franchise territories.

A schedule of restaurants in operation for the periods presented in the accompanying consolidated financial statements is as follows:

	1997	1996
Restaurants in operation at beginning of period	32	33
Opened	1	--

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Closed	(6)	(1)
Restaurants in operation at end of period	27	32

INVENTORIES

Inventories consist of food and supplies and are stated at the lower of cost (first-in, first-out method) or market.

PROPERTY AND EQUIPMENT

Depreciation is provided by the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the life of the lease or improvement, whichever is shorter.

The estimated useful lives used in computing depreciation are as follows:

Buildings	10 to 30 years
Restaurant equipment	3 to 7 years
Leasehold rights and improvements	5 to 20 years

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for renewals and betterments, which materially extend the useful lives for assets or increase their productivity, are capitalized.

FRANCHISE RIGHTS AND FEES

Agreements with the franchisor provide franchise rights for a period of 20 years and are renewable at the option of the Partnership for an additional 15 years, subject to the approval of the franchisor. Initial franchise fees are capitalized at cost and amortized by the straight-line method over periods not in excess of 30 years. Periodic franchise royalty and advertising fees, which are based on a percent of sales, are charged to operations as incurred.

PREOPENING COSTS

Costs incurred before a restaurant is opened, which represent the cost of staffing, advertising, and similar preopening costs, are charged to operations as incurred.

CONCENTRATION OF CREDIT RISKS

The Partnership's financial instruments exposed to concentration of credit risks consist primarily of cash. The Partnership places its funds into high credit quality financial institutions and, at times, such funds may be in excess of the Federal Depository insurance limit. Credit risks associated with customer sales are minimal as such sales are primarily for cash.

INCOME TAXES

The Partnership is not subject to federal or state income taxes and, accordingly, no provision for income taxes has been reflected in the accompanying consolidated financial statements. Such taxes are the responsibility of the partners based on their proportionate share of the Partnership's taxable earnings.

The differences between generally accepted accounting principles net loss and taxable loss are as follows:

	1997	1996
Generally accepted accounting principles net loss	$(1,685,288)	$ (834,718)
Depreciation and amortization	(1,253,290)	(669,241)
Loss on restaurant closings	784,799	-
Other	41,365	(26,348)
Taxable loss	$(2,112,414)	$(1,530,307)

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.

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Actual results could differ from those estimates.

CASH EQUIVALENTS

For purposes of the statements of cash flows, the Partnership considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale are carried at fair value, with unrealized gains and losses reported in a separate component of partners' capital. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income.

2. RELATED PARTY TRANSACTIONS

The Partnership has entered into a management services agreement with RAM whereby RAM will be responsible for management of the restaurants for a fee equal to 3.5% of the gross receipts of the restaurants, as defined. RAM has entered into a management services agreement containing substantially identical terms and conditions with Restaurant Management Company of Wichita, Inc. (the Management Company).

Affiliates of the Management Company provide various other services for the Partnership including promotional advertising. In addition to participating in advertising provided by the franchisor, an affiliated company engages in promotional activities to further enhance restaurant sales. The affiliate's fees for such services are based on the actual costs incurred and principally relate to the reimbursement of print and media costs. In exchange for advertising services provided directly by the affiliate, the Partnership pays a commission based upon 15% of the advertising costs incurred.

The Partnership maintains a deposit with the Management Company equal to approximately two month's management fee. Such deposit, $110,000 at December 30, 1997 and $100,000 at December 31, 1996, may be increased or decreased at the discretion of RAM.

The Management Company maintains an incentive bonus plan whereby certain employees are eligible to receive bonus payments if specified management objectives are achieved. Such bonuses are not greater than 15% of the amount by which the Partnership's cash flow exceeds threshold amounts as determined by management. Bonuses paid under the plan are reimbursed to the Management Company by the Partnership.

Transactions with related parties included in the accompanying consolidated financial statements and notes are summarized as follows:

	1997	1996
Management fees	$550,596	$448,184
Management Company bonuses	25,234	21,007
Advertising commissions	12,589	2,128

The Partnership has $23,865 and $19,412 at December 30, 1997 and December 31, 1996, respectively, due from HGO for contingent rentals paid by the Partnership for periods prior to the inception of Magic. In addition, the Partnership has certain other amounts due from affiliates which are on a noninterest bearing basis.

3. LONG-TERM DEBT

Long-term debt consists of the following at December 30, 1997 and December 30, 1996:

	1997	1996
Notes payable to Intrust Bank in Wichita, payable in monthly installments aggregating $29,724, including interest at the bank's base rate plus 1%		

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(9.50% at December 30, 1997) adjusted monthly, due at various dates through 2002	$ 1,537,497	$1,100,000
Notes payable to Franchise Mortgage Acceptance Company payable in monthly installments aggregating $72,055, including interest at fixed rates of 9.20% and 10.16%, due at various dates through August 2011	4,738,300	4,970,983
Note payable to partner, payable in quarterly installments aggregating $30,415, including interest at a fixed rate of 8.0%, beginning June 15, 1998, due March 2003	500,000	500,000
Other	18,637	20,662
	6,794,434	6,591,645
Less current portion	4,889,585	1,475,695
	$ 1,904,849	$ 5,115,950

All borrowings through Franchise Mortgage Acceptance Company (FMAC) are part of borrowing agreements which require that the Partnership maintain a fixed charge coverage ratio, as defined. The Partnership has met all scheduled debt payments; however, it was not in compliance with the fixed charge coverage ratio required by the loan covenants under the borrowing agreement during and subsequent to the year ended December 30, 1997. Accordingly, the entire amount of these borrowings is reflected in the current portion of long-term debt.

Certain borrowings through FMAC are part of loans "pooled" together with other franchisees in good standing and approved restaurant concepts, as defined, and sold to the secondary market. The Partnership has provided to FMAC a limited, contingent guarantee equal to 15% of the original loan balance ($274,020 at December 30, 1997), referred to as the "Performance Guarantee Amount" (PGA). The PGA is paid monthly and to the extent that the other loans in the "pool" are delinquent or in default, the amount of the PGA refund will be reduced proportionately. At December 30, 1997, certain loans within the Partnership's "pool" were in default. This resulted in the Partnership recording an expense $148,595, of which $7,604 was paid during 1997, representing the Partnership's total liability for these defaulted loans under the PGA. This liability is payable in monthly installments over the remaining term of the loan. The initial charge of $148,595 was included in interest expense in the accompanying statement of operations. The PGA remains in effect until the loans are discharged, prepaid, accelerated, or mature, as defined in the secured promissory note.

All borrowings are secured by substantially all land, buildings, and equipment of the Partnership. In addition, all borrowings, except for the FMAC loans are supported by the guarantee of the principal beneficial owner of the Partnership.

Future annual long-term debt maturities, exclusive of capital lease commitments over the next five years are as follows: 1998 - $4,889,585; 1999 - $742,161; 2000 - $374,732; 2001 - $410,801; and 2002 - $259,392.

Cash paid for interest was $650,619 and $437,975 for the years ended December 30, 1997 and December 31, 1996, respectively.

4. LEASES

The Partnership leases land and buildings for various restaurants under operating arrangements. Initial lease terms normally range from 5 to 20 years with renewal options generally available. The leases are net leases under which the Partnership pays the taxes, insurance, and maintenance costs, and they generally provide for both minimum rent payments and contingent rentals based on a percentage of sales in excess of specified amounts.

Total minimum and contingent rent expense under all operating lease agreements for the year ended December 30, 1997 and the 41 weeks ended December 31, 1996 were as follows:

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	1997	1996
Minimum rentals	$758,842	$620,266
Contingent rentals	88,439	59,348

Future minimum payments under noncancelable operating leases with an initial term of one year or more at December 30, 1997, are as follows:

1998	$ 643,361
1999	570,537
2000	442,584
2001	419,641
2002	355,593
Thereafter	1,803,694
Total minimum payments	$4,235,411

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Partnership in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Long-term debt: The carrying amounts of the Partnership's borrowings under its variable rate debt approximate their fair value. The fair value of the Partnership's fixed rate debt is estimated using discounted cash flow analyses, based on the Partnership's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Partnership's financial instruments at December 30, 1997 and December 31, 1996 are as follows:

	December 30, 1997		December 31, 1996	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 242,741	$ 242,741	$ 594,026	$ 594,026
Long-term debt	6,794,434	6,881,071	6,591,645	6,569,761

6. INVESTMENTS

During 1997, the Partnership sold available-for-sale securities for $83,243 realizing a loss on the sale of these securities of $14,146. At December 31, 1996, these securities had a fair market value of $73,750 and unrealized losses of $23,639. Such unrealized losses were included as a separate component of partners' capital on the accompanying statement of partners' capital.

7. GOING CONCERN MATTERS

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As shown in the financial statements, during the year ended December 30, 1997 and 41 weeks ended December 31, 1996, the Partnership incurred losses of $1,685,288 and $834,718, respectively, and due to the default provision has classified the majority of its debt with FMAC as current for the year ended December 30, 1997. These factors among others may indicate the Partnership will be unable to continue as a going concern for a reasonable period of time.

The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the Partnership be unable to continue as a going concern. As described in Note 3, the Partnership was not in compliance with the required fixed charge coverage ratio as defined by the loan covenants under the borrowing agreement

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during and subsequent to the year ended December 30, 1997. As a result of the covenant violation, the Partnership has classified the borrowings under this borrowing agreement ($,4,597,311) as a current liability. The Partnership is current on all of its financing obligations. Management believes it has the resources for a successful restructuring of its debt on a long-term basis. Management believes that until the restructuring of the debt is completed, existing cash balances and anticipated cash receipts will be adequate to cover operating requirements including debt service of the Partnership. However, the Partnership's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meets its financing obligations on a timely basis, to obtain additional financing or refinancing as may be required, and ultimately to obtain profitability.

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