FORM 10-K

Annual report pursuant to section 13 and 15(d)

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AU BON PAIN CO INC

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
- - - - - - - - - - - - - -
FORM 10-K

(Mark one)

X Annual report pursuant to Section 13 or 15(d) of the Securities
---- Exchange Act of 1934 (Fee required)

For the fiscal year ended December 26, 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 0-19253

Au Bon Pain Co., Inc.

(Exact name of registrant as specified in its charter)

Delaware	04-2723701
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
19 Fid Kennedy Avenue, Boston, MA	02210
(Address of principal executive offices)	(Zip code)

(617) 423-2100

(Registrant's telephone number, including area code)

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

None.

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

Class A Common Stock, $.0001 par value

(Title of class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 and 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 the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form.

[check mark]

Aggregate market value of the registrant's voting stock held by non-affiliates as of March 17, 1999: Class A Common Stock, $.0001 par value: $71,191,540.

Number of shares outstanding of each of the registrant's classes of common stock, as of March 17, 1999: Class A Common Stock, $.0001 par value: 10,560,051 shares, Class B Common Stock, $.0001 par value: 1,557,658 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

The registrant's definitive proxy statement for its Annual Meeting of Stockholders, to be filed in connection with the Annual Meeting of Stockholders, is incorporated by reference in response to Part III, Items 10, 11, 12 and 13; and certain exhibits to the registrant's Form S-1 Registration Statement (File No. 33-453219), Form S-l Registration Statement (File No. 33-40153), annual reports on Form 10-K for the fiscal years ended December 27, 1997, December 28, 1996 and December 30, 1995 quarterly report for the period ended July 11, 1998 and Form 8-K filed December 22, 1993, Form 8-K filed August 21, 1998 and Form 8-K filed November 6, 1998, are incorporated by reference in response to Part IV, Item 14.

PART I

ITEM 1. BUSINESS

GENERAL

Au Bon Pain Co., Inc. ("the Company") was formed in March 1981 with three Boston area bakeries and one cookie store serving croissants, breads and cookies. As of December 26, 1998, the Company had 219 Company-operated and 159 franchised bakery cafes operating under two concepts: the Au Bon Pain Division, with 151 Company-operated and 114 franchise-operated bakery cafes, and the Saint Louis Bread Co. Division, which also does business as "Panera Bread" outside of the Saint Louis area, with 68 Company-operated and 45 franchise-operated bakery cafes. Both concepts specialize in high quality food for breakfast and lunch, including fresh baked goods, made-to-order sandwiches on freshly baked breads, soups, salads, custom roasted coffees, and other cafe beverages. The Au Bon Pain Division concept, with its major metropolitan locations, serves customers where they work and shop. Saint Louis Bread Co. Division reaches suburban dwellers and workers, offering a premium specialty bakery and cafe experience with a neighborhood emphasis.

The Au Bon Pain Division bakery cafes are principally located in the following cities: Baltimore, Boston, Chicago, Cleveland, Columbus, Hartford, Minneapolis, New Haven, New York City, Pittsburgh, Providence and Washington, DC. Internationally, franchise partners operate Au Bon Pain Division units in Chile, the Philippines, Indonesia, Thailand, Brazil, the UK and Singapore. In addition, domestic franchisees currently operate Au Bon Pain Division cafes in Doubletree Hotels, airports and in certain West Coast and East Coast cities (see "Properties"). System wide sales for Au Bon Pain, which include Company-operated and franchised restaurant sales, were approximately $213.0 million for the fiscal year ended December 26, 1998.

The Saint Louis Bread Co. Division bakery cafes are principally located in suburban, strip mall and regional mall locations. The concept is currently operating in Florida, Georgia, Illinois, Iowa, Kansas, Kentucky, Massachusetts, Michigan, Missouri, Ohio, Oklahoma, South Carolina and Texas (see "Properties"). System wide sales for Saint Louis Bread were approximately $114.5 million for the fiscal year ended December 26, 1998. The Company believes that the acquisition of Saint Louis Bread has created a number of opportunities. The Saint Louis Bread suburban bakery cafe concept has proved to be well suited for suburban locations and offers the Company greater access to these markets, thereby enhancing the Company's long-term growth prospects.

The Company, together with its wholly-owned subsidiary ABP Holdings, Inc. ("ABPH") have entered into a Stock Purchase Agreement dated August 12, 1998 and amended on October 28, 1998 with ABP Corporation (the "Buyer"), an affiliate of Bruckmann, Rosser, Sherrill & Co., L.P. for the transfer of substantially all of the assets and liabilities of the Au Bon Pain Division business (the "Au Bon Pain Division") and to sell all of the outstanding capital stock of ABPH to the Buyer, for a purchase price of $73,000,000 subject to adjustments, whereby the Buyer will become the owner of the Au Bon Pain Division (the "Sale"). Although most of the conditions for the Sale have been satisfied, including approval by the Company's Stockholders on March 4, 1999, the necessary financing arrangements are not yet complete and a closing date has not been set.

CONCEPT AND STRATEGY

The Au Bon Pain Division concept focuses on "niche" markets in high density areas of pedestrian traffic. Target customers of the Au Bon Pain Division include urban office employees, hospital employees and visitors, shoppers, travelers, students and other adults who are time sensitive, yet desire a higher quality breakfast and lunch experience than is typically found at quick service restaurants. The concept's strategy is to create distinctive food offerings based on fresh-baked breads and baked goods at reasonable prices. It strives to offer products of fresher, higher quality and greater variety than those offered by its competitors. In addition, the Company believes its operational excellence, speed of service and convenient locations further differentiate the Company from its competitors. Average revenue per Company-operated bakery cafe open for the full fiscal year ended December 26, 1998 was approximately $1,045,000 for the Au Bon Pain Division concept.

The Saint Louis Bread Co. Division concept focuses on the emerging "Specialty Bread/Cafe" category. Its artisan sourdough breads and overall award-winning bakery expertise are at the heart of the concept's menu. Bread and baked goods account for approximately 25% of sales. The concept is designed to deliver against the key baby boomer consumer trends of today, specifically the need for an efficient but higher self-esteem experience than that offered by traditional fast food. The concept aims to become a nationally recognized brand name, and in doing so, hopes to reap the economic benefits that a strong brand name offers. Its menu, prototype, operating systems, design and real estate strategy allow it to compete successfully in four sub-businesses: lunch, breakfast, day-time "chill out" and take home specialty retailing. Average revenue per Company-operated bakery cafe open for the full fiscal year ended December 26, 1998 was approximately $1,265,000 for the Saint Louis Bread Co. Division concept.

The Company believes that excellence in execution is a key to success in the restaurant industry. The distinctive nature of the Company's menu offerings, the quality of its restaurant operations, the Company's unique cafe design and the prime locations of its cafes are integral to the Company's success. The Company will grow the Au Bon Pain Division concept selectively in its core urban markets, special real estate situations (hospitals, transportation centers, etc.) and through continued franchising

abroad and domestically. The Saint Louis Bread Co. Division concept has tremendous growth potential in the suburban markets which will be realized through both Company and franchise efforts.

MENU

The menus across both concepts seek to provide the Company's target customers with products which build on the strength of the Company's bakery expertise and meet customers' new and ever-changing taste profiles. The key menu groups are fresh baked goods, made-to-order sandwiches, soups and cafe beverages. Included within these menu groups are: a variety of freshly baked bagels, breads, croissants, muffins, scones, rolls and sweet goods; sandwiches made-to-order; hearty, unique soups; custom roasted coffees and cafe beverages such as espresso and cappuccino. A primary difference in menu between the two concepts is the significant emphasis within the Saint Louis Bread Co. Division concept on sophisticated artisan and sourdough breads, which supports its significant take-home business.

The Company regularly reviews and revises its menu offerings to satisfy changing customer preferences and to maintain customer interest amongst its target customer groups - "the Trend-Setters" and "the Good Food Traditionalists." Both of these target customers seek a quality experience that reflects their discriminating tastes. The major characteristic that sets these two groups apart is the more enthusiastic embrace of new and nutritional menu items by the Trend-Setters. New menu items are developed in corporate test kitchens and then introduced in a limited number of the Company's bakery cafes to determine customer response and verify that preparation and operating procedures maintain consistency, high quality standards and profitability. If successful, they are introduced in all the Au Bon Pain Division or the Saint Louis Bread Co. Division bakery cafes.

MARKETING

The Company believes it competes on the basis of an entire experience rather than price. Pricing is structured so that customers perceive good value at both the Au Bon Pain Division and the Saint Louis Bread Co. Division and can visit every day (high quality food at reasonable prices). The average customer purchase is approximately $3.21 at Au Bon Pain and $5.09 at Saint Louis Bread. Breakfast and lunch checks typically average $2.20 and $4.36, respectively, at Au Bon Pain and $3.66 and $6.09, respectively, at Saint Louis Bread. The Company attempts to increase its per location sales through menu development, promotions and by sponsorship of local community charitable events.

To date, the Company has not advertised extensively; rather, it relies on word of mouth, customer satisfaction and promotional programs to encourage trial by new customers and to make existing customers aware of new menu offerings.

CATERING

The Au Bon Pain Division operates a catering program which offers a select group of delivered breakfast and luncheon food items appropriate for on-site consumption at corporate functions. Customers place orders by toll-free telephone with trained customer service representatives at the Company's Boston headquarters. Orders are immediately routed utilizing a computerized delivery support system to the most appropriate bakery cafe for preparation and delivery. In 1998, catering sales represented approximately 5.7% of the Au Bon Pain Division-operated restaurant sales. At present, Saint Louis Bread Co. Division does not offer catering services. With the predominance of Saint Louis Bread Co. Division cafes in suburban locations, the Company believes that the potential to develop significant catering business at the Saint Louis Bread Co. Division is lower than at the Au Bon Pain Division.

SITE SELECTION

For the Au Bon Pain Division concept, the Company seeks convenient locations in high-visibility, high-traffic, densely populated areas which are easily accessible to the target customers. Besides urban office buildings, the Company also operates in transportation centers, universities and hospitals. The Company believes that its menu, history of quality retail operations and bakery cafe designs enable the Company to access locations which may not be available to traditional quick service restaurants. Successful examples of the Au Bon Pain Division real estate include the following locations: Copley Place, a shopping mall/office building in Boston; Brigham and Women's Hospital, a leading medical center in Boston; South Station, a transportation center in downtown Boston; the Empire State Building in New York City; the Pittsburgh Airport in Pittsburgh and George Washington University at 2000 Pennsylvania Avenue in Washington, D.C. Saint Louis Bread Co. Division locations are typically in suburban strip malls, free standing locations and regional malls such as the Galleria Mall in Saint Louis and the Lenox Square Mall in Atlanta.

In 1998, the Company opened one Au Bon Pain bakery cafe in an existing market. The Company's Au Bon Pain franchisees opened 27 new bakery cafes domestically and in the Philippines, Indonesia, Thailand, Brazil and England.

During 1998, the Company expanded the number of Company-operated Saint Louis Bread bakery cafes by 11 to 68 locations in

new and existing markets. The Saint Louis Bread franchise-operated locations expanded by 26 to 45 locations.

Both bakery cafe concepts rely on a substantial volume of repeat business. In evaluating a potential location, the Company studies the surrounding trade area, obtaining demographic information within that area and information on quick service breakfast or lunch competitors. Management evaluates the Company's ability to establish a dominant presence within that area in order to create entry barriers to other bakery cafe competitors. Based on this information, sales and return on investment are projected.

The Company uses sophisticated fixtures and materials in the bakery cafe design for both concepts. The design visually reinforces the distinctive difference between the Company's bakery cafes and other quick service restaurants serving breakfast and lunch. Many of the Company's cafes also feature outdoor cafe seating. The current estimated construction and equipment costs for a typical Au Bon Pain bakery cafe outside of New York City are approximately $475,000 before any landlord construction allowance. The estimated construction and equipment cost for a typical Au Bon Pain bakery cafe in New York City is approximately $850,000 before any landlord construction allowance. The current estimated construction and equipment cost for a typical Saint Louis Bread bakery cafe is approximately $625,000 before any landlord allowance.

The average bakery cafe size ranges between 2,500 and 4,000 square feet. Currently, all bakery cafes, including franchises, are in leased premises. Lease terms are typically ten years with one or two five-year renewal options periods thereafter. Leases typically have a minimum base occupancy charge, charges for a proportionate share of building operating expenses and real estate taxes, and contingent percentage rent based on sales above a stipulated sales level.

PRODUCTION

Breads, cookies and pastries sold at Au Bon Pain Division bakery cafes are baked on premises from frozen dough. Saint Louis Bread Co. Division bakery cafes use fresh dough for their sourdough breads, certain other breads and bagels, and frozen dough for most other baked goods products. Baked goods prepared from frozen dough products represent approximately 30% of the Au Bon Pain Division's total bakery cafe sales and approximately 17% of the Saint Louis Bread Co. Division's total bakery cafe sales.

During 1996, the Company completed construction of a state of the art frozen dough production facility in Mexico, MO to supply frozen dough; this replaced its original South Boston frozen dough facility which was out of capacity. On March 23, 1998 the Company sold the Mexico, MO production facility and its wholesale frozen dough business to Bunge Foods Corporation ("Bunge") for

approximately $13 million in cash. In conjunction with the sale, the Au Bon Pain Division and the Saint Louis Bread Co. Division entered into five year supply agreements with Bunge for the supply of substantially all their frozen dough needs, excluding bagels, for their domestic bakery cafes. The net proceeds of the sale were used to reduce debt. The Company recognized a pre-tax loss on the sale of the facility of approximately $735,000 in the Company's results of operations for the first quarter of 1998.

The sale of the frozen dough production facility provides economies of scale in plant production which are reflected in the economics of the five-year supply agreements and allows the Company to take advantage of Bunge's significant purchasing power. The five year supply agreements allow the bakery cafes to continue to offer the same high quality fresh baked goods, as the frozen dough products purchased from Bunge will be made on the same equipment, by the same management team, using the same proprietary processes and specifications as prior to the sale to Bunge.

The Company also operates an Au Bon Pain Division Commissary in South Boston which produces frozen dough bagels and certain other menu items. Each of the Saint Louis Bread Co. Division bakery cafes is supported by a regional commissary which daily provides fresh sourdough and bagel products for baking and sale within the Saint Louis Bread Co. Division bakery cafes. The Company operated 9 regional commissaries as of December 26, 1998.

COMPETITION

The Au Bon Pain Division and Saint Louis Bread Co. Division experience competition from numerous sources in their respective trade areas. Au Bon Pain Division bakery cafes compete within approximately a two city block radius with other providers of breakfast and lunch. Saint Louis Bread Co. Division bakery cafes compete with bread only stores, supermarkets and other bakeries that supply high quality breads and with other restaurants that seek to use quality breads to define a breakfast, lunch and light dinner menu. Both divisions compete for leased space in desirable locations; methods of competition are price, service and quality of products. Certain of the Company's competitors may have capital resources exceeding those available to the Company.

MANAGEMENT INFORMATION SYSTEMS

Each Company-operated bakery cafe has computerized cash registers to collect point-of-sale transaction data, which are used to generate pertinent marketing information, including product mix and average check. All product prices are programmed into the system from the Company's corporate office.

The Company's in-store personal computer-based management support system is designed to assist in labor scheduling and food cost management, to provide corporate and retail operations management quick access to retail data and to reduce managers'

administrative time. The system supplies sales, bank deposit and variance data to the Company's accounting department in Boston on a daily basis. The Company uses this data to generate weekly consolidated reports regarding sales and other key elements, as well as detailed profit and loss statements for each bakery cafe every four weeks. Additionally, the Company monitors the average check, customer count, product mix and other sales trends. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for information pertaining to the "Year 2000" issue.

DISTRIBUTION

The Company currently utilizes an independent distributor to distribute frozen dough products and other materials to Company-operated Au Bon Pain and Saint Louis Bread bakery cafes. By contracting with an independent distributor, the Company has been able to eliminate investment in distribution systems and to focus its managerial and financial resources on its retail operations. The distributor picks up frozen dough products throughout the week from the plants and delivers to the cafes. Virtually all other supplies for retail operations, including paper goods, coffee and small-wares, are contracted for by the Company and delivered by the vendors to the distributor for delivery to the bakery cafes. The individual bakery cafes order directly from the distributor two to three times per week.

Franchised bakery cafes operate under individual contracts with either the Company's distributor or other regional distributors.

JOINT VENTURES

The Company currently operates 14 Au Bon Pain bakery cafes in New York City, which are owned under a joint venture agreement between the Company and an independent investor group. Under the terms of this agreement, the Company has an obligation to offer the group up to 49% of the equity in each bakery cafe opened in the metropolitan tri-state area of New York City (New York City, Long Island, Westchester County (NY), Bergen County (NJ), and Fairfield County (CT)). The equity participation percentage is based on the cost of the initial construction upon opening of the bakery cafe. This equity percentage is fixed prior to the date of the respective bakery cafe openings. The group has no obligation to participate in any bakery cafe, and the percentage participation must be elected by the group prior to the opening of the bakery cafe. Each joint venture bakery cafe must purchase all of its frozen dough products from the Company and is operated by the Company under a management agreement under which the Company receives a management fee of 6% of sales of each joint venture bakery cafe. The Company has agreed to provide a guaranty to one or more institutional lenders acceptable to the Company to assist

the group in financing its acquisition of up to 5% of the equity in new bakery cafes opened after January 1, 1993. As of December 26, 1998, approximately $40,936 is outstanding under this arrangement.

FRANCHISES

Au Bon Pain
Domestic

The Company currently has domestic franchising agreements with sixteen organizations: Northern Bakers, Inc., CA One, ABP Southern California, LLC, Wayne ABP, Inc., R.C. Menzer, Romallso, Inc., The Lauren Group, Inc., FGR Food Group, Host Marriott Corp., Boston Concessions Group, Inc., Crowne Plaza Ravinia, ABP Delaware Valley, LLC, DoubleTree Hotels, ABP Caribbean Limited, BP Oil Company and Statewide Management Group. In general, the Company has two sources of revenue from its domestic Au Bon Pain franchisees: fees for new locations and royalties on sales by franchisees. New domestic locations, other than airport locations, to be developed by franchisees typically require a $25,000 initial franchise fee per location and a 5% royalty. Airport franchise fees range between $10,000 and $50,000, depending upon passenger traffic and the Company's assistance in obtaining the concession. All domestic franchisees are obligated to use Company-approved ingredients, including Au Bon Pain-approved frozen dough products.

In 1997, the Company sold 11 bakery cafes to ABP Delaware Valley, LLC for $2.6 million, in connection with the execution of a franchise area development agreement covering certain portions of Pennsylvania, New Jersey and Delaware. The purchase price was paid by delivery of a ten-year note payable to the Company which bears interest at 8.25% per annum. Under the terms of the area development agreement, the franchisee must open 17 new bakery cafes according to a minimum opening schedule in order to maintain development exclusivity in the territory and has the right to open either the Au Bon Pain Division or the Saint Louis Bread Co. Division bakery cafes within the specified territory.

International

The Company currently has international franchise development agreements with developers in Chile, Argentina, Brazil and certain other South American countries, Thailand, Indonesia, the Philippines, Malaysia, Singapore, United Kingdom, the Caribbean, Eastern Canada and the Canary Islands. Bakery cafes have been opened to date in Chile, Indonesia, the Philippines, Thailand, Brazil and England. Under these agreements, the Company has granted exclusive development rights to franchise and operate Au Bon Pain bakery cafes in the respective country or countries. The agreements generally require the payment of up front development fees, which have ranged from $50,000 to $750,000, a franchise fee,

typically from $10,000 to $30,000 for each Au Bon Pain bakery cafe opened, depending upon the size of the location, and royalties from the sale of products from each bakery cafe of 5% of sales. The developer is, in most instances, required to open bakery cafes according to a specific minimum schedule. The Company may also agree to provide advice, consultation and training for the development of a frozen dough plant. Currently, the Company considers international franchising and licensing arrangements as a means of business expansion for its Au Bon Pain concept and is actively pursuing additional international franchising relationships.

Saint Louis Bread Company

In connection with the Saint Louis Bread acquisition in 1993, the Company assumed two area development agreements pursuant to which Saint Louis Bread granted exclusive development rights to two franchisees. One area development agreement covers the cities of Kansas City, St. Joseph and Topeka, Kansas and Kansas City, Missouri. The second area development agreement covers various counties in Missouri and includes the City of Springfield.

In 1996, the Company began a broad-based franchising program. The Company is actively seeking to extend its Saint Louis Bread franchise relationships beyond its current franchisees. The Saint Louis Bread unit franchise agreements typically require the payment of an up-front franchise fee of $35,000 and continuing royalties of 4% to 5% on sales from each bakery cafe. The franchisees are required to purchase all of their dough products from sources approved by Saint Louis Bread.

The Company has entered into 33 separate franchise area development agreements for a total of approximately 607 bakery cafes of which 45 have been opened to date. The Company's strategy is to execute growth in a controlled and disciplined manner. Under the terms of the franchise development agreements, a schedule is determined with respect to a set number of franchise openings as to which the developer pays a non-refundable fee. In the event that the schedule is not adhered to, the developer will lose development exclusivity in the territory.

EMPLOYEES

The Company has approximately 712 full-time employees, of whom approximately 135 are employed in general or administrative functions principally at or from the Company's executive offices in Boston, Massachusetts; approximately 10 are employed at the Boston frozen dough plant and the commissary; approximately 91 are employed in the Saint Louis Bread corporate office in St. Louis, MO; approximately 14 are employed in the Saint Louis Bread production facilities in St. Louis, MO, Chicago, IL, Detroit, MI, and Atlanta, GA; and approximately 283 and 179 are employed in the Au Bon Pain and Saint Louis Bread retail operations, respectively. The Company also has approximately 5,170 part-time employees, of whom 3,029 and 1,900 are employed in the Au Bon Pain and Saint Louis Bread bakery cafes, respectively. These totals include the joint venture locations in New York City. There are no collective bargaining agreements. The Company considers its employee relations to be excellent.

TRADEMARKS

The "Au Bon Pain" and "Au Bon Pain The Bakery Cafe" names are of material importance to the Company and are trademarks registered with the United States Patent and Trademark Office and in certain foreign countries. In addition, the name "Saint Louis Bread Company" and "Panera Bread" are of material importance to the Company. "Saint Louis Bread Company" is registered with the United States Patent and Trademark Office. In addition, "Saint Louis Bread Company and design" and "Panera Bread" and "Panera Bread and design" and various marks of lesser importance have been filed with the United States Patent and Trademark Office.

GOVERNMENT REGULATION

Each Company-operated and franchised bakery cafe is subject to regulation by federal agencies and to licensing and regulation by state and local health, sanitation, safety, fire, alcoholic beverage control and other departments. Difficulties or failures in obtaining and retaining the required licensing or approval could result in delays or cancellations in the opening of restaurants.

The Company is also subject to federal and a substantial number of state laws regulating the offer and sale of franchises. Such laws impose registration and disclosure requirements on franchisors in the offer and sale of franchises and may also apply substantive standards to the relationship between franchisor and franchisee. The Company does not believe that current or potential future regulations of franchises have or will have any material

impact on the Company's operations. The Company is subject to the Fair Labor Standards Act and various state laws governing such matters as minimum wages, overtime and other working conditions.

The Company's Boston commissary and the Saint Louis Bread Co. Division commissaries are subject to various federal, state and local environmental regulations. Compliance with applicable environmental regulations is not believed to have any material effect on capital expenditures, earnings or competitive position of the Company. Estimated capital expenditures for environmental compliance matters are not material.

The Americans With Disabilities Act prohibits discrimination in employment and public accommodations on the basis of disability. Under the Americans With Disabilities Act, the Company could be required to expend funds to modify its bakery cafes to provide service to, or make reasonable accommodations for the employment of, disabled persons. The Company believes that compliance with the requirements of the Americans With Disabilities Act will not have a material adverse effect on its financial condition, business or operations.

ITEM 2. PROPERTIES

All Company-operated bakery cafes are located in leased premises with lease terms typically for ten years with one or two five-year renewal option periods thereafter. Leases typically have a minimum base occupancy charge, charges for a proportionate share of building operating expenses and real estate taxes and contingent percentage rent based on sales above a stipulated sales level. The joint venture bakery cafes operate in leased premises under similar lease arrangements.

In 1983, Au Bon Pain built its plant and headquarters in South Boston, Massachusetts. The executive offices occupy approximately 24,000 square feet. The Company leases the building and the land from the City of Boston under a long term ground lease. The annual rent is approximately $150,000. The lease expires, assuming exercise of renewal options, in 2017.

In 1998, the Company leased short-term office space in Waltham, MA to house its Accounting and Development functions. The annual rent is approximately $190,000 and the lease expires in 1999.

Au Bon Pain operated its commissary in leased premises in Chelsea, Massachusetts under a ten year lease expiring in 1998, with an option to extend for an additional five years. Management closed this facility in 1998 upon lease expiration (see "Production").

In 1997, Saint Louis Bread leased new office space in Webster Grove, MO for its corporate offices. The space occupies approximately 10,300 square feet. The annual rent is approximately

$144,000. The lease expires, assuming exercise of renewal options, in 2007.

The Company considers its physical properties to be in good operating condition and suitable for the purposes for which they are used.

BAKERY CAFE LOCATIONS

Au Bon Pain Bakery Cafes:

Company-Operated: 151 total as of December 26, 1998

Boston Market Area: 43

101 Merrimac Street	Filene's
1100 Massachusetts Avenue	Harvard Square
15 Harvard Street	Hynes Auditorium
176 Federal Street	International Place
431 Boylston Street	Kendall Square
53 State Street	Longwood Galleria
684 Massachusetts Avenue	Milk Street
745 Boylston Street	MIT
75-101 Federal Street	Natick Mall
Arlington Center	New England Medical Center
Beacon Hill	North Shore Shopping Center
Bowdoin Square	Northeastern University
Brattle Street	Park Plaza
Brigham & Women's Hospital	South Shore Plaza
Burlington Mall	South Station
Cambridgeside Galleria	Square One Mall
Children's Hospital	Tower Records
Church Park	Wellesley Center
Coolidge Corner	Winter Street
Copley Place	Woburn Business Center
Davis Square	Worcester Commons
Design Center South Boston	

Other New England: 14

Avon Marketplace, Avon, CT	Rockingham Mall, Salem, NH
City Place, Hartford, CT	Rhode Island Hospital, Providence, RI
Fleet Center, Providence, RI	St. Francis Hospital, Hartford, CT
Hartford Civic Center, Hartford, CT	Thayer Street, Providence, RI
Mall of New Hampshire, Manchester, NH	Warwick Mall, Warwick, RI
One Broadway, New Haven, CT	West Farms Malls, West Hartford, CT
Pheasant Lane Mall, Nashua, NH	Worcester Commons, Worcester, MA

California Market Area: 1

353 Sacramento Street, San Francisco

Pittsburgh Market Area: 8

Fifth Avenue Place	Pittsburgh Airport-Landside
Oliver Building	Ross Park Mall
Oxford Center	Two PPG Place
Pittsburgh Airport-Airside	USX Tower

Washington, D.C. - Baltimore Market Area: 21

10 North Calvert	800 North Capitol Street
1001 Pennsylvania Avenue, NW	Commerce Place
1101 Vermont Avenue, NW	Crystal City
1401 Eye Street	International Square
1701 Pennsylvania Avenue, NW	L'Enfant Plaza
1724 L Street, NW	Pentagon City
1801 L Street	Springfield Mall
1850 M Street	Towson Town Center

2000 Pennsylvania Avenue, NW	Union Station
601 Indiana Avenue	Warner Building
700 13th Street, NW	

Greater New York Area: 41

101 Hudson Street	Empire State Building
16 East 44th Street	Exxon Building
222 Broadway	JFK Airport-Cart
300 Madison Avenue	JFK Airport-American Airlines
420 Fifth Avenue	Laguardia Airport
425 Lexington Avenue	Long Island Jewish Medical Center
444 Madison Avenue	Macy's
54 East 8th Street	Manhattan Mall
6 Union Square East	Nanuet Mall
60 Broad Street	One Metrotech Center
600 Lexington Avenue	Port Authority
600 Third Avenue	Riverside Square
684 Broadway	Rockefeller Center/Time Warner
73 Fifth Avenue	Rutgers University
80 Pine Street	Short Hills Mall
875 Third Avenue-Down	State Street Plaza
875 Third Avenue-Up	Westchester Mall
95 Wall Street	World Financial-Down
Celanese Building	World Financial-Up
Chanin Building	World Trade Center
Daily News Building	

Midwest Market Area: 23

122 South Michigan Avenue, Chicago	600 Superior Avenue, Cleveland
123 North Wacker Drive, Chicago	Amoco Building, Chicago
125 South Wacker Drive, Chicago	BP Building, Cleveland
161 North Clark Street, Chicago	Columbus City Center, Columbus
180 North Michigan Avenue, Chicago	Federal Reserve, Chicago
181 West Madison, Chicago	Grand Avenue, Milwaukee
200 West Adams, Chicago	IBM Building, Minneapolis
222 North LaSalle Street, Chicago	IDS Center, Minneapolis
30 North LaSalle Street, Chicago	Merchandise Mart, Chicago
33 North Dearborn, Chicago	Tower City, Cleveland
3rd & Broad, Columbus	Woodfield Mall, Schaumburg, IL
500 West Monroe, Chicago	

Franchise-Operated/Domestic: 74 total as of December 26, 1998

ABP Caribbean Limited: 3

First Union Bank Building, Miami, FL	Jackson Hospital, Miami, FL
Merchandise Mart, Miami, FL	

ABP Delaware Valley, LLC: 11

30th Street Station, Philadelphia	Mellon Building, Philadelphia
Commerce Square	Montgomery Mall, Philadelphia
Exton Square Mall, Exton, PA	Ten Penn Center, Philadelphia
Graham Building, Philadelphia	Two Logan Square, Philadelphia
King of Prussia, PA	Two Penn Center, Philadelphia
Liberty Place, Philadelphia	

ABP Southern California, LLC: 5

Brea Mall, Brea,	North County Fair, Escondido
Laguna Hills Mall, Laguna Hills	South Lake Avenue, Pasadena
Montclair Plaza, Montclair	

Boston Concessions Group: 3

Logan International Airport,	Logan International Airport,

Terminal B, Boston

Logan International Airport,
Terminal C, Boston

Terminal BII, Boston

BP Oil Company: 1

BP Oil, Spring Street, Atlanta, GA

CA One Services, Inc.: 6

Ft. Lauderdale Airport,
Ft Lauderdale, FL

Greater Cincinnati Airport,
Hebron, KY

Hancock International Airport,
Syracuse, NY

Logan International Airport,
Boston, MA

Newark International Airport,
Newark, NJ

San Jose International Airport,
San Jose, CA

Crowne Plaza Ravinia: 1

Crowne Plaza, Atlanta

DoubleTree Hotels: 21

Atlanta Airport North
Austin, TX
Boise, ID
Hollywood, CA
Houston, TX
Jacksonville, FL
Jersey City, NJ
Lambert Int'l Airport, St. Louis, MO
Las Vegas, NV
Largo, MD
Louisville, KY I
Louisville, KY III
Miami Lakes, FL
Norwalk, CT
O'Hare, Chicago, IL
Palatine, IL
Philadelphia, PA
Raleigh, NC
San Antonio, TX
Syracuse, NY
Tyson's Corner, VA

FGR Food Corp.: 5

Dallas-Fort Worth Airport I
Dallas-Fort Worth Airport II
Dallas-Fort Worth Airport III
Dallas-Fort Worth Airport IV
Dallas-Fort Worth Airport V

Fortunoff (Wayne ABP, Inc.): 1

Wayne Town Center, Wayne, NJ

Host Marriott: 2

Hartsfield Airport, Concourse B,
Atlanta, GA

Hartsfield Airport, Concourse D,
Atlanta, GA

Northern Bakers, Inc.: 7

Cape Cod Mall, Hyannis, MA
Carousel Mall, Syracuse, NY
Crossgates Mall, Albany, NY
Dartmouth-Hitchcock Medical
Center, Lebanon, NH
Fox Run Mall, Newington, NH
Maine Mall, South Portland, ME
Silver City Galleria, Taunton, MA

R.C. Menzer: 2

South Hills Village, Pittsburgh, PA
Monroeville Mall, Monroeville, PA

Romallso, Inc.: 1

Roosevelt Field Mall, Garden City, NY

Statewide Management Group, Inc.: 2

Long Island College Hospital, NY	Pace University, NY

The Lauren Group, Inc.: 3

Choices, Tannersville, PA	Woodbury Commons Outlet, Central Valley, NY
Crossing Factor Store, Tannersville, PA	

Franchise-Operated/International: 40 total as of December 26, 1998

ABP Alimentos y Servicios, Chile: 17

Apoquindo/Hendaya	Museum of Pre-Columbian Art
Bandera	New Providencia
El Bosque Norte	Providencia
El Bosque Sud	Ripley
Food Garden	Santiago Airport-Cart
Gimnasio	Santiago Airport-Counter
Homecenter Las Condes	Santiago Airport-Duty Free
La Dehasa	World Trade Center
Miraflores	

GS&P Foods, Inc., The Philippines: 5

EDSA/Shangri-La Mall, Ortegas	Taipan Building, Ortegas
PCI Tower, Makati	Zeta Building, Manila
Prince Plaza, Manila	

PT Ayodhia Pina Pangan, Indonesia: 7

BII Building, Jakarta	Plaza Senayan, Jakarta
BNI Building, Jakarta	Setia-Budi Atrium, Jakarta
BRI Building, Jakarta	Stock Exchange (BEJ), Jakarta
Landmark Building, Jakarta	

Royal ABP Co., Ltd, Thailand: 4

Lake Rajarda	SCB Plaza
Pattaya	Sindhorn

BV Hospitality UK Ltd, United Kingdom: 2

225 The Strand, London	Piccadilly, London

ABP Brasil Ltda, Brazil: 3

Alameda Santos/Citibank, Sao Paulo	Mackenzie University, Sao Paulo
Birmman Building, Sao Paulo	

ABP Bakery Cafe Pte Ltd, Singapore/Malaysia: 2

The Forum, Singapore	International Plaza, Singapore

Saint Louis Bread Company Bakery Cafes:

Company-Operated Bakery Cafes: 68 total as of December 26, 1998

Greater St. Louis Market Area: 31

Ballas, Creve Coeur, MO	
Baxter, Ballwin, MO	Highway K, O'Fallon, MO
Bogey Hills, St. Charles, MO	Kirkwood, MO
Brentwood, St. Louis, MO	Main, St. Charles, MO
Cape Girardeau, MO	Market, St. Louis, MO
Carondelot, Clayton, MO	Northwest Plaza, St. Ann, MO
Central West End, St. Louis, MO	Pine, St. Louis, MO
Chesterfield Mall, Chesterfield, MO	Soulard, St. Louis, MO
	South 9th Street, Columbia, MO
Columbia Mall, Columbia, MO	South Central, Clayton, MO
Crestwood Plaza, St. Louis, MO	Surrey Plaza, Florissant, MO
Delmar, University City, MO	Telegraph Road, St. Louis, MO
Esquire, Clayton, MO	Tesson, St. Louis, MO
Four Seasons, Chesterfield, MO	West County, Des Peres, MO
Galleria, Richmond Heights, MO	Westport Plaza, Maryland Heights., MO
Gateway One, St. Louis, MO	Winchester, MO

Atlanta Market Area: 9

Briarcliff, Atlanta, GA	Lenox Square, Atlanta, GA
Dunwoody, GA	Peachtree, Atlanta, GA
Emory Village, Atlanta, GA	Sandy Springs, Atlanta, GA
Gwinnett Place, Deluth, GA	Town Center, Kennesaw, GA
Haywood Mall, Greenville, SC	

Chicago Market Area: 21

Belleville, IL	Park Ridge, IL
Diversey, Chicago, IL	Plaza del Grato, Arlington Heights, IL
Elmwood Park, Elmwood, IL	Scharrington Square, Schaumberg, IL
Evanston, IL	St. Clair Square, Fairview Heights, IL
Four Flaggs, Niles, IL	Stratford Square Mall, IL
Fox Valley, Aurora, IL	Two Rivers Plaza, Bolingbrook, IL
Glen Ellyn Marketplace, Glen Ellyn, IL	Vernon Hills, IL
Golf & Meachum, Schaumberg, IL	Wheaton, IL
Halsted, Chicago, IL	Wilmette, IL
LaGrange Park, IL	Winnetka, IL
Orland Square Mall, Orland Park, IL	

Massachusetts Market Area: 2

Arlington Heights, Arlington, MA	Vinnin Square, Swampscott, MA

Michigan Market Area: 5

City Center, Novi, MI	Troy Commons, Troy, MI
Lathrope Village, Bloomfield, MI	Twelve Oaks Mall, Novi, MI
Orchard Mall, West Bloomfield, MI	

Specialty Stores: 2 (not included in total store count)

Rendezvous Cafe, Richmond Heights, MO
City Museum, St. Louis, MO

Franchise-Operated Bakery Cafes: 45 total as of December 26, 1998

Breads of the World: 6

Blacklick Crossing, Columbus, OH
Festival at Sawmill, Dublin, OH
Founders Plaza, Gahanna, OH
Kenwood Pavilion, Cincinnati, OH
Olentangy Plaza, Columbus, OH
Tuttle Crossing Mall, Columbus, OH

Cadle, L.L.C.: 1

2930 East State Street, Hermitage, PA

Candall, Inc.: 3

4370 Beldon Village Road, Canton, OH
Boardman Poland Road, Boardman, OH
Golden Gate Plaza, Mayfield Heights, OH

Carlon Corporation, L.L.C.: 1

Ruby Isle Center, Brookfield, WI

Chicago Bread, L.L.C.: 2

Shops of Deerfield, Deerfield, IL
Strathmore Square, Buffalo Grove, IL

Covelli Family Limited Partnership, L.L.P.: 2

118 West Fairbanks, Winter Park, FL
296 East Michigan, Orlando, FL

CSC Investments, L.L.C.: 1

417 Market Street, Chattanooga, TN

Original Bread, Inc.: 8

11022 Metcalf, Overland Park, KS
11319 West 95th St., Overland Park, KS
1605 North Rock Road, Wichita, KS
520 West 23rd Street, Lawrence, KS
8300 Mission Rd., Prairie Village, KS
8801 West 75th, Overland Park, KS
Leawood Town Center, Leawood, KS
Westport, Kansas City, MO

Ozark Breads, Inc.: 1

2510 Missouri, Jefferson City, MO

PR Restaurants, L.L.C.: 1

Framingham Mall, Framingham, MA

SLB of Central Illinois: 2

510 East John Street, Champaign, IL
White Oaks Boulevard, Springfield, IL

SLB of Iowa: 3

Coral Ridge Mall, Coralville, IA
Elmore Crossing, Davenport, IA
John Deere Road, Moline, IL

SLB of Minnesota, L.C.: 1

Plymouth Station, Plymouth, MN

St.LB, Inc.: 1

Mall of St. Matthews, Louisville, KY

St.LB of Florida, Inc.: 1

Brandon Town Center, Brandon, FL

Traditional Bakery, Inc.: 8

1570 East Battlefield, Springfield, MO
1624 East 15th Street, Tulsa, OK
2401 East 32nd Street, Joplin, MO
3265 Falls Parkway, Branson, MO
3800 East 51st Street, Tulsa, OK
500 South National, Springfield, MO
East Sunshine, Springfield, MO
Lewis Avenue, Tulsa, OK

Texas Bread, L.L.C.: 2

Pepper Square, Dallas, TX
Vista Ridge Mall, Lewisville, TX

The Breadbox, L.C.: 1

Baymeadows, Jacksonville, FL

The following table sets forth Company-operated and franchise operated bakery cafes open at the dates indicated:

	Dec. 31, 1994	Dec. 30, 1995	Dec. 28, 1996	Dec. 27, 1997	Dec. 26, 1998
Company-operated					
Au Bon Pain	182	192	177	160	151
Saint Louis Bread	29	50	52	57	68
	211	242	229	217	219
Franchise-operated					
Au Bon Pain	25	29	48	96	114
Saint Louis Bread	6	8	10	19	45
	31	37	58	115	159
Total					
Au Bon Pain	207	221	225	256	265
Saint Louis Bread	35	58	62	76	113
	242	279	287	332	378

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company submitted no matters to a vote of security holders during the fourth quarter of the fiscal year ended December 26, 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED MATTERS.

(a) Market Information.

The Company's Class A Common Stock is traded on The Nasdaq National Market tier of the Nasdaq Stock Market under the symbol ABPCA. The following table sets forth the high and low sale prices as reported by Nasdaq for the fiscal periods indicated.

1997	High	Low
First quarter	8-7/16	5-7/8
Second quarter	7-3/8	6
Third quarter	10-1/4	7
Fourth quarter	9-13/16	7-1/4

1998		
First quarter	8-5/8	7-1/2
Second quarter	11-5/8	8
Third quarter	11-5/8	5-1/4
Fourth quarter	7-5/16	4-1/8

On March 17, 1999, the last sale price for the Class A Common Stock, as reported on the Nasdaq National Market System, was $5.875.

(b) Holders.

On March 17, 1999, the Company had approximately 1,390 holders of record of its Class A Common Stock and approximately 86 holders of its Class B Common Stock.

(c) Dividends.

The Company has never paid cash dividends on its capital stock and has no intention of paying cash dividends in the foreseeable future.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA.

<TABLE>
<CAPTION>

	For the fiscal years ended				
	Dec. 31, 1994	Dec. 30, 1995	Dec. 28, 1996	Dec. 27, 1997	Dec. 26, 1998
	(in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Restaurant sales	$173,436	$216,411	$225,625	$233,212	$237,102
Franchise sales and other revenues	9,450	10,055	11,309	17,678	12,558
	182,886	226,466	236,934	250,890	249,660

Costs and expenses:					
Cost of food and paper products	60,535	77,250	85,631	90,385	87,240
Restaurant operating expenses	85,139	112,161	115,364	119,537	123,060
Depreciation and amortization	11,891	14,879	16,195	16,862	12,667
General and administrative	10,098	12,818	14,979	16,417	18,769
Non-recurring charges	-	8,500	4,435	-	26,236
	167,663	225,608	236,604	243,201	267,972
Operating profit (loss)	15,223	858	330	7,689	(18,312)
Interest expense, net	1,727	3,363	5,140	7,204	6,396
Other (income) expense, net	80	2,016	2,513	212	1,445
Minority interest/(income)	78	(94)	(40)	(42)	(127)
Income(loss) before provision (benefit) for income taxes	13,338	(4,427)	(7,283)	315	(26,026)
Provision(benefit) for income taxes	5,497	(2,813)	(2,918)	(1,492)	(5,532)
Net income(loss)	$ 7,841	$ (1,614)	$ (4,365)	$ 1,807	$(20,494)
Net income(loss) per common share - basic	$ .69	$ (.14)	$ (.37)	$ .15	$ (1.72)
Net income(loss) per common share - diluted	$ .68	$ (.14)	$ (.37)	$ .15	$ (1.72)
Weighted average number of shares outstanding - basic	11,429	11,621	11,705	11,766	11,943
Weighted average number of shares outstanding - diluted	11,624	11,621	11,705	11,913	11,943
Comparable restaurant sales percentage increase for Company-operated bakery cafes	5.8%(1)	0.5%(1)	0.7%	3.6%	2.1%

</TABLE>

(1) Fiscal 1994 included 53 weeks. The 1994 restaurant sales used in this computation have been adjusted downward to be comparable to fiscal 1995.

<TABLE>
<CAPTION>

	For the fiscal years ended				
	Dec. 31, 1994	Dec. 30, 1995	Dec. 28, 1996	Dec. 27, 1997	Dec. 26, 1998(1)
	(in thousands, except Company-operated bakery cafes open)				
<S>	<C>	<C>	<C>	<C>	<C>
Consolidated Balance Sheet Data:					

Working capital	$ (3,439)	$ 846	$ (1,748)	$ (58)	$ (8,239)
Total assets	165,586	193,018	196,428	186,516	153,618
Long-term debt, less current maturities	19,095	42,502	49,736	42,527	34,089
Convertible subordinated notes	30,000	30,000	30,000	30,000	30,000
Stockholders' equity	94,164	93,238	90,056	92,274	73,327
Company-operated bakery cafes open	211	242	229	217	219

</TABLE>

(1) The Company intends to repay all of its outstanding debt with the proceeds from the Sale (see Note 8). The recording of the non-recurring, non-cash charge during the third quarter of 1998 (see Note 5) caused the Company to be in violation of certain covenants within the Company's revolving line of credit agreement. The agreement with the bank group was amended in the Company's first quarter of fiscal 1999 to eliminate such defaults through the end of the Company's fiscal year 1999 (December 25, 1999). Although most of the conditions for the transaction have been satisfied, the necessary financing arrangements are not yet complete and a closing date has not been set. The closing of the transaction will result in the repayment of the revolving line of credit at that time.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth the percentage relationship to total revenues of certain items included in the Company's consolidated statements of operations for the periods indicated:

<TABLE>
<CAPTION>

	For the fiscal years ended		
	Dec. 28, 1996	Dec. 27, 1997	Dec. 26, 1998
<S>	<C>	<C>	<C>
Revenues:			
Restaurant sales	95.2%	93.0%	95.0%
Franchise sales and other revenues	4.8	7.0	5.0
	100.0%	100.0%	100.0%
Costs and expenses:			
Cost of food and paper products	36.1%	36.0%	34.9%
Restaurant operating expenses	48.7	47.7	49.3
Depreciation and amortization	6.8	6.7	5.1
General and administrative	6.3	6.5	7.5
Non-recurring charge	1.9	-	10.5
	99.8	96.9	107.3
Operating margin	0.2	3.1	(7.3)
Interest expense, net	2.2	2.9	2.6
Other expense, net	1.0	0.1	0.6
Minority interest	--	--	(0.1)
Income(loss) before (benefit) from income taxes	(3.0)	0.1	(10.4)
Benefit from income taxes	(1.2)	(0.6)	(2.2)

Net income(loss)	(1.8)%	0.7%	(8.2)%

</TABLE>

General

The Company's revenues are derived from restaurant sales, franchise sales and other revenues. Franchise sales and other revenues include sales of frozen dough products to franchisees and others, royalty income and franchise fees. Certain expenses (cost of food and paper products, restaurant operating expenses and depreciation and amortization) relate primarily to restaurant sales, while general and administrative expenses relate to all areas of revenue generation.

The Company's fiscal year ends on the last Saturday in December. The fiscal years from 1996 through 1998 ended on December 28, 1996, December 27, 1997 and December 26, 1998 and included 52, 52 and 52 weeks, respectively. The Company's fiscal year normally consists of 13 four-week periods, with the first, second and third quarters ending 16 weeks, 28 weeks and 40 weeks, respectively, into the fiscal year.

Results of Operations

Fiscal Year 1998 Compared to Fiscal Year 1997

Total restaurant sales from Company-operated bakery cafes increased 1.7% to $237 million in 1998 from $233 million in 1997 and other revenue decreased 29% to $12.6 million in 1998 from $17.7 million in 1997.

Total restaurant sales in the Saint Louis Bread/Panera Bread business unit increased to $77.5 million in 1998 from $67.2 million in 1997, an increase of 15.3%, and other revenue associated with Saint Louis Bread/Panera Bread increased to $5.5 million in 1998 from $3.1 million in 1997, an increase of 77%. The growth in restaurant sales was due to several factors, including incremental sales of $4.5 million generated from the opening of 11 new Saint Louis Bread Co. Division-operated bakery cafes opened during 1998 and 6 Saint Louis Bread Co. Division-operated bakery cafes opened during 1997 and strong comparable restaurant sales growth of 3.63%, on top of the 9.3% increase in 1997. Other revenue growth was impacted by an increase in franchise fees and royalties to $3.5 million in 1998 compared to $2.2 million in 1997, driven by the execution of new franchise area development agreements, fees from opening new franchise locations and higher royalty income.

Sales from Company-owned restaurants in the Au Bon Pain Division decreased 3.8% to $159.6 million compared to $166.0 million in 1997, and other revenue associated with the Au Bon Pain Division decreased 51% to $7.1 million compared to $14.6 million in 1997. An increase in comparable restaurant sales of 1.5% was more than offset by the effect of the disposition throughout 1997 and 1998 of a number of underperforming bakery cafes and the franchising of 11 Company-owned restaurants in the third quarter of 1997. The decrease in other revenue was principally due to a decrease in wholesale sales to $3.1 million in 1998, down from $8.5 million in 1997, due to the sale of the wholesale frozen dough business included in the sale of the Mexico, Missouri manufacturing facility.

During 1998, the Company recorded $2.0 million in non-recurring, non-cash charges to write-down the book value of eight underperforming Au Bon Pain cafes whose leases expired in 1998 and were not renewed, and to record the closing of one Saint Louis Bread/Panera Bread location. The charge is included as a separate component of operating expenses and includes a $1.6 million fixed asset write-down and a $0.4 million other asset write-down.

In the first quarter of 1998 the Company sold the Mexico, MO production facility and its wholesale frozen dough business to Bunge Foods Corporation ("Bunge") for approximately $13 million in cash. In conjunction with the sale, the Au Bon Pain Division and the Saint Louis Bread Co. Division entered into five year supply agreements with Bunge for the supply of substantially all their frozen dough needs, excluding bagels, for their domestic bakery cafes. The Company recognized a pre-tax loss on the sale of the facility of approximately $735,000 in the Company's results of operations.

Operating income/(loss) decreased to $(18.3) million in 1998 from $7.7 million in 1997. Operating loss in 1998 included non-recurring charges recorded by the Company of $26.2 million, including a charge of $24.2 million, related principally to the write-down of certain assets under Statement of Financial Accounting Standards, 121 "Accounting for the Impairment of Long-Lived Assets and for the Long-Lived Assets to be Disposed of" ("SFAS 121"), related to the planned sale of assets and the closing of eight under-performing Au Bon Pain cafes and one Saint Louis Bread/Panera Bread cafe. Operating income in 1998 was favorably impacted by approximately $4.5 million due to the suspension of depreciation and amortization of the Au Bon Pain Division assets held for sale as of August 12, 1998, the date of the agreement to sell that business (See Note 5). In addition, a tax benefit of $5.4 million was recorded related to this charge. The benefit is less than the benefit obtained by applying the statutory tax rate to the pretax loss due to the fact that some potentially non-deductible capital losses may arise from the sale and certain deferred state tax assets will no longer be realizable following the Sale. Before the non-recurring charges and suspension of depreciation and amortization, operating income decreased 55% in 1998 to $4.3 million below 1997.

The decline in operating income (before non-recurring charges and suspension of depreciation) was a result of lower contribution in the Au Bon Pain Division of $4.3 million, as the Saint Louis Bread Co. Division contribution was essentially flat in 1998 versus 1997. The lower contribution in the Au Bon Pain Division was due to several factors. First, the comparable restaurant sales of 1.5% produced a negative leverage against the normal inflationary cost elements, reducing contribution. Second, the Au Bon Pain Division was significantly impacted by extraordinarily high market prices for butter, increasing food costs. On average, the Company utilizes approximately 22,000 pounds of butter per week with approximately two thirds allocated to the Au Bon Pain Division and the remaining one third for use within the Saint Louis Bread Co. Division. The Company's cost of butter was approximately 53%, or $0.62 higher per pound in 1998 than the comparative cost for 1997. Third, results were impacted by higher food costs in the first quarter of 1998 stemming from inefficiencies in the Manufacturing Facility prior to the sale at the end of the first quarter of 1998. In addition, the level of franchise contribution from the Au Bon Pain International & Trade Channels area was reduced by 55% due both to the Asian economic crisis and to the pending sale of the Au Bon Pain Division overall.

Before the non-recurring charge, operating profit in the Saint Louis Bread Co. Division in 1998 was essentially flat at $6.5 million compared to 1997, as increases in store profit from company-owned cafes and greater franchise income in 1998 were largely offset by higher overhead costs, particularly related to the field organization which increased approximately $1.4 million over 1997, and an increase in commissary infrastructure expenses, in anticipation of the projected growth in both the Company-owned and franchise operated cafes.

During 1998, 12 Saint Louis Bread Co. Division franchise area development agreements were signed and 4 existing agreements were amended, representing commitments for the development of 259 bakery cafes and increasing the number of franchise commitments to a total of 562 remaining bakery cafes to be developed. In addition, 37 Saint Louis Bread Co. Division bakery cafes were opened in 1998, including 11 company-owned cafes and 26 franchise-operated cafes. Within the Au Bon Pain Division, 27 franchise-operated units were opened in 1998.

Fiscal Year 1997 Compared to Fiscal Year 1996

Total restaurant sales from Company-operated bakery cafes increased 3.1% to $233 million in 1997 from $226 million in 1996 due to several factors. Incremental sales of $7.6 million were generated from the opening of 6 new Saint Louis Bread Co. Division-operated bakery cafes opened throughout 1997 and 3 Au Bon Pain Division and 2 Saint Louis Bread Co. Division-operated bakery cafes opened throughout 1996. In addition, comparable restaurant sales increases in the Saint Louis Bread Co. Division and the Au Bon Pain Division contributed to the sales growth. Restaurant sales increased 18.3% in the Saint Louis Bread Co.

business due to the store openings and strong comparable restaurant sales of 9.3%, which were slightly offset by the sale of one Saint Louis Bread Co. Division -operated restaurant in connection with the execution of a franchise area development agreement. Sales from Company-owned restaurants in the Au Bon Pain Division declined 1.7% as the sales from new Company-operated restaurants and an increase in comparable restaurant of 1.6% sales were more than offset by the effect of the disposition throughout 1997 of a number of underperforming bakery cafes.

Other revenues increased to $17.7 million in 1997 from $11.3 million in 1996, principally from growth in wholesale sales to $8.0 million in 1997, from $5.7 million in 1996 and an increase in franchise revenue to $9.4 million in 1997, from $5.5 million in 1996. The wholesale sales increase was due to additional customers and distribution. The franchise revenue increase was driven by the execution of new franchise area development agreements, fees from opening new franchise locations and higher royalty income.

Operating income increased to $7.7 million in 1997 from $330,000 in 1996. Operating income in 1996 included a non-recurring charge recorded by the Company of $4.4 million ($3.8 million after-tax), related principally to the write-down of certain assets under FAS #121. Before the non-recurring charge, operating income increased 61% in 1997 to $2.9 million above 1996, driven by increased sales and contribution, especially in the Saint Louis Bread Co. Division, where a significant increase in franchise contribution of $1.3 million combined with sales growth and operational efficiencies drove Saint Louis Bread Co. Division's operating income to nearly double compared to 1996. In addition, manufacturing contribution improved by $1.6 million versus 1996, as the new production facility opened in 1996 in Mexico, MO stabilized its operating performance.

Operating margin in the Au Bon Pain Division declined by .5 points in 1997 versus 1996, due to higher food and paper costs of 1.2 points caused by higher commodity costs for butter and the use of less than full capacity in the manufacturing facility in Mexico, Missouri. Restaurant operating expenses decreased by .7 points as sales growth and the closing of unprofitable restaurants provided leverage against occupancy of 0.4 points and store overhead costs of 0.38 points. Depreciation and amortization and general and administrative expenses as a percentage of revenue remained flat with the prior year.

Operating margin in the Saint Louis Bread Co. Division increased by 4.3 points or $3.9 million versus the prior year, as higher sales leveraged the fixed costs within the operational expenses and significantly higher franchise contribution increased operating margin. Food and paper costs were .4 points lower in 1997 versus 1996, as operational efficiencies offset commodity cost increases. Restaurant operating expenses as a percentage of revenue declined by 1.3 points with the sales improvement providing leverage against occupancy costs, which declined by .5 points, overhead costs, which declined by .1 points and labor, which declined by .6 points. Franchise contribution grew by over 700%, increasing margin by 1.5 points in 1997 versus 1996, as the broad-based franchise program initiated in 1996 for the Saint Louis Bread Co. Division successfully expanded the number of committed stores to 356 total stores.

Benefit from Income Taxes

Fiscal Year 1998 Compared to Fiscal Year 1997

The Company had a benefit from income taxes of $2.9 million, $1.5 and $5.5 million for the years ended December 28, 1996, December 27, 1997 and December 26, 1998 respectively, due to federal and state net operating loss carryforwards, tax credit carryforwards and the fact that the Company has incurred net losses. As of December 26, 1998, the Company had federal net operating loss carryforwards of approximately $8.5 million, as well as approximately $4.7 million of federal tax credit carryforwards available for income tax purposes. The federal net operating loss carryforwards expire in the year 2018. The tax credit carryforwards include approximately $3.5 million of federal Alternative Minimum Tax Credits which have an indefinite life and $1.2 million of federal jobs tax credits which expire in the years 2009-2010. For the year ended December 26, 1998, the Company provided a valuation allowance of $4.7 million to reduce its deferred tax assets to a level which, more likely than not, will be realized. The valuation allowance is primarily attributable to the potential for the non-deductibility of capital losses related to the taxable loss on the planned Sale of the Au Bon Pain Division and the expectation that all deferred state tax assets will be unrealizable following the sale. The Company reevaluates the positive and negative evidence impacting the realization of its deferred tax assets on an annual basis.

Fiscal Year 1997 Compared to Fiscal Year 1996

The Company had a benefit from income taxes of $2.8 million, $2.9 million and $1.5 million for the years ended December 30, 1995, December 28, 1996 and December 27, 1997, respectively, due to federal and state net operating loss carryforwards, tax credit carryforwards and the fact that the Company has incurred net losses. As of December 27, 1997, the Company had federal and state net operating loss carryforwards of approximately $40.0 million, as well as approximately $3.1 million of tax credit carryforwards available for income tax purposes. Approximately $13.1 million of these carryforwards expire in the years 2000-2002, while the remaining $26.9 million expires in the years 2010-2012. For the year ended December 31, 1997, the Company provided a valuation allowance of $1.3 million to reduce its deferred tax assets to a level which, more likely than not, will be realized. The valuation allowance is primarily attributable to the potential expiration of charitable contribution deduction carryforwards and certain state net operating loss carryforwards.

Net income (loss)

Fiscal Year 1998 Compared to Fiscal Year 1997

Lower operating income in 1998 versus 1997, partially offset by deferred tax benefits and lower interest costs incurred in 1998, produced a significant decrease in net income for the year ended December 26, 1998 versus net income of $1.8 million for the year ended December 27, 1997.

Fiscal Year 1997 Compared to Fiscal Year 1996

Higher operating income in 1997 versus 1996 and deferred tax assets generated during 1997 from federal net operating loss carryforwards and tax credit carryforwards (see "Benefit from Income Taxes"), partially offset by higher interest costs incurred

in 1997, produced a significant increase in net income for the year ended December 27, 1997 versus a net loss of $4.3 million for the year ended December 28, 1996, which included a non-recurring charge of $3.8 million.

Liquidity and Capital Resources

Fiscal Year 1998 compared to 1997

Cash and cash equivalents increased to $1.9 million at December 26, 1998 from $853,000 at December 27, 1997. The Company's principal requirements for cash are capital expenditures for constructing and equipping new bakery cafes and maintaining or remodeling existing bakery cafes and working capital. To date, the Company has met its requirements for capital with cash from operations, proceeds from the sale of equity and debt securities and bank borrowings.

Excluding the non-recurring charge, net cash provided by net income plus depreciation and amortization was $13.0 million in 1998 versus $19.0 million in 1997. A total of $20.5 million was provided by operating activities in 1998 compared to $13.5 million in 1997. In 1998, funds provided by operating activities were primarily the result of an increase in accounts payable and accrued expenses. In 1997, funds provided by operating activities were primarily the result of an increase in accrued expenses, offset by growth in accounts receivable and a decrease in accounts payable.

The Company utilized $11.2 million and $7.7 million for investing activities in 1998 and 1997, respectively. The investing activities in 1998 consisted primarily of additions to property and equipment, partially offset by proceeds from the sale of the Mexico, Missouri manufacturing plant for approximately $15.0 million in cash and related receivables. The Company used the proceeds of $15.0 million, including related receivables, to reduce debt during 1998.

Total capital expenditures in 1998 of $21.8 million were related primarily to the opening of eleven Saint Louis Bread Co. Division new Company-operated bakery cafes, to the construction of five new local Saint Louis Bread Co. Division commissaries and to maintaining or remodeling the existing bakery cafes. The expenditures were mainly funded by net cash from operating activities of $20.5 million and cash proceeds from the sale of the Mexico, Mo manufacturing facility.

On July 24, 1996, the Company issued $15 million senior subordinated debentures maturing in July, 2000. The debentures accrue interest at varying fixed rates over the four-year term, ranging between 11.25% and 14.0%. In connection with the private placement, warrants with an exercise price of $5.62 per share were issued to purchase between 400,000 and 500,000 shares of the

Company's Class A common stock, depending on the term during which the debentures remain outstanding and certain future events. The net proceeds of the financing were used to reduce the amount outstanding under the Company's bank revolving line of credit. In the second quarter of 1998, 190,000 warrants were exercised resulting in the issuance of 65,201 shares of class A common stock.

On March 23, 1998 the Company sold its Mexico, MO production facility and its wholesale frozen dough business to Bunge Foods Corporation ("Bunge") for approximately $13 million in cash. The net proceeds of the sale were used to repay the $7.9 million outstanding for the Industrial Revenue Bond and to reduce amounts outstanding under the revolving credit line. There were no gains or losses associated with the early retirement of the Industrial Revenue Bond or the partial repayment of the revolving credit line.

The Company has a $22.0 million unsecured revolving line of credit which bears interest at either the commercial bank's prime rate plus .25% or LIBOR plus 2.75%, at the Company's option. As of December 26, 1998, $17.3 million was outstanding under the line of credit and an additional $1.1 million of the remaining availability was utilized by outstanding letters of credit issued by the bank on behalf of the Company.

The Company intends to repay all of its outstanding debt with the proceeds from the Sale (see Note 8). The recording of the non-recurring, non-cash charge during the third quarter of 1998 caused the Company to be in violation of certain covenants within the Company's revolving line of credit agreement. The agreement with the bank group was amended in the Company's first quarter of fiscal 1999 to eliminate such defaults through the end of the Company's fiscal year 1999 (December 25, 1999). Although most of the conditions for the Sale have been satisfied, the necessary financing arrangements are not yet complete and a closing date has not been set. The closing of the transaction will result in the repayment of the revolving line of credit at that time.

The Company utilized $8.3 million and $7.5 million from financing activities in 1998 and 1997, respectively. The financing activities in 1998 and 1997 included proceeds from and principal payments on long-term debt, and the issuance of common stock under the Company's employee stock option and employee stock purchase plans.

In 1999, the Company currently anticipates spending approximately $15 million related to the Saint Louis Bread Division for capital expenditures, principally for the opening of new Saint Louis Bread Company bakery cafes and maintaining or remodeling existing cafes. The Company expects to fund these expenditures principally through internally generated cash flow.

Should the Sale not occur, then the Company's capital expenditures would increase to approximately $25 million and these expenditures would also be funded through internally generated cash flow from both the Saint Louis Bread and Au Bon Pain Divisions.

The unsecured revolving line of credit agreement requires that proceeds from the sale of assets be used toward a reduction to the revolving credit line. Upon consummation of the sale of the Au Bon Pain Division, the Company expects to retire all outstanding debt, including the revolving credit line. In conjunction with the paydown the Company will record a non-cash write-off of capitalized deferred financing costs of approximately $700,000. The Company expects to incur expense associated with the early retirement of the convertible subordinated notes of approximately $750,000.

If the Sale is completed, the Company anticipates the availability of sufficient capital in the market place and from ongoing operations, on a going forward basis. If the Sale of the Au Bon Pain Division is not completed, the Company believes it has the ability to replace outstanding debt at maturity through use of existing instruments in the marketplace. The Company cannot, however, guarantee that said debt can be replaced at terms similar or identical to terms currently existing.

Certain Factors Affecting Future Operating Results

Matters discussed in this report which relate to events or developments that are expected to occur in the future, including any discussion of growth, anticipated operating results or the completion of the sale of the Au Bon Pain Division are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (identified by the words "estimate", "project", "intend", "expect", "future", "anticipates" and similar expressions). These are statements which express management's belief, expectations or intentions regarding the Company's future performance. The described sale of the Au Bon Pain Business Unit is subject to a variety of conditions. In addition, the purchase and sale agreement allows the Company to entertain alternative acquisition proposals. No assurances can be given that the sale will be completed on a timely basis, if at all. Moreover, a number of factors could cause the Company's actual results to differ materially from those set forth in the forward-looking statements due to known and unknown risks and uncertainties. The following are some of the factors: The ability of the Company to aggressively expand its business going forward is subject to the availability of sufficient capital to it and the developers party to franchise development agreements with the Company. Additionally, the Company's operating results may be affected by many factors, including but not limited to variations in the number and timing of bakery cafe openings and public acceptance of new bakery cafes, competition, commodity costs and other factors that may affect retailers in general. The foregoing list of important factors is not exclusive.

The "Year 2000 Issue" is the result of manufactured equipment and computer programs using two digits rather than four to define the applicable year. If the Company's equipment and computer programs with date-sensitive functions are not Year 2000 compliant, they may recognize a date using "00" as the Year 1900 rather than the Year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, but not limited to, a temporary inability to process transactions, generate invoices or engage in similar normal business practices.

During 1997, the Company formed an ongoing internal review team to address the Year 2000 issue that encompasses operating and

administrative areas of the Company. Internal information technology professionals are working to identify and resolve all significant Year 2000 issues in a timely and effective manner. The Company's executive management monitors the status of the Year 2000 remediation plans, including an assessment of issues and development of said remediation plans, where necessary, as they relate to internally used software, computer hardware and use of computer applications. To date, the Company has assigned a full time Year 2000 manager, completed a comprehensive inventory of all systems in the cafes, commissaries and corporate offices and has notified critical vendors of the Company's requirements pertaining to the Year 2000 issue.

The Company has completed its assessment of the Year 2000 impact for both information technology ("IT") and Non-IT systems. In regards to IT systems, the Company has identified the following as the main areas of Year 2000 focus: Payroll systems, financial systems, network/integration systems, register and store management systems. Network/integration systems are corporate office electronic systems and tools which link various information subsystems and databases, encompassing e-mail and all major financial systems, such as general ledger database systems, and all major operational systems, such as store operating performance database systems. Register systems are the point-of-sale systems used within each retail bakery cafe, which are electronically linked with the personal computer-based store management systems also located within each retail bakery cafe, providing cafe management tools for the cafe management.

The cost of addressing the Year 2000 issues has not been finalized. However, including the cost of a full time Year 2000 manager, the Company has estimated the cost to be approximately $400,000.

In addition to the above IT systems, the Company has identified the following as the primary Non-IT systems subject to Year 2000 issues: ovens, alarms, proofers, HVAC-freezers, and safes. The Company is currently in contact with vendors and/or landlords in order to assess the potential impact. Based on initial review the Company believes the potential impact of Year 2000 issues pertaining to Non-IT systems to be minor. Upon full assessment of the impact of Year 2000 issues, the Company will address, in order of criticality, the potential issues, and will develop remediation and contingency plans.

While the Company believes it is taking all appropriate steps to assure Year 2000 compliance, it is dependent on key business partner and/or vendor compliance to some extent. The Year 2000 issue is pervasive and complex as virtually every computer operation will be affected in some way. If, due to unforeseen circumstances, the implementation is not completed on a timely basis, or key business partners and/or vendors fail to resolve all significant Year 2000 issues in a timely and effective manner, the Year 2000 could have a material adverse impact on the Company. In

addition to the estimated costs outlined above, the Company has estimated the costs for adopting all "worst case" contingency plans to be approximately $900,000.

The following chart depicts the phases, status, timetable, estimated cost of completion, contingency plans and risks, and estimated cost of implementing contingency plans pertaining to year 2000 Issues associated with IT systems. The most reasonably likely worst case scenarios are outlined under the columns "Contingency Plan/Risks" and "Estimated Contingency Cost".

Au Bon Pain Co., Inc.
Year 2000 Summary for IT Systems

<TABLE>
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Area/System	Phases	Status	Timetable	Estimated Cost	Contingency Plan/Risks	Estimated Contingency Cost
<S>	<C>	<C>	<C>	<C>	<C>	<C>

Payroll	- Software vendor to provide updated Year 2000 compliant version of currently used software	In process	4/99	$0	Outsource payroll processing to third party. This process would begin in June 1999 and constitutes the worst case scenario.	$100,000
	- Test upgraded software for operational effectiveness	Upon receipt of upgrade	5/99	$0		
	- Vendor to complete remediation	If necessary	5/99	$0		
	- Remediation	Upon completion of Integration testing	6/99	$0		
	- Implementation	Upon completion of remediation	6/99	-		
Financial System	- Software vendor to provide updated Year 2000 compliant version of currently used software	Complete	-	$0	Outsource services to third party. This process would begin June 1999 and constitutes the worst case scenario.	
	- Review software code to identify non-compliant components	Complete	-	$60,000		$500,000
	- Test upgraded software for operational effectiveness	Upon completion of code scan	3/99	$0		
	- Implementation	Upon completion code scan	5/99	$65,000		

Area/System	Phases	Status	Timetable	Estimated Cost	Contingency Plan/Risks	Estimated Contingency Cost
Network Integration Systems	- Evaluate all individual systems for Year 2000 compliance	Complete	-	$0	Many of the subsystems are not critical in day to day operations. If internal remediation is not successful, the contingency plan is to replace subsystems as needed In the worst case scenario, those subsystems which have not been fully remediated already could be replaced or reverted to more manual processes.	$150,000
	- Remediate internally	In process	10/99	$100,000		

Register Systems (Saint Louis Bread Co. Division)	- Upgrade currently used software to be Year 2000 compliant	Existing software found to be Y2K compliant. Vendor testing is complete.	-	$0	As a remediate software currently exists, a contingency plan is not necessary at this time	$0
Store Management Systems (Saint Louis Bread Co. Division)	- Upgrade currently used software to be Year 2000 compliant	In progress	5/99	$0	This is an internally used reporting software that is considered non-critical to day to day operations. Year 2000 compliant replacement software is known to be available and could be rolled out.	$150,000
	- Test upgraded software for operational effectiveness	Upon completion of remediation	6/99	$60,000		
Register and Store Management Systems (Au Bon Pain Division)	- Selection of Replacement Hardware/software	Complete	-	$0	As compliant hardware/software currently exists, a contingency plan is not necessary at this time.	$0
	- Pilot test of new hardware/software	In progress	3/99	The new systems are expected to be leased at the same annual cost as the current leased systems.		
	- Complete rollout	Upon completion of Pilot Test Program	8/99			

</TABLE>

Recent Accounting Pronouncements

Not applicable.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following described consolidated financial statements of the Company are included in response to this item:

Report of Independent Accountants.

Consolidated Balance Sheets as of December 27, 1997 and December 26, 1998.

Consolidated Statements of Operations for the fiscal years ended December 28, 1996, December 27, 1997 and December 26, 1998.

Consolidated Statements of Cash Flows for the fiscal years ended December 28, 1996, December 27, 1997 and December 26, 1998.

Consolidated Statements of Stockholders' Equity for the fiscal years ended December 26, 1996, December 27, 1997 and December 26, 1998.

Notes to Consolidated Financial Statements.

Valuations and Qualifying Accounts.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Au Bon Pain Co., Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Au Bon Pain Co., Inc. and its subsidiaries at December 26, 1998 and December 27, 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 26, 1998, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
February 17, 1999, except for Note 17,
as to which the date is March 4, 1999 and
Notes 5 and 8, as to which the date is March 25, 1999

AU BON PAIN CO., INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

ASSETS	Dec. 27, 1997	Dec. 26, 1998
Current assets:		
Cash and cash equivalents..........................	$ 853	$ 1,860
Accounts receivable, less allowance of $134 and $208 in 1997 and 1998, respectively...............	8,865	1,302
Inventories (Note 3)..............................	9,117	1,662

Prepaid expenses	1,337	1,781
Refundable income taxes	596	115
Deferred income taxes (Note 11)	600	1,500
Total current assets	21,368	8,220
Property and equipment, net (Note 4)	112,232	38,856
Other assets:		
Assets held for sale, net, non-current (Note 5)	-	69,395
Notes receivable (Note 6)	4,743	20
Intangible assets, net of accumulated amortization of $6,121 and $4,944 in 1997 and 1998, respectively	31,361	19,787
Deferred financing costs	953	768
Deposits and other (Note 12)	9,097	4,138
Deferred income taxes (Note 11)	6,762	12,434
Total other assets	52,916	106,542
Total assets	$186,516	$153,618

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 7,071	$ 4,020
Liabilities held for sale, net (Note 5)	-	6,469
Accrued expenses (Note 7)	13,917	5,929
Current maturities of long-term debt (Note 8)	438	41
Total current liabilities	21,426	16,459
Long-term debt (Note 8)	42,527	34,089
Convertible subordinated notes (Note 9)	30,000	30,000
Total liabilities	93,953	80,548
Commitments and contingencies (Notes 8 and 10)	-	-
Minority interest	289	(257)
Stockholders' equity (Note 13):		
Common stock, $.0001 par value:		
Class A, shares authorized 50,000,000; issued and outstanding 10,187,042 and 10,518,213 in 1997 and 1998, respectively	1	1
Class B, shares authorized 2,000,000; issued and outstanding 1,610,038 and 1,557,658 convertible to Class A, in 1997 and 1998, respectively	-	-
Additional paid-in capital	68,486	70,033
Retained earnings	23,787	3,293
Total stockholders' equity	92,274	73,327
Total liabilities and stockholders' equity	$186,516	$153,618

The accompanying notes are an integral part of the consolidated financial statements.

AU BON PAIN CO., INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share amounts)

	for the fiscal years ended		
	Dec. 28, 1996	Dec. 27, 1997	Dec. 26, 1998
Revenues:			
Restaurant sales	$225,625	$233,212	$237,102
Franchise sales and other revenues	11,309	17,678	12,558

	236,934	250,890	249,660
Costs and expenses:			
Cost of food and paper products.	85,631	90,385	87,240
Restaurant operating expenses:			
Labor........................	60,266	63,593	67,218
Occupancy....................	28,529	28,514	28,016
Other........................	26,569	27,430	27,826
	115,364	119,537	123,060
Depreciation and amortization...	16,195	16,861	12,667
General and administrative......	14,979	16,418	18,769
Non-recurring charges (Note 5)..	4,435	-	26,236
	236,604	243,201	267,972
Operating profit (loss)..........	330	7,689	(18,312)
Interest expense, net............	5,140	7,204	6,396
Other expense, net...............	2,513	212	1,445
Minority interest (income)........	(40)	(42)	(127)
Income (loss) before benefit from income taxes...............	(7,283)	315	(26,026)
Benefit from income taxes (Note 11)................	(2,918)	(1,492)	(5,532)
Net income (loss)	$ (4,365)	$ 1,807	$(20,494)
Net income (loss) per common share - basic	$ (.37)	$ .15	$ (1.72)
Net income (loss) per common share - diluted	$ (.37)	$ .15	$ (1.72)
Weighted average number of shares outstanding - basic.............	11,705	11,766	11,943
Weighted average number of shares outstanding - diluted...........	11,705	11,913	11,943

The accompanying notes are an integral part of the consolidated financial statements.

AU BON PAIN CO., INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	for the fiscal years ended		
	Dec. 28, 1996	Dec. 27, 1997	Dec. 26, 1998
Cash flows from operations:			
Net income (loss)..................	$ (4,365)	$ 1,807	$(20,494)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	16,195	16,861	12,667
Amortization of deferred financing costs................	308	619	683
Provision for losses on accounts receivable............	44	49	56
Minority interest................	(40)	(42)	(127)
Deferred income taxes............	(430)	(1,883)	(6,589)
Non-recurring charge.............	4,435	-	26,236
Gain on sale of assets...........	-	(986)	-
Gain on sale of investment........	-	(930)	-
Loss on disposal of property and equipment......................	-	308	735

Changes in operating assets and liabilities:			
Accounts receivable	(1,178	(1,185)	15
Inventories	(1,221)	(294)	212
Prepaid expenses	343	952	(535)
Refundable income taxes	(1,423)	1,521	480
Accounts payable	820	(4,070)	4,069
Accrued expenses	1,287	769	3,104
Net cash provided by operating activities	14,775	13,496	20,512
Cash flows from investing activities:			
Additions to property and equipment	(17,062)	(14,681)	(21,706)
Proceeds from sale of property and equipment	-	6,044	12,694
Proceeds from sale of investment	-	2,000	-
Cash included in net current liabilities held for sale	-	-	(1,305)
Payments received on notes receivable	82	139	240
Increase in intangible assets	(73)	(122)	(139)
Increase in deposits and other	(4,321)	(1,058)	(956)
Increase in notes receivable	(475)	-	(45)
Net cash used in investing activities	(21,849)	(7,678)	(11,217)

The accompanying notes are an integral part of the consolidated financial statements.

	for the fiscal years ended		
	Dec. 28, 1996	Dec. 27, 1997	Dec. 26, 1998
Cash flows from financing activities:			
Exercise of employee stock options	184	168	1,203
Issuance of warrants	679	-	
Proceeds from long-term debt issuance	87,561	57,530	75,418
Principal payments on long-term debt	(83,958)	(65,003)	(84,253)
Proceeds from issuance of common stock	320	243	268
Increase in deferred financing costs	(1,211)	(189)	(506)
Decrease in minority interest	(342)	(293)	(418)
Net cash provided by (used in) financing activities	3,233	(7,544)	(8,288)
Net increase (decrease) in cash and cash equivalents	(3,841)	(1,726)	1,007
Cash and cash equivalents, at beginning of period	6,420	2,579	853
Cash and cash equivalents, at end of period	$ 2,579	$ 853	$ 1,860
Supplemental cash flow information:			
Cash paid during the period for:			
Interest	$ 4,637	$ 6,602	$5,544

Income taxes.................	$ 370	$ 700	$ 268
Satisfaction of Notes Receivable in exchange for PP&E.........	$ 356	$ -	$ -
Note received from sale of property and equipment......	$ -	$ 2,591	$ -

The accompanying notes are an integral part of the consolidated financial statements.

AU BON PAIN CO., INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
for the fiscal years ended
December 28, 1996, December 27, 1997 and December 26, 1998
(in thousands)

<TABLE>
<CAPTION>

	Common Stock $.0001 Par Value Class A		Common Stock $.0001 Par Value Class B		Preferred Stock $.0001 Par Value Class B				
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, Dec. 30, 1995	9,929	$1	1,707	$-	20	$-	$66,892	$26,345	$93,238
Exercise of employee stock options	30						147		147
Income tax benefit related to stock option plan							37		37
Issuance of common stock	48						320		320
Warrants Issued for debt financing							679		679
Conversions of Class B to Class A	60		(60)						
Net loss								(4,365)	(4,365)
Balance, Dec. 28, 1996	10,067	$1	1,647	$-	20	$-	$68,075	$21,980	$90,056
Exercise of employee stock options	23						152		152
Income tax benefit related to stock option plan							16		16
Issuance of common stock	40						243		243
Conversions of Class B to Class A	37		(37)						
Conversions of preferred stock to Class A common stock	20				(20)				
Net income								1,807	1,807
Balance, Dec. 27, 1997	10,187	$1	1,610	$-	0	$-	$68,486	$23,787	$92,274

Exercise of employee stock options	178						1,204		1,204
Income tax benefit related to stock option plan							75		75
Exercise of Warrants							(323)		(323)
Issuance of common stock	101						591		591
Conversions of Class B to Class A	52		(52)						
Conversions of preferred stock to Class A common stock									
Net income								(20,494)	(20,494)
Balance, Dec. 26, 1998	10,518	$1	1,558	$-	-	$-	$70,033	$ 3,293	$73,327

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

AU BON PAIN CO., INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

Au Bon Pain Co., Inc. and its subsidiaries operate two retail bakery cafe businesses and two franchising businesses under the concept names "Au Bon Pain" and "Saint Louis Bread Company". Certain Saint Louis Bread Company stores began operating under the name "Panera Bread" during 1997. Included in franchise sales and other revenues are sales of product to franchisees and others of $8.3 million, $11.7 million and $6.4 million for the fiscal years ended December 28, 1996, December 27, 1997 and December 26,1998, respectively.

2. Summary of Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated statements include the accounts of Au Bon Pain Co., Inc., ABP Holdings, Inc., a wholly owned subsidiary, Saint Louis Bread Company, Inc. ("Saint Louis Bread"), a wholly owned subsidiary, ABP Midwest Manufacturing Co., Inc., a wholly owned subsidiary, and investments in joint ventures in which a majority interest is held (the "Company"). All intercompany balances and transactions have been eliminated. Due to the pending sale of the Au Bon Pain Division (see Note 5), the assets and liabilities of that business have been presented on a net current and non-current basis in the December 26, 1998 balance sheet. The Company operates in one material business segment, the retail bakery cafe business.

Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to current year presentation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity at the time of purchase of three months or less to be cash equivalents.

Accounts and Notes Receivable

Concentration of credit risk within accounts receivable is limited because a relatively large number of customers make up the Company's Customer base, thus spreading out risk associated with trade credit. In addition, the Company closely monitors its accounts receivable. The Company generally does not require collateral and maintains reserves for potential uncollectable accounts, which in the aggregate have not exceeded management's expectation.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Upon retirement or sale, the cost of assets disposed of and their related accumulated depreciation are removed from the accounts. Any resulting gain or loss

is credited or charged to operations. Maintenance and repairs are charged to expense when incurred, while betterments are capitalized. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the terms of the leases (including available option periods) or over their useful lives, whichever is shorter. The estimated useful lives used for financial statement purposes are:

Machinery and equipment.................	3-10 years
Furniture and fixtures..................	3-10 years
Leasehold improvements..................	10-23 years
Signs...................................	10 years

Interest is capitalized in connection with the construction of new locations or facilities. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Capitalized interest amounted to $581,000, $70,780 and $114,928 in 1996, 1997 and 1998, respectively.

Intangible Assets

Intangible assets consist of goodwill arising from the excess cost over the value of net assets of joint ventures, businesses and stores acquired, as well as the original acquisition of the Company. Goodwill is amortized on a straight-line basis over periods ranging from twenty-five to forty years. Periodically management assesses, based on undiscounted cash flows, if there has been a permanent impairment in the carrying value of its intangible assets and, if so, the amount of any such impairment, by comparing anticipated discounted future operating income from acquired businesses with the carrying value of the related intangibles. In performing this analysis, management considers such factors as current results, trends, future prospects and other economic factors.

Notes Receivable

Notes receivable relate to the sale of certain retail locations and to the funding for the opening of new locations of a franchisee.

Income Taxes

The provision for income taxes is determined in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Under this method, deferred taxes are determined based on the difference between the financial statements and the tax bases of assets and liabilities using enacted income tax rates in effect in the years in which the differences are expected to reverse. The Company's temporary differences consist primarily of depreciation and amortization and reserves.

Deferred Financing Costs

Costs incurred in connection with obtaining debt financing are amortized over the terms of the related debt.

Franchise and Development Fees

Franchise fees are the result of sales of area development rights and the sale of individual franchise locations to third parties, both domestically and internationally. Fees from the sale of area development rights are 100% recognized as revenue upon completion of all commitments related to the agreements. Fees from the sale of individual franchise locations are 100% recognized as revenue upon the commencement of franchise operations.

Capitalization of Certain Development Costs

The Company capitalizes certain expenses associated with the development and construction of new store locations. Capitalized costs of $2.7 million and $2.2 million as of December 27, 1997 and December 26, 1998, respectively, are recorded as part of the asset to which they relate and are amortized over the asset's useful life.

Advertising Costs

Advertising costs are expensed when incurred.

Pre-Opening Costs

All pre-opening costs associated with the opening of new retail locations are expensed when incurred.

Fiscal Year

The Company's fiscal year ends on the last Saturday in December. Fiscal years for the consolidated financial statements included herein include 52 weeks for the fiscal years ended December 28, 1996, December 27, 1997 and December 26, 1998.

Income Per Share Data

Earnings per share is based on the weighted average number of shares outstanding during the period after consideration of the dilutive effect, if any, for common stock equivalents, including stock options, warrants and preferred stock. Statement of Financial Accounting Standards No. 128, "Earnings Per Share", requires dual presentation of basic and diluted EPS. SFAS 128 has been adopted in the Company's 1998 financial statements with comparable disclosures for the prior year.

Fair Value of Financial Instruments

The carrying amount of the Company's long term debt, including current maturities, approximates fair value because the interest rates on these instruments change with market interest rates. The carrying amounts for accounts receivable and accounts payable approximate their fair values due to the short maturity of these instruments.

Recent Accounting Pronouncements

None.

3. Inventories

Inventories consist of the following (in thousands):

	December 27, 1997	December 26, 1998
Production	$ 3,389	$ 131
Retail stores	1,680	590
Paper goods	392	113
Smallwares	3,008	767
Other	648	61
	$ 9,117	$ 1,662

4. Property and Equipment

Major classes of property and equipment consist of the following (in thousands):

	December 27, 1997	December 26, 1998
Leasehold improvements	$101,619	$ 25,621
Machinery and equipment	63,319	15,366
Furniture and fixtures	18,603	5,345
Construction in progress	1,083	3,603
Signage	3,515	968
	188,139	50,903
Less accumulated depreciation and amortization	75,907	12,047
Property and equipment, net	$112,232	$ 38,856

The Company recorded depreciation expense related to these assets of $14.7 million and $15.4 million and $5.0 million in 1996, 1997 and 1998, respectively.

On March 23, 1998 the Company sold its Mexico, MO production facility and its wholesale frozen dough business to Bunge Foods Corporation ("Bunge") for approximately $13 million in cash.

In the fourth quarter of 1997, the Company sold its Woburn, MA office building for $4.9 million in cash, resulting in a gain of $660,000. The gain was recognized as a component of other expense, net.

In the third quarter of 1997, the Company sold a Saint Louis Bread Cafe for $1.1 million in cash in conjunction with the execution of a franchise area development agreement, resulting in a pre-tax gain of $325,000. The gain was recognized as a component of other expense, net.

5. Sale of Au Bon Pain Division and Non-recurring Charges

The Company, together with its wholly-owned subsidiary ABP Holdings, Inc. ("ABPH") has entered into a Stock Purchase Agreement dated August 12, 1998 and amended on October 28, 1998 with ABP Corporation (the "Buyer"), an affiliate of

Bruckmann, Rosser, Sherrill & Co., L.P. for the transfer of substantially all of the assets and liabilities of the Au Bon Pain Division business (the "Au Bon Pain Division") and to sell all of the outstanding capital stock of ABPH to the Buyer, whereby the Buyer will become the owner of the Au Bon Pain Division (the "Sale"). Although most of the conditions for the Sale have been satisfied, the necessary financing arrangements are not yet complete and a closing date has not been set.

During the third quarter of 1998, the Company recorded a non-recurring, non-cash charge of $24.2 million in connection with the Sale, principally to reflect a write-down under Statement of Financial Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for the Long-Lived Assets to be Disposed of" ("SFAS 121"). The charge is included as a separate component of operating expense and includes a $10.1 million goodwill write-down and a $14.1 million write-down to property, plant and equipment. The non-cash charge was taken to record an impairment for long lived assets to be disposed of as a result of the agreement entered into for the sale of the Au Bon Pain Division.

As a result of this charge, operating income for fiscal 1998 was favorably impacted by $4.5 million due to the suspension of depreciation and amortization associated with the Au Bon Pain Division assets held for sale after August 12, 1998. In addition, a tax benefit of $5.4 million was recorded related to this charge. The benefit is less than the benefit obtained by applying the statutory tax rate to the pretax loss due to the fact that some potentially non-deductible capital losses may arise from the sale and certain deferred state tax assets will no longer be realizable following the Sale.

The Company intends to repay all of its outstanding debt with the proceeds from the Sale. The recording of the non-recurring, non-cash charge during the third quarter of 1998 caused the Company to be in violation of certain covenants within the Company's revolving line of credit agreement. The agreement with the bank group was amended in the Company's first quarter of fiscal 1999 to eliminate such defaults through the end of the Company's fiscal year 1999 (December 25, 1999).

The Company anticipates costs of approximately $1.6 million associated with the early retirement of outstanding debt at the time of the Sale.

The assets and liabilities of the Au Bon Pain Division are depicted in the balance sheet as of December 26, 1998 as assets held for sale, non-current, net, and as current liabilities, net, and include the following.

	December 26, 1998 (000's)
Current Assets:	
Cash and cash equivalents	$ 1,305
Accounts Receivable	5,584
Inventories	5,011
Other current assets	(98)
Total current assets	11,802
Current liabilities:	
Accounts payable	7,120
Accrued expenses	11,151
Total liabilities	18,271
Net current liabilities	$ 6,469
Non-current Assets:	
Property and equipment	
Leasehold improvements	$ 71,679
Machinery and equipment	53,920
Furniture and fixtures	13,717

Other	3,506
Accumulated depreciation and amortization	(83,281)
Property and equipment, net	59,541
Other assets:	
Notes receivable	4,097
Deposits and other	5,757
Total other assets	9,854
Total non-current assets	$ 69,395

Restaurant sales and net operating loss (before non-recurring charges and the suspension of depreciation and amortization) in the Au Bon Pain Division held for sale as of December 26, 1998 were $159.6 million and $3.0 million, respectively.

During 1998, the Company recorded $2.0 million in non-recurring, non-cash charges in accordance with SFAS 121, to write-down the book value of eight underperforming Au Bon Pain stores whose leases expired in 1998 and were not renewed, and to record the closing of one Panera Bread location. The charge is included as a separate component of operating expenses and includes a $1.6 million fixed asset write-down and a $0.4 million other asset write-down.

In the first quarter of 1998 the Company sold the Mexico, MO production facility and its wholesale frozen dough business to Bunge Foods Corporation ("Bunge") for approximately $13 million in cash. The Company recognized a pre-tax loss on the sale of the facility of approximately $735,000 in the Company's results of operations.

During the third quarter of fiscal 1996, the Company recorded a non-recurring charge of $4.4 million in accordance with SFAS 121. The charge was taken as a result of continued less than expected performance results at certain Au Bon Pain restaurants. The $4.4 million non-cash charge included a $1.4 million goodwill write-down, a $0.6 million fixed asset write-down and a $1.4 million write-down of an office building held for sale. The charge represented a reduction of the carrying amounts of the assets to their estimated fair values as determined by using discounted estimated future cash flows. In addition, the $4.4 million charge included a $1.0 million charge to write-down the book value of six restaurants whose leases expired in 1997 and which were not renewed. For the fifty-two weeks ended December 28, 1996 and December 27, 1997 the restaurants included in the reserve had sales of $3,096,000 and $1,559,000, respectively and a pre-tax loss of $578,000 and $313,000, respectively.

6. Notes Receivable

Notes receivable relate to the sale of certain retail locations and to the funding for the opening of new locations of a franchisee. The Company's notes receivable balance was $20,000 as of December 26, 1998.

In the third quarter of fiscal 1997 the Company franchised 11 of its existing ABP stores in the Philadelphia market to ABP Delaware Valley LLC. As part of the sale the Company received a note receivable in the amount of $2.6 million which bears interest at the rate of 8.25% per annum. There was no gain or loss recognized on the transaction. The note requires monthly principal and interest payments of $28,765 commencing in November 1997 which reflect an interest rate of 6.00%. The difference of 2.25% interest shall accrue with respect to the outstanding principal amount of this note. Commencing November 4, 1999, ABP Delaware Valley LLC will make the scheduled payment plus any accrued interest until it is paid in full. The note matures August 11, 2007.

In addition, the Company holds five additional notes receivable related to the Au Bon Pain Division, with two other franchisees with an outstanding principal balance of $2.2 million at December 27, 1997. These notes bear interest at between 8.00% and 9.25%. Two of these notes require monthly payments while the remaining three notes require payments of interest with a balloon payment of $1.4 million due in 2004. The notes mature between 2003 and 2004.

7. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	December 27, 1997	December 26, 1998
Accrued insurance....................	$ 1,384	$ 501
Rent.................................	3,799	751
Payroll and related taxes............	2,182	851
Interest.............................	1,390	1,505
Other................................	5,162	2,321
	$13,917	$ 5,929

8. Long-term Debt

Long-term debt consists of the following (in thousands):

	December 27, 1997	December 26, 1998
Revolving credit line at prime + .25% (8.00% at December 26, 1998).........	$18,326	$17,260
Industrial development bond for Mexico, Missouri plant...............	7,900	-
Loan with Cigna Insurance at prime less .75% (7.00% at December 26, 1998).....	2,000	2,000
Term loan at 7.0% payable in annual installments of $50,000 including interest, due January 2001................................	169	131
Senior Subordinated Debenture (14.00% at December 26, 1998)................	14,570	14,739
Total debt............................	42,965	34,130
Less current maturities................	438	41
Total long-term debt..................	$42,527	$34,089

The Company intends to repay all of its outstanding debt with the proceeds from the Sale. The recording of the non-recurring, non-cash charge during the third quarter of 1998 caused the Company to be in violation of certain covenants within the Company's revolving line of credit agreement. The agreement with the bank group was amended in the Company's first quarter of fiscal 1999 to eliminate such defaults through the end of the Company's fiscal year 1999 (December 25, 1999). Although most of the conditions for the transaction have been satisfied, the necessary financing arrangements are not yet complete and a closing date has not been set. The closing of the transaction will result in the repayment of the revolving line of credit at that time.

As of December 26, 1998, the Company had a $22.0 million unsecured revolving line of credit. The revolving credit agreement contains restrictions relating to future indebtedness, liens, investments, distributions, the merger, acquisition or sale of assets and certain leasing transactions. The agreement also requires the maintenance of certain financial ratios and covenants, the most restrictive being a debt to net worth ratio. There is a fee of 3/8% of the unused portion of the revolving line of credit. Available unused borrowings totaled approximately $8.5 million at December 27, 1997 and $3.6 million at December 26, 1998. At December 26, 1998 and December 27, 1997 the Company had outstanding letters of credit against the revolving line of credit aggregating $1.1 million and $1.2 million, respectively. Interest is calculated on the $3.5 million term loan at the lower of prime plus .25% or LIBOR + 2.75%. Interest-only payments are due under the revolving credit line monthly, in arrears, with principal balance payable at maturity on December 31, 1999.

In July, 1995 the Company obtained an industrial development bond issued by the City of Mexico, Missouri, secured by a $8.7 million letter of credit with a commercial bank. The Bond was retired in full in March 1998 subsequent to the sale of the Mexico, Missouri manufacturing facility.

On July 24, 1996, the Company issued $15 million senior subordinated debentures maturing in July, 2000. The debentures accrue interest at varying fixed rates over the four year term, ranging from 11.25% to 14.0%. In connection with the private placement, warrants with an exercise price of $5.62 per share were issued to purchase between 400,000 and 580,000 shares of the Company's Class A Common Stock, depending on the term which the debentures remain outstanding and certain future events. At December 26, 1998, 210,000 warrants were issued and outstanding, all of which were vested.

The Company has recognized interest expense of $5.1 million, $7.2 million and $6.4 million as of December 28, 1996, December 27, 1997, and December 26, 1998, respectively.

Maturities of debt outstanding at December 26, 1998 are as follows (in thousands):

Company's Fiscal Year	
1999..........................	$ 41
2000..........................	34,043
2001..........................	46
Thereafter....................	-
	$34,130

9. Convertible Subordinated Notes

In December 1993, the Company issued $30.0 million of its unsecured 4.75% Convertible Subordinated Notes due 2001 ("1993 Notes"). The 1993 Notes are convertible at the holders' option into shares of the Company's Class A Common Stock at $25.50 per share. In December 1997, the Company could have, at its option, redeemed all or a part of the outstanding 1993 Notes upon payment of a premium. The Company did not redeem all or part of the outstanding notes. The note agreement requires the Company to maintain minimum permanent capital, as therein defined.

10. Commitments

The Company is obligated under noncancelable operating leases for a production facility, commissaries and retail stores. Lease terms are generally for ten years with renewal options at certain locations and generally require the Company to pay a proportionate share of real estate taxes, insurance, common area and other operating costs. Substantially all store leases provide for contingent rental payments based on sales in excess of specified amounts.

Aggregate minimum requirements under these leases are, as of December 26, 1998, approximately as follows (in thousands):

	Saint Louis Bread	Au Bon Pain	Total
1999	$ 5,500	$15,327	$ 20,827
2000	5,201	16,396	21,597
2001	4,097	14,379	18,476
2002	3,802	12,264	16,066
2003	3,541	9,849	13,390
Thereafter	10,615	29,861	40,476
	$ 32,756	$98,076	$130,832

Rental expense under long-term leases was approximately $29.3 million, $24.5 million and $19.7 million in 1996, 1997 and 1998, respectively, which included contingent rentals of approximately $3.0 million, $3.0 million and $3.1 million, respectively.

11. Income Taxes Payable

The benefit from income taxes in the consolidated statements of operations is comprised of the following (in thousands):

	December 28, 1996	December 27, 1997	December 26, 1998
Current:			
Federal	$(1,650)	$ 259	$ -
State	(838)	132	1,057
	(2,488)	391	1,057
Deferred:			
Federal	(365)	(1,433)	(8,220)
State	(65)	(450)	1,631
	(430)	(1,883)	(6,589)
Total benefit from income taxes	$(2,918)	$(1,492)	$ (5,532)

A reconciliation of the statutory federal income tax rate and the effective tax rate as a percentage of pretax income is as follows:

	1996	1997	1998
Statutory rate (benefit)	(34.0)%	34.0%	(34.0)%
State income taxes, net of federal tax benefit	2.2	(432.8)	1.7
Charitable contributions	(3.7)	(89.9)	(0.7)
Company-owned Life Insurance (See Note 12)	(15.4)	(451.0)	(4.4)
Non-deductible goodwill and meals and entertainment	9.1	51.0	0.8
Other, net	1.8	(.4)	2.1
Change in valuation allowance	-	415.4	13.2
	(40.0)%	(473.7)%	(21.3)%

The tax effects of the significant temporary differences which comprise the deferred tax assets are as follows (in thousands):

	1997	1998
Current assets:		
Receivables reserve....................	$ 56	$ -
Accrued expenses.......................	544	-
Net operating loss carry forward........	-	1,500
	600	1,500
Non-current assets/liabilities:		
Property, plant and equipment..........	443	(190)
Accrued expenses.......................	1,135	9,215
Goodwill...............................	(1,648)	(1,868)
Tax credit carried forward.............	3,368	4,941
Net operating loss carried forward......	4,484	4,485
Charitable contribution carried forward.	296	141
Other reserves.........................	(8)	452
	8,070	17,176
Total deferred tax asset.............	8,670	18,676
Valuation allowance..................	(1,308)	(4,742)
Total net deferred tax asset.............	$7,362	$13,934

A valuation allowance is provided to reduce the deferred tax assets to a level which, more likely than not, will be realized. The valuation allowance is primarily attributable to the potential for the non-deductibility of capital losses related to the taxable loss on sale of the Au Bon Pain Division and the expectation that all deferred state tax assets will be unrealizable following the sale. The Company estimates that after filing its federal income tax returns for the year ended December 26, 1998, it will have net operating losses of $8,500,000 which can be carried forward twenty years to offset Federal taxable income. The Company has Federal jobs tax credit carryforwards of approximately $1,200,000 which expire in the years 2009-2010. In addition, the Company has Federal alternative minimum tax credit carryforwards of approximately $3,500,000 which are available to reduce future regular Federal income taxes over an indefinite period. The Company reevaluates the positive and negative evidence impacting the realizability of its deferred income tax assets on an annual basis.

12. Deposits and Other

During fiscal 1997, the Company established a $4.3 million deposit with its distributor. This financial arrangement allows the Company to receive lower distribution costs. The savings exceed the carrying value of the deposit. The deposit is flexible and the Company may at times decrease the amount on deposit, at its discretion.

During fiscal year 1994, the Company established a company-owned life insurance program ("COLI") covering a substantial portion of its employees. At December 26, 1998, the cash surrender value of $75.4 million and the insurance policy loans of $73.2 million were netted and included in other assets on the consolidated balance sheet. The loans

are collateralized by the cash values of the underlying life insurance policies and require interest payments at a rate of 9.9%. Tax law changes adopted as part of the Health Insurance Portability and Accountability Act significantly reduced the level of tax benefits recognized under the Company's COLI program in the third quarter of 1996. The Company included $0.3 million of expenses in other (income) expense, net, relating to COLI in 1998.

In the third quarter of 1997, the Company sold its interest in Peet's Coffee and Teas, Incorporated back to Peet's for $2 million in cash, resulting in a pre-tax gain of $930,000. The gain was recognized as a component of other expense, net.

13. Stockholders' Equity

Class B Preferred Stock

In April 1994, the Company issued 20,000 shares of Class B Preferred Stock (Series 1) as part of the ABP Midwest acquisition. In 1997 these shares were converted to Class A Common Stock.

Common Stock

Each share of Class B Common Stock has the same dividend and liquidation rights as each share of Class A Common Stock. The holders of Class B Common Stock are entitled to three votes for each share owned. The holders of Class A Common Stock are entitled to one vote for each share owned. Each share of Class B Common Stock is convertible, at the shareholder's option, into Class A Common Stock on a one-for-one basis. The Company had reserved at December 26, 1998, 7,589,719 shares of its Class A Common Stock for issuance upon conversion of Class B Common Stock and exercise of awards granted under the Company's 1992 Equity Incentive Plan, Formula Stock Option Plan for Independent Directors and conversion of the 1993 Notes (see Note 9).

Registration Rights

Certain holders of Class A and Class B Common Stock, pursuant to stock subscription agreements, can require the Company, under certain circumstances, to register their shares under the Securities Act of 1933 or have included in certain registrations all or part of such shares, at the Company's expense.

1992 Equity Incentive Plan

In May 1992, the Company adopted its Equity Incentive Plan ("Equity Plan") to replace its Non-Qualified Incentive Stock Option Plan. Under the Equity Plan, a total of 950,000 shares of Class A Common Stock was initially reserved for awards under the Equity Plan. The Equity Plan was amended by the Board of Directors and the stockholders in May 1994 and June 1997 to increase the number of shares available thereunder from 950,000 to 2,500,000, and from 2,500,000 to 4,300,000 respectively. Awards under the Equity Plan can be in the form of stock options (both qualified and non-qualified), stock appreciation rights, performance shares, restricted stock or stock units.

Activity under the Equity Plan and its predecessor is summarized below:

	Shares	Weighted Average Exercise Price
Outstanding at December 30, 1995	1,431,437	$ 7.32
Granted......................	742,345	$ 7.67
Exercised....................	(30,200)	$ 4.87
Canceled.....................	(211,548)	$ 7.92
Outstanding at December 28, 1996	1,932,034	$ 7.42
Granted......................	1,226,169	$ 7.49
Exercised....................	(23,148)	$ 6.56
Canceled.....................	(143,537)	$ 8.05
Outstanding at December 27, 1997	2,991,518	$ 7.44
Granted......................	841,583	$ 8.84
Exercised....................	(151,060)	$ 6.69

Canceled.....................	(376,710)	$ 9.17
Outstanding at December 26, 1998	3,305,331	$ 8.18

Formula Stock Option Plan for Independent Directors

On January 27, 1994, the Company's Board of Directors authorized the Formula Stock Option Plan for Independent Directors, as defined in the agreement. This plan authorized a one-time grant of an option to purchase 10,000 shares of the Company's Class A Common Stock at its closing price on January 26, 1994. The plan also allows for independent directors elected after that time to receive a similar option at the closing price for the day immediately preceding the individual's election to the board.

Each independent director who is first elected as such after the effective date of the Directors' Plan shall receive, as of the date he or she is so elected, a one-time grant of an option to purchase 5,000 shares of Class A Common Stock at a price per share equal to the closing price of the Class A Common Stock as reported by the NASDAQ/National Market System for the trading day immediately preceding the date of the person's election to the board.

In addition, all independent directors serving in such capacity as of the last day of each fiscal year commencing with the fiscal year ending December 31, 1994 receive an option to purchase 5,000 shares of Class A Common Stock at the closing price for the prior day.

Each option granted is fully vested at the grant date, and is exercisable, either in whole or in part, for 10 years following the grant date. The Company has granted 113,248 options under this plan as of December 26, 1998.

Stock-Based Compensation

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation", which is effective for the Company's financial statements for fiscal years beginning after December 15, 1995. SFAS 123 allows companies to either account for stock-based compensation under the new provisions of SFAS 123 or under the provisions of Accounting Principles Board Opinion No. 25 ("APB25"), "Accounting for Stock Issued to Employees", but requires pro-forma disclosure in the footnotes to the financial statements as if the measurement provisions of SFAS 123 had been adopted. The Company has elected the disclosure-only alternative and, accordingly, no compensation costs have been recognized for the stock option plans. Had compensation costs for the Company's stock option plans been determined based on the fair value at the grant date for awards since 1995 consistent with the provisions of SFAS 123, the Company's net income (loss) for the years ended December 28, 1996 and December 27, 1997 and December 26, 1998 would have been as follows:

<TABLE>
<CAPTION>

	1996		1997		1998	
	<S> Net Loss (in thousands)	<C> Net Loss Per Share	<C> Net Income (in thousands)	<C> Net Income Per Share	<C> Net Loss (in thousands)	<C> Net Loss Per Share
As Reported	$(4,365)	$(.37)	$ 1,807	$ .15	$(20,494)	$(1.72)
Pro						

Forma	$(4,965)	$(.42)	$ 953	$ .08	$(21,642)	$(1.81)

</TABLE>

The effects of applying SFAS 123 in this pro-forma disclosure are not likely to be representative of the effects on reported net income for future years. SFAS 123 does not apply to awards prior to 1995 and additional awards in future years are anticipated.

The fair value of the options granted during 1996, 1997 and 1998 is $3.46 per share, $3.69 per share and $4.12 per share, respectively, on the date of grant using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, volatility of 35% in 1996, 40% in 1997 and 40% in 1998, risk-free interest rate of 5.99% in 1996, 6.38% in 1997 and 5.14% in 1998, and an expected life of 6 years.

The following table summarizes information concerning currently outstanding and exercisable options:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Price	Number Exercisable	Weighted Average Price
$ 4.50- 6.75	555,860	5.17	$ 6.35	121,047	$ 6.26
$ 6.75-10.13	2,468,726	6.70	$ 7.50	1,289,086	$ 7.40
$10.13-15.19	279,569	9.39	$11.05	7,685	$13.01
$15.19-21.25	1,176	4.92	$21.25	1,176	$21.45
	3,305,331	7.59	$ 7.61	1,418,994	$ 7.34

Options vest over a five year period and must be exercised within ten years from the date of the grant. Of the options at December 28, 1996, December 27, 1997 and December 26, 1998, 927,325, 1,168,134 and 1,418,994, respectively, were vested and exercisable with a weighted average exercise price at December 28, 1996, December 27, 1997 and December 26, 1998 of $7.04, $7.20 and $7.34, respectively.

1992 Employee Stock Purchase Plan

In May 1992, the Company adopted its 1992 Employee Stock Purchase Plan ("1992 Purchase Plan") to replace its Employee Stock Purchase Plan. The 1992 Purchase Plan was amended in June 1997 by the Board of Directors and Stockholders to increase the number of shares of Class A Common Stock reserved for issuance from 150,000 to 350,000. The 1992 Purchase Plan gives eligible employees the option to purchase Class A Common Stock (total purchases in a year may not exceed 10% of an employee's prior year compensation) at 85% of the fair market value of the Class A Common Stock at the date of purchase. There were 39,838 and 36,474 shares purchased with a weighted average fair value of Purchase Rights of $1.16 and $1.25 as of December 27, 1997 and December 26, 1998, respectively.

14. Employee Benefit Plans

Employee Savings Plan

The Au Bon Pain Employee 401(k) Plan ("Savings Plan") was adopted by the Company in 1991 under Section 401(k) of the Internal Revenue Code of 1986, as amended. All employees of the Company, including executive officers, are eligible to participate in the Savings Plan. A participating employee may elect to defer on a pre-tax basis up to 15% of his or her salary. This amount is contributed to the Savings Plan. All amounts vest immediately and are invested in various funds as directed by the participant. The full amount in a participant's account will be distributed to a participant upon termination of employment, retirement, disability or death. The Company does not currently contribute to the Savings Plan.

The Saint Louis Bread Company Employee 401(k) Plan ("Saint Louis Bread Savings Plan") adopted by the former Saint Louis Bread Company in 1993 under Section 401(k) of the Internal Revenue Code of 1986, as amended. In 1997 the "Saint Louis Bread Savings Plan" was merged into the Au Bon Pain "Savings Plan". Plan participants of the "Saint Louis Bread Savings Plan" retained the matching contributions made through 1996 with a vesting schedule of seven years. There has been no further matching in 1997 and 1998.

15. Legal Proceedings

During the third quarter of 1997, the Company entered into a definitive agreement to settle a lawsuit filed by a former vendor of the Company. The Company recognized a charge of $675,000 in the third quarter of 1997 as a component of other expense (income), net, to cover the settlement and other expenses incurred in connection therewith.

16. Net Income (Loss) Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	For the fiscal years ended		
	Dec. 28, 1996	Dec. 27, 1997	Dec. 26, 1998
Net income (loss) used in net income (loss) per common share - basic..................	$(4,365)	$ 1,807	$(20,494)
Net income (loss) used in net income (loss) per common share - diluted................	$(4,365)	$ 1,807	$(20,494)
Weighted average number of shares outstanding - basic......	11,705	11,766	11,943
Effect of dilutive securities:			
Employee stock options......	-	42	-
Stock warrants.............	-	105	-
Weighted average number of shares outstanding - diluted....	11,705	11,913	11,943
Net income (loss) per common share - basic..................	$ (0.37)	$ 0.15	$ (1.72)
Net income (loss) per common share - diluted................	$ (0.37)	$ 0.15	$ (1.72)

During 1996, 1997 and 1998, options to purchase 1,176,000 shares of common stock at $25.50 per share were outstanding in conjunction with the issuance of $30 million of convertible subordinated notes (see Note 9). These shares were not included in the computation of diluted earnings per share for the fiscal years ended December 28, 1996, December 27, 1997 or December 26, 1998 because the addition of interest expense, after the effect of income taxes, of $855,000 to net income (loss) would have been antidilutive.

During 1996 and 1998, options to purchase 422,080 and 248,450 shares of common stock at an average price of $6.69 and $5.77 per share, respectively, and warrants to purchase 0 and 96,000 shares of common stock at $5.62 per share were outstanding but were not included in the computation of diluted earnings per share for the fiscal years ended December 28, 1996 or December 26, 1998 because the effect would have been antidilutive.

17. Subsequent Event

The Company submitted the matter of the Sale of the Au Bon Pain Division to a vote of security holders on March 4, 1999. The security holders voted in favor of the Sale.

Item 9. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

Information required by Part III (items 10 through 13) is incorporated by reference to the Company's definitive proxy statement for its 1999 annual meeting of stockholders which is expected to be filed with the Securities and Exchange Commission on or before April 25, 1999. If for any reason such a statement is not filed within such period, this report will be appropriately amended.

PART IV

ITEM 14. EXIHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. FINANCIAL STATEMENTS.

The following described consolidated financial statements of the Company are included in this report:

Report of Independent Accountants.

Consolidated Balance Sheets as of December 27, 1997 and December 26, 1998.

Consolidated Statements of Operations for the fiscal years ended December 28, 1996, December 27, 1997 and December 26, 1998.

Consolidated Statements of Cash Flows for the fiscal years ended December 28, 1996, December 27, 1997 and December 26, 1998.

Consolidated Statements of Stockholders' Equity for the fiscal years ended December 26, 1996, December 27, 1997 and December 26, 1998.

Notes to Consolidated Financial Statements.

2. FINANCIAL STATEMENT SCHEDULE.

The following financial statement schedule for the Company is filed herewith:

SCHEDULE II - Valuations and Qualifying Accounts.

AU BON PAIN COMPANY., INC.

VALUATION AND QUALIFYING ACCOUNTS.
(in thousands)

Description	Balance at beginning of period	Additions	Deductions	Balance at end of period
Allowance for Doubtful accounts				
Fiscal Year Ended Dec 28, 1996	$ 60	$ 69	$25	$ 104
Fiscal Year Ended Dec 27, 1997	$ 104	$ 49	$19	$ 134
Fiscal Year Ended Dec 26, 1998	$ 134	$ 96	$22	$ 208
Valuation Allowance				
Fiscal Year Ended Dec 27, 1997	$ -	$1,308	$ -	$1,308
Fiscal Year Ended Dec 26, 1998	$1,308	$3,434	$ -	$4,742

All other schedules are omitted because not applicable or not required by Regulation S-X.

3. EXHIBITS.

Exhibit NUMBER	DESCRIPTION
2.1	Asset Purchase Agreement by and among Au Bon Pain Co., Inc., ABP Midwest Manufacturing Co., Inc. and Bunge Foods Corporation dated as of February 11, 1998; Amendment to Asset Purchase Agreement, dated as of March 23, 1998. Incorporated by reference to Exhibit 2.1 to the Company's Annual Report on Form 10-K for the year ended December 27, 1997.
2.2.1	Stock Purchase Agreement dated August 12, 1998 by and between the Company, ABP Holdings, Inc. ("ABPH") and ABP Corporation. Incorporated by reference to the Company's Report on Form 8-K filed August 21, 1998.
2.2.2	Amendment to Stock Purchase Agreement dated October 28, 1998 by and among the Company, ABPH and ABP Corporation. Incorporated by reference to the Company's Report on Form 8-K filed November 6, 1998.
3.1	Certificate of Incorporation of Registrant, as amended to June 2, 1991. Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994.
3.1.1	Certificate of Amendment to Certificate of Incorporation, dated and filed June 3, 1991. Incorporated by reference to Exhibit 3.1.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994.
3.1.2	Certificate of Amendment to the Certificate of Incorporation filed on June 2, 1994. Incorporated by reference to Exhibit 3.1.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994.
3.1.3	Certificate of Designations, Preferences and Rights of the Class B Preferred Stock (Series 1), filed November 30, 1994. Incorporated

by reference to Exhibit 3.1.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994.

3.2	Bylaws of Registrant, as amended to date. Incorporated by reference to Registrant's registration statement on Form S-1 (File No. 33-40153), Exhibit 3.2.
4.1.1	Amended and Restated Revolving Credit Agreement dated as of February 13, 1998 among the Issuer, Saint Louis Bread Company, Inc., ABP Midwest Manufacturing Co., Inc., BankBoston, N.A., USTrust and BankBoston N.A. as Agent. Incorporated by reference to Exhibit 4.1.1 to the Company's Annual Report on Form 10-K for the year ended December 27, 1997.
4.1.2	Amended and Restated Revolving Credit Note dated as of February 13, 1998 of the Issuer, Saint Louis Bread Company, Inc. and ABP Midwest Manufacturing Co., Inc. in favor of BankBoston, N.A. Incorporated by reference to Exhibit 4.1.2 to the Company's Annual Report on Form 10-K for the year ended December 27, 1997.
4.1.3	Amended and Restated Revolving Credit Note dated as of February 13, 1998 of the Issuer, Saint Louis Bread Company, Inc. and ABP Midwest Manufacturing Co., Inc. in favor of USTrust. Incorporated by reference to Exhibit 4.1.3 to the Company's Annual Report on Form 10-K for the year ended December 27, 1997.
4.1.4	First Amendment to Amended and Restated Revolving Credit Agreement dated as of June 30, 1998.*
4.1.5	Second Amendment and Waiver to Amended and Restated Revolving Credit Agreement dated as of October 14, 1998.*
4.1.6	Third Amendment and Waiver to Amended and Restated Revolving Credit Agreement dated as of January 20, 1999.*
4.1.7	Fourth Amendment to Amended and Restated Revolving Credit Agreement dated as of March 25, 1999.*
4.2	Form of 4.75% Convertible Subordinated Note due 2001. Incorporated by reference to Registrant's Form 8-K filed December 22, 1993, Exhibit 4.

10.3.3	Registrant's 1992 Employee Stock Purchase Plan. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 30, 1995.
10.3.4	Registrant's Formula Stock Option Plan for Independent Directors and form of option agreement thereunder, as amended. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 30, 1995.
10.4	Amended and Restated Coffee Supply Agreement by and among Registrant and Peet's Companies, Inc., Peet's Coffee and Tea, Inc., and Peet's Trademark Company, dated as of the 26th day of October, 1994. Incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994.
10.5	Indenture of Trust dated as of July 1, 1995 by and between the Industrial Development Authority of the City of Mexico, Missouri and Mark Twain Bank, as Trustee. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 30, 1995.
10.5.1	Loan Agreement dated as of July 1, 1995 by and between the Industrial Development Authority of the City of Mexico, Missouri and ABP Midwest Manufacturing Co., Inc. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 30, 1995.
10.5.2	Promissory Note issued by ABP Midwest Manufacturing Co., Inc. in the face amount of $8,741,370. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 30, 1995.

10.6.1	Employment Agreement between the Registrant and Richard Postle. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 30, 1995.+
10.6.2	Employment Agreement between the Registrant and Robert Taft. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 28, 1996.+
10.6.3	Employment Agreement between the Registrant and Maxwell Abbott. Incorporated by reference to Exhibit 10.6.3 of the Registrant's Annual Report on Form 10-K for the year ended December 28, 1996.+
10.6.4	Employment Letter between the Registrant and Samuel Yong. Incorporated by reference to Exhibit 10.6.4 of the Registrant's Annual Report on Form 10-K for the year ended December 28, 1996.+
10.7.1	Form of Stock Purchase Warrant from Au Bon Pain Co., Inc. to Allied Capital Corporation, Allied Capital Corporation II, and Capital Trust Investments, Ltd. Incorporated by reference to Exhibit 10.7.1 of the Registrant's Annual Report on Form 10-K for the year ended December 28, 1996.
10.7.2	Form of Contingent Stock Purchase Warrant from Au Bon Pain Co., Inc. to Allied Capital Corporation, Allied Capital Corporation II and Capital Trust Investments, Ltd. Incorporated by reference to Exhibit 10.7.2 of the Registrant's Annual Report on Form 10-K for the year ended December 28, 1996.
10.7.3	Form of Stock Purchase Warrant from Au Bon Pain Co, Inc. to Princes Gate Investors, L.P., Acorn Partnership I L.P., PG Investments Limited, PGI Sweden AB and Gregor Von Open. Incorporated by reference to Exhibit 10.7.3 of the Registrant's Annual Report on Form 10-K for the year ended December 28, 1996.

10.7.4	Registration Rights Agreement dated as of July 24, 1996 among Allied Capital Corporation, Allied Capital Corporation II, Capital Trust Investments, Ltd., Princes Gate Investors, L.P., Acorn Partnership I, L.P., PGI Investments Limited, PGI Sweden AB, Gregor Von Open and Au Bon Pain Co., Inc., Incorporated by reference to Exhibit 10.7.4 of the Registrant's Annual Report on Form 10-K for the year ended December 28, 1996.
10.8.4	Form of Rights Agreement, dated as of October 21, 1996 between the Registrant and State Street Bank and Trust Company. Incorporated by reference to the Registrant's Registration Statement on Form 8-A (File No. 000-19253).
10.9	Bakery Product Supply Agreement by and between Bunge Foods Corporation and Saint Louis Bread Company, Inc. dated as of March 23, 1998. Incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 27, 1997.
10.10	Bakery Product Supply Agreement by and between Bunge Foods Corporation and Au Bon Pain Co., Inc. dated as of March 23, 1998. Incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 27, 1997.
10.11	Executive Employment Agreement between the Company and Sam Yong dated June 16, 1998. Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended July 11, 1998.+
21	Registrant's Subsidiaries.*

23.1	Consent of PricewaterhouseCoopers L.L.P.*
27	Financial Data Schedule.*

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* Filed herewith.
+ Management contract or compensatory plan required to be filed as an exhibit to this Form 10-K pursuant to Item 14(c).

(b) Reports on Form 8-K.

During the last quarter of the fiscal year covered by this report, the Company filed a report on Form 8-K on November 6, 1998 relative to Item 2.

SIGNATURES

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

AU BON PAIN CO., INC.

By: /S/ LOUIS I. KANE

Louis I. Kane
Co-Chairman

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the date indicated:

Signature	Title	Date
/S/ LOUIS I. KANE Louis I. Kane	Co-Chairman	March 25, 1998
/S/ RONALD M. SHAICH Ronald M. Shaich	Co-Chairman and Principal Executive Officer	March 25, 1998
/S/ FRANCIS W. HATCH Francis W. Hatch	Director	March 25, 1998
/S/ GEORGE E. KANE George E. Kane	Director	March 25, 1998
/S/ JAMES R. MCMANUS James R. McManus	Director	March 25, 1998
/S/ HENRY J. NASELLA Henry J. Nasella	Director	March 25, 1998
/S/ ANTHONY J. CARROLL Anthony J. Carroll	Senior Vice President, Treasurer and Principal Accounting Officer	March 25, 1998

FIRST AMENDMENT TO AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

First Amendment dated as of June 30, 1998 (the "First Amendment") to Amended and Restated Revolving Credit Agreement dated as of February 13, 1998 by and among AU BON PAIN CO., INC., a Delaware corporation ("ABP"), SAINT LOUIS BREAD COMPANY, INC., a Delaware corporation ("Saint Louis Bread"), ABP MIDWEST MANUFACTURING CO., INC., a Delaware corporation ("ABP Midwest", and, collectively with ABP and Saint Louis Bread, the "Borrowers"), and BANKBOSTON, N.A., a national banking association, and USTRUST, a Massachusetts trust company (collectively, the "Banks"), and BANKBOSTON, N.A. as agent for the Banks (in such capacity, the "Agent"), amending certain provisions of the Amended and Restated Revolving Credit Agreement dated as of February 13, 1998 (as further amended and in effect from time to time, the "Credit Agreement") by and among the Borrowers, the Banks and the Agent. Terms not otherwise defined herein which are defined in the Credit Agreement shall have the same respective meanings herein as therein.

WHEREAS, the Borrowers, the Banks and the Agent have agreed to modify certain terms and conditions of the Credit Agreement as specifically set forth in this First Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

s.1. Amendments to s.1 of the Credit Agreement. Section 1 of the Credit Agreement is hereby amended as follows:

(a) by deleting the date "September 30, 1999" occurring in the definition of "Maturity Date" contained in Section 1.1 and replacing it with "December 31, 1999".

(b) by deleting the language in clause (b) of the definition of "Consolidated Operating Cash Flow" contained in Section 1.1 and replacing it with "to the extent deducted in the calculation of Consolidated Net Income for such period, the aggregate amount of depreciation and amortization for such period, plus".

(c) by inserting in the appropriate alphabetical order the following definition:

Adjustment Date. The first day of the month immediately following the month in which a Compliance Certificate and the related financial statements were delivered by the Borrowers pursuant to ss.ss.6.4(a), (b) and (c) hereof.

(d) by inserting in the appropriate alphabetical order the following definition:

Applicable Margin.

(a) For each period commencing on an Adjustment Date through the date immediately preceding the next Adjustment Date, the Applicable Margin shall be the applicable percentage set forth below opposite the Funded Debt to EBITDA Ratio for Base Rate Loans or Eurodollar Loans, as applicable, as determined on the last day of each fiscal quarter of the Borrowers ending immediately prior to the Adjustment Date:

<TABLE>
<CAPTION>

Level	Funded Debt to EBITDA Ratio	Base Rate Loans Applicable Margin	Eurodollar Rate Loans Applicable Margin
<S>	<C>	<C>	<C>
I	(greater than) 2.5:1.0	0.25%	2.75%
II	(greater than or equal to) 1.5:1.0 and (less than or equal to) 2.5:1.0	0.00%	2.45%
III	(less than) 1.5:1.0	0.00%	2.15%

</TABLE>

For the purposes of this definition of Applicable Margin, the symbols "(less than)" and "(greater than)" shall mean "less than" and "greater than," respectively, and the symbols "(less than or equal to)" and "(greater than or equal to)" shall mean "less than or equal to" and "greater than or equal to," respectively.

(b) The Agent shall give prompt notice of any change in the Applicable Margin to the Borrowers and the Banks following the time of delivery to the Agent of the required quarterly financial statements and Compliance Certificate pursuant to ss.6.4(b) and (c).

(c) Notwithstanding the foregoing, the Applicable Margin shall not be lower than the percentages corresponding to Level I in the table above until the Adjustment Date next following the delivery

to the Banks and the Agent pursuant to the terms of s.6.4(c) of the financial statements of the Borrowers and their Subsidiaries, and the Compliance Certificate relating thereto, for the fiscal quarter ending July 11, 1998. In the event the Borrowers fail to deliver to the Agent and the Banks the quarterly financial statements and Compliance Certificate in accordance with ss.6.4(b) and (c), the Applicable Margin shall automatically be the highest Applicable Margin set forth above commencing on the date by which such financial statements and Compliance Certificate were required to have been delivered in accordance with ss.6.4(b) and (c) and continuing until the Adjustment Date following delivery of financial statements and a Compliance Certificate which illustrates that a lower Applicable Margin should apply.

(e) by inserting in the appropriate alphabetical order the following definition:

Consolidated EBITDA. For any specified period, the sum of (a) Consolidated Net Income for such period, plus (b) to the extent deducted in the calculation of Consolidated Net Income for such period, the aggregate amount of depreciation and amortization for such period, plus (c) to the extent deducted in the calculation of Consolidated Net Income for such period, Consolidated Total Interest Expense for such period, plus (d) to the extent deducted from the calculation of Consolidated Net Income, income tax expenditures for such period, in each case determined on a consolidated basis for the Borrowers and their Subsidiaries in accordance with generally accepted accounting principles.

(f) by inserting in the appropriate alphabetical order the following definition:

Consolidated Funded Debt. At any time, the sum of (a) the aggregate amount of Indebtedness of the Borrowers and their Subsidiaries on a consolidated basis, relating to the borrowing of money or the obtaining of credit or in respect of Capitalized Leases and including, without duplication, the Maximum Drawing Amount and all Unpaid Reimbursement Obligations of such Persons in respect of Letters of Credit outstanding and all guarantees of the foregoing types of Obligations.

(f) by inserting in the appropriate alphabetical order the following definition:

Funded Debt to EBITDA Ratio. With respect to each determination date, the ratio of (a) Consolidated Funded Debt of the Borrowers and their Subsidiaries outstanding on such date to (b) Consolidated EBITDA of the Borrowers and their Subsidiaries for the period of four (4) consecutive fiscal quarters ending on such date.

s.2. Amendment to s.2 of the Credit Agreement. Section 2.9 of the Credit Agreement is hereby amended by (a) inserting the word "and" prior to clause (ii) thereof, (b) inserting a period at the end of clause (ii) in place of the semicolon and (c) deleting clauses (iii) and (iv) thereof.

s.3. Amendment to s.4 of the Credit Agreement. Section 4.1 of the Credit Agreement is hereby amended by deleting such section in its entirety and replacing it with the following new Section 4.1:

s.4.1: Interest on Revolving Credit Loans.

(a) Except as otherwise increased pursuant to s.4.11 hereof, the outstanding amount of each Type of Revolving Credit Loan shall bear interest calculated as follows:

(i) the outstanding amount of each Revolving Credit Loan which is a Base Rate Loan shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin then applicable to Base Rate Loans; and

(ii) the outstanding amount of each Revolving Credit Loan which is a Eurodollar Rate Loan shall bear interest during each Interest Period relating thereto at a rate per annum equal to the Eurodollar Rate determined for each such Interest Period plus the Applicable Margin then applicable to Eurodollar Rate Loans.

(b) The Borrowers absolutely and unconditionally promise to pay interest on each type of Revolving Credit Loan in arrears on each Interest Payment Date with respect thereto.

s.4. Amendment to s.6 of the Credit Agreement. Section 6.4(c) of the Credit Agreement is hereby amended by inserting the clause ", the calculation of the Applicable Margin for the most recently ended period of four (4)

consecutive fiscal quarters," immediately following the phrase "contained in s.8 hereof".

s.5. Amendments to s.8 of the Credit Agreement Section 8 of the Credit Agreement is hereby amended as follows:

(a) Section 8.1 of the Credit Agreement is hereby amended by deleting such section in its entirety and replacing it with the following new Section 8.1:

s.8.1. Maximum Allowable Leverage Ratio. The Borrowers will not, at any time, permit the Leverage Ratio to exceed 1.45:1.00.

(b) Section 8.2 of the Credit Agreement is hereby amended by deleting such section in its entirety and replacing it with the following new Section 8.2:

s.8.2. Consolidated Capital Expenditures. The Borrowers will not permit Consolidated Capital Expenditures incurred during each period consisting of four (4) consecutive fiscal quarters and ending on a date set forth below, to exceed the amount set forth opposite such date in the table below:

<TABLE>
<CAPTION>

Fiscal Quarter Ending	Maximum Consolidated Capital Expenditures
<S>	<C>
7/11/98	$20,000,000
10/3/98 and thereafter	$23,000,000

</TABLE>

s.6. Amendment to Schedule 1.1(a). Schedule 1.1(a) of the Credit Agreement is hereby amended by deleting Schedule 1.1(a) in its entirety and replacing it with Schedule 1.1(a) attached hereto.

s.7. Representations and Warranties. Each of the Borrowers hereby repeats, on and as of the date hereof, each of the representations and warranties made in s.5 of the Credit Agreement as though such representations and warranties refer specifically to such Borrower, except to the extent of changes resulting from transactions contemplated or permitted by this First Amendment or the Credit Agreement and except to the extent that such representations and warranties relate expressly to an earlier date; provided, that, all references therein to the Credit Agreement shall refer to such Credit Agreement as amended hereby. No Default or Event of Default has occurred

and is continuing under the Credit Agreement after giving effect to this First Amendment.

s.8. Effectiveness. The effectiveness of this First Amendment shall be subject to the satisfaction of the following conditions precedent:

s.8.1. Loan Documents. This First Amendment shall have been duly executed and delivered to the Agent by each of the parties to the Credit Agreement.

s.8.2. No Default. No Default or Event of Default has occurred and is continuing under the Credit Agreement immediately after giving effect to this First Amendment.

s.9. Ratification, Etc. Except as expressly amended hereby, the Credit Agreement and all documents, instruments and agreements related thereto, including, but not limited to the Loan Documents, are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Credit Agreement and this First Amendment shall be read and construed as a single agreement. All references in the Credit Agreement or any related agreement or instrument to the Credit Agreement shall hereafter refer to the Credit Agreement as amended hereby.

s.10. No Waiver. Nothing contained herein shall constitute a waiver of, impair or otherwise affect any Obligations, any other obligation of the Borrowers or any rights of the Agent or the Banks consequent thereon.

s.11. Counterparts. This First Amendment may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

s.12. Governing Law. THIS FIRST AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as a document under seal as of the date first above written.

AU BON PAIN CO., INC.

By: /s/ LOUIS I. KANE
Name: Louis I. Kane
Title: Co-Chairman

SAINT LOUIS BREAD COMPANY, INC.

By: /s/ LOUIS I. KANE
Name: Louis I. Kane
Title: Executive Vice President

ABP MIDWEST MANUFACTURING CO., INC.

By: /s/ LOUIS I. KANE
Name: Louis I. Kane
Title: Executive Vice President

BANKBOSTON, N.A.
individually and as Agent

By: /s/ SHARON A. STONE
Name: Sharon A. Stone
Title: Director

USTRUST

By: /s/ P. JEFFREY HUTH
Name: P. Jeffrey Huth

Title: Vice President

SECOND AMENDMENT AND WAIVER
TO AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

Second Amendment and Waiver to Amended and Restated Revolving Credit Agreement dated as of October 14, 1998 (the "Second Amendment") by and among AU BON PAIN CO., INC., a Delaware corporation ("ABP"), SAINT LOUIS BREAD COMPANY, INC., a Delaware corporation ("Saint Louis Bread"), ABP MIDWEST MANUFACTURING CO., INC., a Delaware corporation ("ABP Midwest", and, collectively with ABP and Saint Louis Bread, the "Borrowers"), and BANKBOSTON, N.A., a national banking association, and USTRUST, a Massachusetts trust company (collectively, the "Banks"), and BANKBOSTON, N.A. as agent for the Banks (in such capacity, the "Agent"), amending certain provisions of the Amended and Restated Revolving Credit Agreement dated as of February 13, 1998 (as amended by the First Amendment to Amended and Restated Revolving Credit Agreement dated as of June 30, 1998 and as further amended and in effect from time to time, the "Credit Agreement") by and among the Borrowers, the Banks and the Agent. Terms not otherwise defined herein which are defined in the Credit Agreement shall have the same respective meanings herein as therein.

WHEREAS, the Borrowers, the Banks and the Agent have agreed to modify certain terms and conditions of the Credit Agreement as specifically set forth in this Second Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

s.1. Amendments to s.1 of the Credit Agreement. Section 1 of the Credit Agreement is hereby amended as follows:

(a) by deleting the definition of "Applicable Margin" in its entirety and hereby replacing it with the following definition:

Applicable Margin. The Applicable Margin for Base Rate Loans shall be the percentage 0.25%. The Applicable Margin for Eurodollar Loans shall be the percentage 2.75%.

s.2. Amendments to s.7 of the Credit Agreement Section 7 of the Credit Agreement is hereby amended as follows:

(a) Section 7.6 of the Credit Agreement is hereby amended by deleting the text of clause (i) after "provided that" and before "(ii)" and replacing it with the following:

> (i) any such Subsidiary (other than a Subsidiary which is a Borrower) may merge into, or convey, sell, lease or dispose of their assets to, any of the Borrowers or any wholly-owned Subsidiaries of the Borrowers,

s.3. Amendments to s.8 of the Credit Agreement Section 8 of the Credit Agreement is hereby amended as follows:

(a) Section 8.3 of the Credit Agreement is hereby amended by deleting the words after "(b)" and replacing them with the following:

> 1.60 to 1.00 for the four quarter period ending July 11, 1998; (c) 1.40 to 1.00 for each of the four quarter periods ending October 3, 1998 and December 26, 1998 and (d) 1.60 to 1.00 for any such four quarter period ending after December 26, 1998.

(b) Section 8.4 of the Credit Agreement is hereby amended by deleting such section in its entirety and replacing it with the following new Section 8.4:

> s.8.4. Profitable Operations. The Borrowers will not permit (a) Consolidated Net Income to be less than $1.00 for any period consisting of two consecutive fiscal quarters of the Borrowers ending prior to or after October 3, 1998, (b) Consolidated Net Deficit to be more than $700,000.00 for the period consisting of the single fiscal quarter ending October 3, 1998 and (c) Consolidated Net Income to be less than $1,500,000.00 for the period consisting of the single fiscal quarter ending December 26, 1998.

s.4. Waiver. The Borrowers have informed the Banks that as of the Borrowers' fiscal quarter ending July 11, 1998, the Borrowers are not in compliance with the covenant set forth in s.8.4 of the Credit Agreement resulting in an Event of Default under s.11(c) of the Credit Agreement (the "Existing Default"). The Borrowers hereby request that the Banks waive the Existing Default. In response to the Borrowers' request, the Banks hereby waive the Existing Default, provided, that the waiver contained herein shall operate solely with respect to the Existing Default as herein described and shall not impair any right or power accruing to the Banks with respect to any other Default or Event of Default which may now exist or any Default or Event of Default which may occur after the date hereof including without limitation any

Event of Default with respect to subsequent losses in violation of s.8.4 of the Credit Agreement.

s.5. Representations and Warranties. Each of the Borrowers hereby repeats, on and as of the date hereof, each of the representations and warranties made in ss.5 of the Credit Agreement as though such representations and warranties refer specifically to such Borrower, except to the extent of changes resulting from transactions contemplated or permitted by this Second Amendment or the Credit Agreement and except to the extent that such representations and warranties relate expressly to an earlier date; provided, that all references therein to the Credit Agreement shall refer to such Credit Agreement as amended hereby. No Default or Event of Default has occurred and is continuing under the Credit Agreement after giving effect to this Second Amendment.

s.6. Effectiveness. The effectiveness of this Second Amendment shall be subject to the satisfaction of the following conditions precedent:

s.6.1. Loan Documents. This Second Amendment shall have been duly executed and delivered to the Agent by each of the parties to the Credit Agreement.

s.6.2. No Default. No Default or Event of Default has occurred and is continuing under the Credit Agreement immediately after giving effect to this Second Amendment.

s.6.3. Waiver Fee. The Borrowers shall have paid to the Agent, for the pro rata accounts of the Banks, a waiver fee of $50,000.

s.7. Ratification, Etc. Except as expressly amended hereby, the Credit Agreement and all documents, instruments and agreements related thereto, including, but not limited to the Loan Documents, are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Credit Agreement and this Second Amendment shall be read and construed as a single agreement. All references in the Credit Agreement or any related agreement or instrument to the Credit Agreement shall hereafter refer to the Credit Agreement as amended hereby.

s.8. No Waiver. Except as expressly provided in s.4, nothing contained herein shall constitute a waiver of, impair or otherwise affect any Obligations, any other obligation of the Borrowers or any rights of the Agent or the Banks consequent thereon.

s.9. Counterparts. This Second Amendment may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

s.10. Governing Law. THIS SECOND AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as a document under seal as of the date first above written.

AU BON PAIN CO., INC.

By: /s/ ANTHONY J. CARROLL

Name: Anthony J. Carroll
Title: Chief Financial Officer

SAINT LOUIS BREAD COMPANY, INC.

By: /s/ ANTHONY J. CARROLL

Name: Anthony J. Carroll
Title: Chief Financial Officer

ABP MIDWEST MANUFACTURING CO., INC.

By: /s/ ANTHONY J. CARROLL

Name: Anthony J. Carroll
Title: Chief Financial Officer

BANKBOSTON, N.A.
individually and as Agent

By: /s/ BARBARA D. SEARLE

Name: Barbara D. Searle
Title: Vice President

USTRUST

By: /s/ P. JEFFREY HUTH

Name: P. Jeffrey Huth
Title: Vice President

THIRD AMENDMENT AND WAIVER

TO AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

This Third Amendment and Waiver to Amended and Restated Revolving Credit Agreement (this "Third Amendment") is made and entered into as of January 20, 1999, by and among AU BON PAIN CO., INC., a Delaware corporation ("ABP"), SAINT LOUIS BREAD COMPANY, INC., a Delaware corporation ("Saint Louis Bread"), ABP MIDWEST MANUFACTURING CO., INC., a Delaware corporation ("ABP Midwest", and, collectively with ABP and Saint Louis Bread, the "Borrowers"), and BANKBOSTON, N.A., a national banking association, and USTRUST, a Massachusetts trust company (collectively, the "Banks"), and BANKBOSTON, N.A. as agent for the Banks (in such capacity, the "Agent"), amending certain provisions of the Amended and Restated Revolving Credit Agreement dated as of February 13, 1998 (as amended by the First Amendment to Amended and Restated Revolving Credit Agreement dated as of June 30, 1998, the Second Amendment and Waiver to Amended and Restated Revolving Credit Agreement dated as of October 14, 1998 and as further amended and in effect from time to time, the "Credit Agreement") by and among the Borrowers, the Banks and the Agent. Terms not otherwise defined herein which are defined in the Credit Agreement shall have the same respective meanings herein as therein.

WHEREAS, the Borrowers are in the process of selling the part of their business generally known as Au Bon Pain (the "Sale");

WHEREAS, the United States Securities and Exchange Commission has instructed the Borrowers to take a one-time nonrecurring, non-cash charge as a result of the Sale in the Borrowers' fiscal quarter ending October 3, 1998; and

WHEREAS, the Borrowers, the Banks and the Agent have agreed to modify certain terms and conditions of the Credit Agreement as specifically set forth in this Third Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

s.1. Amendment to s.1 of the Credit Agreement. Section 1 of the Credit Agreement is hereby amended as follows:

(a) by inserting in the appropriate alphabetical order the following definition:

Sale Charge. The one-time, non-cash charge in an amount not to exceed $24,200,000.00 before taxes taken in the Borrower's fiscal quarter ending October 3, 1998 which is associated with the transfer by the Borrowers of substantially all of the operating assets, store leases, contracts and liabilities associated with the bakery cafe food service business concept generally known as Au Bon Pain (but in any event excluding the capital stock of Saint Louis Bread) to a corporation controlled by Bruckman, Rosser, Sherill & Co., Inc., a private equity investment firm based in New York.

(b) by deleting the definition of "Consolidated Net Income (or Deficit)" in its entirety and hereby replacing it with the following definition:

Consolidated Net Income (or Deficit). For any specified period, the net income (or deficit) (after taxes) of the Borrowers and their Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles after eliminating all extraordinary nonrecurring non-cash items of income, all extraordinary nonrecurring non-cash items of expense up to an annual maximum of $2,500,000, all inter-company items and, after eliminating, for purposes of determining compliance with s.8.3 for any period ending on or prior to April 17, 1999 and compliance with s.8.4 for the Borrower's fiscal quarter ending October 3, 1998, the Sale Charge in an amount not to exceed $24,200,000.00 before taxes in addition to other non-cash charges permitted to be eliminated hereunder.

s. 2. Waiver. The Borrowers have informed the Banks that as of the Borrower's fiscal quarter ending December 26, 1998, the Borrowers are not in compliance with the covenants set forth in ss.8.3 and 8.4 of the Credit Agreement resulting in Events of Default under s.11(c) of the Credit Agreement (the "Existing Defaults"). The Borrowers hereby request that the Banks waive the Existing Defaults. In response to the Borrowers' request, the Banks hereby waive the Existing Defaults, provided, that:

(a) the waiver contained herein shall operate solely with respect to the Existing Defaults as herein described;

(b) the Borrowers will not permit the ratio of Consolidated Operating Cash Flow, determined at the end of the Borrower's fiscal quarter ending December 26, 1998 for the period consisting of the four (4) consecutive fiscal

quarters then ending, to Consolidated Total Debt Service incurred during such four (4) quarter period, to be less than 1.05 to 1.00 calculated after giving effect to the amendments set forth in this Third Amendment;

(c) the Borrowers will not permit Consolidated Net Income to be less than $700,000.00 for the period consisting of the single fiscal quarter ending December 26, 1998 calculated after giving effect to the amendments set forth in this Third Amendment; and

(d) such waiver shall not impair any right or power accruing to the Banks with respect to any other Default or Event of Default which may now exist or any Default or Event of Default which may occur after the date hereof including without limitation any Event of Default which may be existing after April 17, 1998 as a consequence of the Sale Charge.

s. 3. Representations and Warranties. Each of the Borrowers hereby repeats, on and as of the date hereof, each of the representations and warranties made in s.5 of the Credit Agreement as though such representations and warranties refer specifically to such Borrower, except to the extent of changes resulting from transactions contemplated or permitted by this Third Amendment or the Credit Agreement and except to the extent that such representations and warranties relate expressly to an earlier date; provided, that all references therein to the Credit Agreement shall refer to such Credit Agreement as amended hereby. No Default or Event of Default has occurred and is continuing under the Credit Agreement after giving effect to this Third Amendment.

s. 4. Effectiveness. The effectiveness of this Third Amendment shall be subject to the satisfaction of the following conditions precedent:

s. 4.1 Loan Documents. This Third Amendment shall have been duly executed and delivered to the Agent by each of the parties to the Credit Agreement.

s. 4.2. No Default. No Default or Event of Default has occurred and is continuing under the Credit Agreement immediately after giving effect to this Third Amendment.

s. 4.3. Waiver Fee. The Borrowers shall have paid to the Agent, for the pro rata accounts of the Banks, a waiver fee of $10,000.00.

s. 5. Ratification, Etc. Except as expressly amended hereby, the Credit Agreement and all documents, instruments and agreements related thereto, including, but not limited to the Loan Documents, are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Credit Agreement and this Third Amendment shall be read and construed as a single agreement. All references in the Credit Agreement or any related agreement or instrument to the Credit Agreement shall hereafter refer to the Credit Agreement as amended hereby.

s. 6. No Waiver. Except as expressly provided in ss.2, nothing contained herein shall constitute a waiver of, impair or otherwise affect any Obligations, any other obligation of the Borrowers or any rights of the Agent or the Banks consequent thereon.

s. 7. Counterparts. This Third Amendment may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

s. 8. Governing Law. THIS THIRD AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment as a document under seal as of the date first above written.

AU BON PAIN CO., INC.

By: /s/Anthony J. Carroll

Name: Anthony J. Carroll
Title: Treasurer

SAINT LOUIS BREAD COMPANY, INC.

By: /s/ Anthony J. Carroll

Name: Anthony J. Carroll
Title: Treasurer

ABP MIDWEST MANUFACTURING CO., INC.

By: /s/ Anthony J. Carroll

Name: Anthony J. Carroll
Title: Treasurer

BANKBOSTON, N.A.
individually and as Agent

By: /s/Thomas P. Tansi

Name: Thomas P. Tansi
Title: Vice President

USTRUST

By: /s/ P. Jeffrey Huth

Name: P. Jeffrey Huth
Title: Vice President

FOURTH AMENDMENT AND WAIVER
TO AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

This Fourth Amendment and Waiver to Amended and Restated Revolving Credit Agreement (this "Fourth Amendment") is made and entered into as of March 25, 1999, by and among AU BON PAIN CO., INC., a Delaware corporation ("ABP"), SAINT LOUIS BREAD COMPANY, INC., a Delaware corporation ("Saint Louis Bread"), ABP MIDWEST MANUFACTURING CO., INC., a Delaware corporation ("ABP Midwest", and, collectively with ABP and Saint Louis Bread, the "Borrowers"), and BANKBOSTON, N.A., a national banking association, and USTRUST, a Massachusetts trust company (collectively, the "Banks"), and BANKBOSTON, N.A. as agent for the Banks (in such capacity, the "Agent"), amending certain provisions of the Amended and Restated Revolving Credit Agreement dated as of February 13, 1998 (as amended by the First Amendment to Amended and Restated Revolving Credit Agreement dated as of June 30, 1998, the Second Amendment and Waiver to Amended and Restated Revolving Credit Agreement dated as of October 14, 1998, the Third Amendment and Waiver to Amended and Restated Revolving Credit Agreement dated as of January 20, 1999 and as further amended and in effect from time to time, the "Credit Agreement") by and among the Borrowers, the Banks and the Agent. Terms not otherwise defined herein which are defined in the Credit Agreement shall have the same respective meanings herein as therein.

WHEREAS, the Borrowers, the Banks and the Agent have agreed to modify certain terms and conditions of the Credit Agreement as specifically set forth in this Fourth Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

s. 1. Amendment to s.1 of the Credit Agreement. Section 1 of the Credit Agreement is hereby amended as follows:

(a) by deleting the definition of "Consolidated Net Income (or Deficit)" in its entirety and hereby replacing it with the following definition:

> Consolidated Net Income (or Deficit). For any specified period, the net income (or deficit) (after taxes) of the Borrowers and their Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles after eliminating all extraordinary

nonrecurring non-cash items of income, all extraordinary nonrecurring non-cash items of expense up to an annual maximum of $2,500,000, all inter-company items and, after eliminating, for purposes of determining compliance with s.8.3 for any period and compliance with s.8.4 for the Borrower's fiscal quarter ending October 3, 1998, the Sale Charge in an amount not to exceed $24,200,000.00 before taxes in addition to other non-cash charges permitted to be eliminated hereunder.

s. 2. Representations and Warranties. Each of the Borrowers hereby repeats, on and as of the date hereof, each of the representations and warranties made in s.5 of the Credit Agreement as though such representations and warranties refer specifically to such Borrower, except to the extent of changes resulting from transactions contemplated or permitted by this Fourth Amendment or the Credit Agreement and except to the extent that such representations and warranties relate expressly to an earlier date; provided, that all references therein to the Credit Agreement shall refer to such Credit Agreement as amended hereby. No Default or Event of Default has occurred and is continuing under the Credit Agreement after giving effect to this Fourth Amendment.

s. 3. Effectiveness. The effectiveness of this Fourth Amendment shall be subject to the satisfaction of the following conditions precedent:

s. 3.1 Loan Documents. This Fourth Amendment shall have been duly executed and delivered to the Agent by each of the parties to the Credit Agreement.

s. 3.2. No Default. No Default or Event of Default has occurred and is continuing under the Credit Agreement immediately after giving effect to this Fourth Amendment.

s. 4. Ratification, Etc. Except as expressly amended hereby, the Credit Agreement and all documents, instruments and agreements related thereto, including, but not limited to the Loan Documents, are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Credit Agreement and this Fourth Amendment shall be read and construed as a single agreement. All references in the Credit Agreement or any related agreement or instrument to the Credit Agreement shall hereafter refer to the Credit Agreement as amended hereby.

s. 5. No Waiver. Nothing contained herein shall constitute a waiver of, impair or otherwise affect any Obligations, any other obligation of the Borrowers or any rights of the Agent or the Banks consequent thereon.

s. 6. Counterparts. This Fourth Amendment may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

s. 7. Governing Law. THIS FOURTH AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amendment as a document under seal as of the date first above written.

AU BON PAIN CO., INC.

By: /s/ Anthony J. Carroll

Name: Anthony J. Carroll
Title: Chief Financial Officer

SAINT LOUIS BREAD COMPANY, INC.

By: /s/ Anthony J. Carroll

Name: Anthony J. Carroll
Title: Chief Financial Officer

ABP MIDWEST MANUFACTURING CO., INC.

By: /s/ Anthony J. Carroll

Name: Anthony J. Carroll
Title: Chief Financial Officer

BANKBOSTON, N.A.
individually and as Agent

By: /s/ Thomas P. Tansi

Name: Thomas P. Tansi
Title: Vice President

USTRUST

By: /s/ P. Jeffrey Huth

Name: P. Jeffrey Huth
Title: Vice President

Exhibit 21

SUBSIDIARIES

<TABLE>
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Name	Percentage (Voting Power) Owned
ABP Midwest Manufacturing Co., Inc.	100%
Au Bon Pain Corporation*	100%
Au Bon Pain Fairlane Corporation*	100%
Au Bon Pain Foundation, Inc.	100%
Au Bon Pain Properties, Inc.*	100%
Pain Francais, Inc.	75%
Saint Louis Bread Company, Inc.	100%
ABP Equipment Company	100%
ABP Holdings, Inc.	100%
The Joint Ventures Organized and Operated Pursuant to the ABP/LI Associates Joint Venture Agreement	51-90% Varied Ownership

</TABLE>

* Inactive

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Au Bon Pain Co., Inc. on Form S-8 (File Nos. 33-01668, 33-46682, 33-46683, and 33-96510) and Form S-3 (File No. 33-82292) of our report dated February 17, 1999, except for Notes 5 and 8, as to which the date is March 25, 1999, Note 17, as to which the date is March 4, 1999 and on our audits of the consolidated financial statements and financial statement schedules of Au Bon Pain Co., Inc. as of December 26, 1998 and December 27, 1997, and for each of the three years in the period ended December 26, 1998, which report is included in this Annual Report on Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP

Boston, Massachusetts
March 26, 1999

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