SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2002-11-08** | Period of Report: **2002-09-28**
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FILER

MRS FIELDS ORIGINAL COOKIES INC

CIK:**1043482**| IRS No.: **870552899** | State of Incorp.:**DE** | Fiscal Year End: **1231**
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SIC: **2052** Cookies & crackers

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended: September 28, 2002

or

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

For the Transition Period from _____________ to _____________

Commission File Number: 333-45179

MRS. FIELDS' ORIGINAL COOKIES, INC.

(Exact name of registrant specified in its charter)

DELAWARE	**87-0552899**
(State or other jurisdiction of incorporation or organization)	(IRS employer identification no.)
2855 East Cottonwood Parkway, Suite 400 **Salt Lake City, Utah** (Address of principal executive offices)	**84121-7050** (Zip code)

(801) 736-5600
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

The registrant had 400 shares of common stock, $0.01 par value, outstanding at November 1, 2002.

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

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PART I–FINANCIAL INFORMATION

ITEM 1. Financial Statements

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)
(Dollars in thousands)

ASSETS

	September 28, 2002	December 29, 2001
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,132	$ 3,503
Accounts receivable, net of allowance for doubtful accounts of $50 and $61, respectively	2,224	2,513
Amounts due from franchisees and licensees, net of allowance for doubtful accounts of $957 and $1,083, respectively	3,093	4,584
Amounts due from affiliates	303	552
Inventories	3,298	3,987
Prepaid rent and other	716	399
Assets held for sale	–	1,664
Total current assets	11,766	17,202
PROPERTY AND EQUIPMENT, at cost:		
Leasehold improvements	35,583	42,205
Equipment and fixtures	29,086	29,091
Land	240	240
	64,909	71,536
Less accumulated depreciation and amortization	(41,750)	(36,943)
Net property and equipment	23,159	34,593
GOODWILL, net	64,114	105,513
TRADEMARKS AND OTHER INTANGIBLES, net of accumulated amortization of $7,579 and $6,728, respectively	11,082	12,627
DEFERRED LOAN COSTS, net of accumulated amortization of $10,975 and $9,263, respectively	4,233	5,945
AMOUNTS DUE FROM AFFILIATES	1,500	–
OTHER ASSETS	602	457
	$ 116,456	$ 176,337

The accompanying notes to condensed consolidated financial statements
are an integral part of these balance sheets.

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Dollars in thousands, except share data)

LIABILITIES AND STOCKHOLDER'S DEFICIT

	September 28, 2002	December 29, 2001
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 1,829	$ 1,715
Current portion of capital lease obligations	441	850
Accounts payable	9,287	16,296
Bank borrowings under line of credit	7,107	8,990
Accrued liabilities	2,992	3,152
Current portion of store closure reserve	724	1,182
Accrued salaries, wages and benefits	4,990	4,219
Accrued interest payable	4,728	1,163
Sales taxes payable	625	1,122
Amounts due to affiliates	831	881
Current portion of deferred revenue	23	73
Total current liabilities	33,577	39,643
LONG-TERM DEBT, net of current portion and discount	140,563	141,849
CAPITAL LEASE OBLIGATIONS, net of current portion	237	559
STORE CLOSURE RESERVE, net of current portion	1,353	1,857
DEFERRED REVENUE, net of current portion	3,781	965
Total liabilities	179,511	184,873
MINORITY INTEREST	7	38
STOCKHOLDER'S DEFICIT:		
Common stock, $.01 par value; 1,000 shares authorized, 400 shares outstanding	–	–
Additional paid-in capital	63,889	63,889
Accumulated deficit	(126,853)	(72,371)
Accumulated other comprehensive loss	(98)	(92)
Total stockholder's deficit	(63,062)	(8,574)
	$ 116,456	$ 176,337

The accompanying notes to condensed consolidated financial statements are an integral part of these balance sheets.

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)
(Dollars in thousands)

	13 Weeks Ended	
	September 28, 2002	September 29, 2001
REVENUES:		
Net store and food sales	$ 27,701	$ 30,462
Franchising and licensing	7,440	6,797
Mail order	2,065	1,623
Management fee revenue	2,825	3,072
Other operating revenue	11	19
Total revenues	40,042	41,973
OPERATING COSTS AND EXPENSES:		
Selling and store occupancy costs	17,514	18,410
Cost of sales−store and food	6,624	7,360
Franchising and licensing	1,714	1,828
Mail order	1,133	1,026
General and administrative	10,191	10,336
Store closure (reversal) provision	(52)	176
Wal-Mart restructuring costs	2,199	−
Depreciation	1,098	2,909
Amortization−goodwill and intangibles	326	2,816
Total operating costs and expenses	40,747	44,861
Loss from operations	(705)	(2,888)
OTHER EXPENSE, net:		
Interest expense, net	(4,325)	(4,392)
Other income (expense), net	1,153	(23)
Total other expense, net	(3,172)	(4,415)
Loss before provision for income taxes and minority interest	(3,877)	(7,303)
Provision for income taxes	(7)	(102)
Loss before minority interest	(3,884)	(7,405)
Minority interest	8	4
Net loss	$ (3,876)	$ (7,401)
COMPREHENSIVE LOSS:		

Net loss	$ (3,876)	$ (7,401)
Foreign currency translation adjustment	31	(13)
Comprehensive loss	$ (3,845)	$ (7,414)

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)
(Dollars in thousands)

	39 Weeks Ended	
	September 28, 2002	**September 29, 2001**
REVENUES:		
Net store and food sales	$ 86,397	$ 89,199
Franchising and licensing	22,828	21,444
Mail order	6,676	5,938
Management fee revenue	8,715	9,347
Other operating revenue	1,731	115
Total revenues	126,347	126,043
OPERATING COSTS AND EXPENSES:		
Selling and store occupancy costs	55,153	53,775
Cost of sales−store and food	20,655	20,565
Franchising and licensing	5,465	5,568
Mail order	3,696	3,530
General and administrative	29,277	26,772
Store closure (reversal) provision	(13)	74
Wal-Mart restructuring costs	7,487	−
Depreciation	6,944	8,233
Amortization−goodwill and intangibles	950	9,229
Total operating costs and expenses	129,614	127,746
Loss from operations	(3,267)	(1,703)
OTHER EXPENSE, net:		
Interest expense, net	(13,042)	(13,093)
Other income, net	1,025	64
Total other expense, net	(12,017)	(13,029)

Loss before provision for income taxes, minority interest and cumulative effect of accounting change	(15,284)	(14,732)
Provision for income taxes	(118)	(115)
Loss before minority interest and cumulative effect of accounting change	(15,402)	(14,847)
Minority interest	32	8
Loss before cumulative effect of accounting change	(15,370)	(14,839)
Loss from cumulative effect of accounting change	(39,111)	–
Net loss	$ (54,481)	$ (14,839)
COMPREHENSIVE LOSS:		
Net loss	$ (54,481)	$ (14,839)
Foreign currency translation adjustment	(6)	(48)
Comprehensive loss	$ (54,487)	$ (14,887)

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(Dollars in thousands)

	39 Weeks Ended	
	September 28, 2002	**September 29, 2001**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (54,481)	$ (14,839)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss from cumulative effect of accounting change	39,111	–
Depreciation and amortization	7,894	17,462
Asset write off–Wal-Mart locations	6,969	–
Amortization of deferred loan costs and accretion of loan discount	1,763	1,970
Gain on disposition of assets	(1,102)	(80)
Minority interest	(31)	(23)
Changes in assets and liabilities:		
Accounts receivable	289	1,414
Amounts due from franchisees and licensees	1,491	(118)
Amounts due to/from affiliates	(1,301)	475
Inventories	689	999

Prepaid rent and other	(317)	(968)
Other assets	1,519	(646)
Accounts payable	(7,800)	678
Accrued liabilities	(161)	(762)
Store closure reserve	(962)	(945)
Accrued salaries, wages and benefits	771	143
Accrued interest payable	3,565	3,583
Sales taxes payable	(497)	(386)
Deferred revenue	2,766	417
Net cash provided by operating activities	175	8,374
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,602)	(14,742)
Proceeds from sale of property and equipment	7,108	158
Net cash provided by (used in) investing activities	1,506	(14,584)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings under line of credit	(1,883)	6,561
Drafts in transit in excess of borrowing availability	791	–
Principal payments on long-term debt	(1,223)	(480)
Principal payments on capital lease obligations	(731)	(742)
Net cash (used in) provided by financing activities	(3,046)	5,339
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	(6)	(48)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,371)	(919)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,503	3,511
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,132	$ 2,592
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 9,323	$ 7,572
Cash paid for income taxes	$ 77	$ 122

The accompanying notes to condensed consolidated financial statements
are an integral part of these statements.

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by Mrs. Fields' Original Cookies, Inc. and subsidiaries ("Mrs. Fields" or the "Company") in accordance with the rules and regulations of the Securities and Exchange Commission for Form 10-Q and, accordingly, do not include all of the information and footnotes required by accounting principles generally accepted in the United States. In the opinion of management, these condensed consolidated financial statements reflect all adjustments, which consist only of normal recurring adjustments, necessary to present fairly the financial position of Mrs. Fields as of September 28, 2002 and December 29, 2001, and the results of its operations and its cash flows for the periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 29, 2001 contained in Mrs. Fields' Annual Report on Form 10-K.

The results of operations for the 13 and 39 weeks ended September 28, 2002 are not necessarily indicative of the results that may be expected for the remainder of the fiscal year ending December 28, 2002. Loss per share information is not presented as Mrs. Fields is wholly owned by Mrs. Fields' Holding Company, Inc. ("Mrs. Fields' Holding") and, therefore, its shares are not publicly traded. Mrs. Fields' Holding is a wholly owned subsidiary of Mrs. Fields Famous Brands, Inc., ("Famous Brands").

(2) RECLASSIFICATIONS

Certain reclassifications have been made to the prior period's condensed consolidated financial statements to conform with the current period's presentation.

(3) WAL-MART RESTRUCTURING COSTS

Based upon historical and current operating trends of the Wal-Mart locations, and to eliminate future operational losses from these locations, management determined to close the Company's stores located within Wal-Mart. The Company negotiated a release from these locations from Wal-Mart effective September 28, 2002. During the 13 weeks and 39 weeks ended September 28, 2002, the Company recorded a non-cash charge of $1.7 million and $7.0 million, respectively, for the write-off of the leasehold improvements and store assets located within Wal-Mart. In addition the Company incurred exit costs of $518,000 associated with loss of inventory and other costs. The Company has no further obligations for these store locations. Management does not anticipate any further costs or charges related to these locations in the future.

(4) RELATED PARTY TRANSACTIONS

The Company is party to various related party transactions with its parent company, Mrs. Fields' Holding, and with TCBY Holding Company, Inc. and its subsidiaries ("TCBY"), a wholly owned subsidiary of Famous Brands. The intercompany balance due to Mrs. Fields' Holding is principally the amount due under an Assignment and Assumption Agreement entered into on December 29, 2001 for the assignment of 20 Pretzel Time stores formerly owned and operated by Mrs. Fields' Holding.

Amounts receivable from TCBY primarily represent amounts receivable under a management agreement, with the retention amount receivable classified as long-term, and amounts receivable under a license agreement with TCBY for the sale and distribution by TCBY of Mrs. Fields branded premium ice cream.

Amounts due to Riverport Equipment and Distribution Company ("Riverport"), a subsidiary of TCBY, are for purchases of supplies and equipment used in the Company owned and operated stores.

Amounts due to/from affiliates and the Company's minority owned subsidiary as of September 28, 2002 and December 29, 2001 are as follows (in thousands):

	September 28, 2002	December 29, 2001
Amounts due from affiliates:		
UVEST−minority interest subsidiary	$ 157	$ 131

Riverport	–	406
TCBY	146	15
	303	552
TCBY–retention amount, long-term	1,500	–
	$ 1,803	$ 552
Amounts due to affiliates:		
Mrs. Fields' Holding–note payable	$ 426	$ 607
Mrs. Fields' Holding	273	274
Riverport	132	–
	$ 831	$ 881

Capricorn Investors III, L.P., a stockholder of Famous Brands, has provided the lender of the Company's line of credit a guarantee of the lesser amount of $3.5 million or 50.0 percent of the aggregate amount of such lender's funding commitment.

(5) STORE CLOSURE RESERVE

The Company's management reviews the historical and projected operating performance of its stores on a periodic basis to identify under-performing stores for impairment of net property investment or for targeted closing. The Company's policy is to recognize a loss for that portion of the net property investment determined to be impaired. Additionally, when a store is identified for targeted closing, the costs of closing the store are reserved. These costs consist primarily of estimated lease termination costs. Lease termination costs include both one-time settlement payments and continued contractual payments over time under the original lease agreements where no settlement can be reached with the landlord. As a result, although all stores targeted for closure may have been closed, the store closure reserve will continue to have a balance until all cash payments have been made. The Company does not accrue for future expected operating losses.

Management periodically reassesses the remaining store closure reserves based on all available relevant data. If and when a reserve that was established as part of purchase accounting is not fully utilized, the Company reduces the reserve accordingly. Reserves for closed stores that are settled on terms more favorable than were originally estimated and expensed through the store closure provision are reversed through the store closure provision (reversal) in the statement of operations. As of September 28, 2002, the remaining store closure reserve was $2.1 million.

Consolidated Analysis

The following table presents a summary of the activity in the store closure reserve during the 39 weeks ended September 28, 2002 and September 29, 2001 (in thousands):

Mrs. Fields, Inc. and Original Cookie Co		Pretzel Time		Great American		Pretzelmaker		Consolidated		
Business Combination and Subsequent Adjustments	Company Owned Stores Unrelated to Acquisition	Business Combination and Subsequent Adjustments	Company Owned Stores Unrelated To Acquisition	Business Combination and Subsequent Adjustments	Company Owned Stores Unrelated to Acquisition	Business Combination and Subsequent Adjustments	Company Owned Stores Unrelated to Acquisition	Business Combination and Subsequent Adjustments	Company Owned Stores Unrelated to Acquisition	Total Business Combinations and Company Owned Stores

Balance, December 29, 2001	$ 515	$ 1,348	$ 318	$ 202	$ 549	$ –	$ 75	$ 32	$ 1,457	$ 1,582	$ 3,039
Utilization for the 39 weeks ended September 28, 2002	(151)	(382)	(43)	(90)	(183)	–	(21)	(21)	(398)	(493)	(891)
Additional reserves (reversal) for continuing Company owned and franchised stores targeted for closure	4	(3)	–	(64)	–	–	–	(8)	4	(75)	(71)
Balance, September 28, 2002	$ 368	$ 963	$ 275	$ 48	$ 366	$ –	$ 54	$ 3	$ 1,063	$ 1,014	$ 2,077
Balance, December 30, 2000	$ 863	$ 1,219	$ 424	$ 85	$ 1,113	$ –	$ 75	$ –	$ 2,475	$ 1,304	$ 3,779
Reversal during the 39 weeks ended September 29, 2001	(280)	(60)	(12)	(5)	(158)	–	–	–	(450)	(65)	(515)
Utilization for the 39 weeks ended September 29, 2001	(238)	(377)	(84)	(44)	(219)	–	(21)	(45)	(562)	(466)	(1,028)
Additional reserves for continuing Company owned and franchised stores targeted for closure	118	364	6	1	–	–	28	81	152	446	598
Balance, September 29, 2001	$ 463	$ 1,146	$ 334	$ 37	$ 736	$ –	$ 82	$ 36	$ 1,615	$ 1,219	$ 2,834

(6) REPORTABLE SEGMENTS

Operating segments are components of the Company for which separate financial information is available that is evaluated regularly by management to decide how to allocate resources and assess performance. This information is reported on the basis that it is used internally for evaluating segment performance. Mrs. Fields has four reportable operating segments; namely, Company owned stores and related activity, franchising activity, licensing activity, and mail order activity. The segments are determined by revenue source: Company owned stores, franchising, licensing, and mail order. The Company owned stores segment consists of both cookie and pretzel stores owned and operated by Mrs. Fields along with sales of branded cookie dough to retailers. The franchising segment consists of cookie and pretzel stores, which are owned and operated by third parties who pay Mrs. Fields an initial franchise or license fee and monthly royalties based on a percentage of sales. The licensing and other segment consists of royalties and license fees associated with non-traditional store locations and other product licensing activity not related to cookie or pretzel stores. The mail order segment includes sales generated from the Company's mail order gift catalog and web site. Sales and transfers between segments are eliminated in consolidation.

Mrs. Fields evaluates the performance of each operating segment based on contribution margin. Contribution margin is computed as the difference between the revenues generated by a reportable segment and the selling and store occupancy costs and cost of sales related to that reportable segment. Mrs. Fields does not allocate any revenue generated from the TCBY management fee, general and administrative expense, other income (expense), interest expense, depreciation and amortization, or assets to its reportable operating segments. Mrs. Fields does not separate the costs incurred while performing activities for the TCBY Management Agreement from costs of operating Mrs. Fields, as most of Mrs. Fields' employees support both companies. Therefore, the activity of managing TCBY is not reported as a separate segment. Segment revenue and contribution margin are presented in the following table (in thousands):

	Company Owned Stores	Franchising	Licensing and Other	Mail Order	Total
13 weeks ended September 28, 2002					
Revenue	$ 27,701	$ 6,312	$ 1,128	$ 2,065	$ 37,206
Contribution margin	3,563	4,598	1,128	932	10,221
13 weeks ended September 29, 2001					
Revenue	$ 30,462	$ 6,043	$ 754	$ 1,623	$ 38,882
Contribution margin	4,692	4,215	754	597	10,258
39 weeks ended September 28, 2002					
Revenue	$ 86,397	$ 18,351	$ 4,477	$ 6,676	$ 115,901
Contribution margin	10,589	12,886	4,477	2,980	30,932
39 weeks ended September 29, 2001					
Revenue	$ 89,199	$ 17,595	$ 3,849	$ 5,938	$ 116,581
Contribution margin	14,859	12,027	3,849	2,408	33,143

The reconciliation of contribution margin to net loss is as follows (in thousands):

	13 Weeks Ended		39 Weeks Ended	
	September 28, 2002	September 29, 2001	September 28, 2002	September 29, 2001
Contribution margin	$ 10,221	$ 10,258	$ 30,932	$ 33,143
Management fee revenue	2,825	3,072	8,715	9,347
Other operating revenue	11	19	1,731	115
General and administrative expense	(10,191)	(10,336)	(29,277)	(26,772)
EBITDA(1)	2,866	3,013	12,101	15,833
Store closure reversal (provision)	52	(176)	13	(74)
Wal-Mart restructuring, depreciation and amortization	(3,623)	(5,725)	(15,381)	(17,462)

Interest expense, net		(4,325)		(4,392)		(13,042)		(13,093)
Other income (expense), net		1,154		(121)		939		(43)
Loss before cumulative effect of accounting change		(3,876)		(7,401)		(15,370)		(14,839)
Loss from cumulative effect of accounting change		–		–		(39,111)		–
Net loss	$	(3,876)	$	(7,401)	$	(54,481)	$	(14,839)

(1) EBITDA consists of earnings before store closure reversal (provision), impairment and restructuring costs, depreciation, amortization, interest, income taxes, minority interest, other

income or expense and cumulative effect of accounting change. EBITDA is not intended to represent cash flows from operations as defined by accounting principles generally accepted in the United States and should not be considered as an alternative to net income (loss) as an indicator of operating performance or to cash flows as a measure of liquidity. EBITDA has been included in this presentation because it is one of the indicators by which Mrs. Fields assesses its financial performance and its capacity to service its debt. EBITDA may not be comparable to other similarly titled measures.

The assets of the Company primarily relate to Company owned stores and related activity. Assets relating to franchising and licensing activity are primarily amounts due from franchisees and licensees and goodwill relating to franchising concepts.

The Company has one licensee, Nonni's Food Company, Inc. ("Nonni's"), that accounted for $236,000 and $2.9 million, 20.9 percent and 64.8 percent, of the revenue of the licensing and other business segment for the 13 and 39 weeks ended September 28, 2002, respectively, and $313,000 and $2.7 million, 41.5 percent and 70.1 percent, of the revenue of the licensing and other business segment for the 13 and 39 weeks ended September 29, 2001, respectively. The Company has one customer, Quill Corporation ("Quill"), that accounted for $689,000 and $1.6 million, 33.3 percent and 23.6 percent, of revenue of the mail order business segment for the 13 weeks and 39 weeks ended September 28, 2002, respectively, and $386,000 and $1.1 million, 23.7 percent and 18.2 percent, of the revenues of the mail order business segment for the 13 weeks and 39 weeks ended September 29, 2001, respectively. There were no other customers or licensees that accounted for more than 10.0 percent of Mrs. Fields' total revenue or any individual segment's revenue. At September 28, 2002, the Company has a receivable of approximately $1.0 million from Nonni's which represents 15.1 percent of the Company's total combined receivables. At September 28, 2002, the Company has deferred revenue of $2.1 million under the Nonni's licensing agreement. This amount will be recognized into income during the fiscal years of 2003 and 2004. Under the license agreement, the Company is allowed to appoint a designate to serve as a director on Nonni's board of directors. Michael Ward, the Company's Senior Vice President and General Counsel, currently serves in that capacity.

(7) TAX SHARING DISTRIBUTION

The Company and Mrs. Fields' Holding have entered into a tax sharing agreement under the terms of which the Company distributed $300,000 to Mrs. Fields' Holding during the 39 weeks ended September 29, 2001. The Company did not make any tax sharing distributions during the 39 weeks ended September 28, 2002.

(8) ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENT

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS 142 is effective for fiscal years beginning after December 15, 2001 for all goodwill and other recognized intangible assets. The statement changes the accounting for goodwill and other indefinite life intangible assets from an amortization method to an impairment only approach. Upon the Company's adoption of SFAS No. 142 on December 30, 2001, amortization of current goodwill ceased.

In connection with SFAS 142's transitional goodwill impairment evaluation, the Statement required the Company to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. To accomplish this, the Company identified its reporting units and determined the carrying value of each reporting unit by assigning the assets and liabilities, including goodwill and intangible assets, to those reporting units as of the date of adoption. The Company, through an independent appraisal firm, determined the fair value of each reporting unit and compared it to the carrying amount of the reporting unit. The carrying amount of the "corporate owned stores" reporting unit exceeded the fair value of the reporting unit indicating goodwill impairment.

The Company compared the implied fair value of the "corporate owned stores" reporting unit's goodwill with the carrying amount of its goodwill, both of which are measured as of the date of adoption. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all of the assets (recognized and unrecognized) and liabilities of the reporting unit in a manner similar to a purchase price allocation, in accordance with SFAS 141. As a result, the Company recorded a non-cash charge of approximately $39.1 million to reduce the carrying value of the goodwill associated with its "company owned store" reporting unit. Such charge is non-operational in nature and is reflected as a cumulative effect of an accounting change in the accompanying condensed consolidated statements of operations and comprehensive loss. Included in "corporate owned stores" assets are recognized assets, tradenames, trademarks, and recipes, whose implied fair values exceed the current carrying value of the assets by approximately $35.0 million. Since, SFAS 142 does not allow for any step up in the carrying value of the assets, the allocated fair value necessitated the $39.1 million reduction in goodwill.

The following outlines the impact of SFAS 142 on net income as a result of non-amortization of goodwill (in thousands):

	13 Weeks Ended		39 Weeks Ended	
	September 28, 2002	September 29, 2001	September 28, 2002	September 29, 2001
Loss before cumulative effect of accounting change	$ (3,876)	$ (7,401)	$ (15,370)	$ (14,839)
Add back: Goodwill amortization	–	2,437	–	7,954
Adjusted loss before cumulative effect of accounting change	(3,876)	(4,964)	(15,370)	(6,885)
Loss from cumulative effect of accounting change	–	–	(39,111)	–
Adjusted net loss	$ (3,876)	$ (4,964)	$ (54,481)	$ (6,885)

(9) GOODWILL AND OTHER INTANGIBLES

The following outlines the Company's goodwill by reporting segment (in thousands):

	Company Owned Stores	Franchising	Licensing and Other	Mail Order	Total
Balance at December 29, 2001	$ 41,399	$ 60,403	$ 1,852	$ 1,859	$ 105,513
Goodwill disposed off in connection with store asset sales	(2,288)	–	–	–	(2,288)
Impairment under SFAS 142	(39,111)	–	–	–	(39,111)
Balance at September 28, 2002	$ –	$ 60,403	$ 1,852	$ 1,859	$ 64,114

Trademarks and other intangible assets are comprised of definite lived assets. Trademarks, tradenames and recipes are amortized over 15 years while franchise license rights and covenants not to compete are amortized over 5-7 years. The following outlines the Company's trademarks and other intangibles as of September 28, 2002 and December 29, 2001 (in thousands):

	September 28, 2002	December 29, 2001
Trademarks and tradenames	$ 12,000	$ 12,000
Recipes	4,000	4,000
Licenses and other	2,661	3,355
	18,661	19,355
Accumulated amortization	(7,579)	(6,728)
	$ 11,082	$ 12,627

(10) RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, except for obligations of lessees and the associated asset retirement costs. SFAS No. 143 requires that the fair value of the liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company has not yet assessed the impact of SFAS No. 143 on the Company's financial position and results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statement No. 4, 44 and 64, Amendment of FASB Statement No. 39, and Technical Corrections." The Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishments of Debt," and an amendment of that Statement, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." SFAS No. 145 recognizes that the use of debt extinguishments can be a part of the risk management strategy of a company and hence, the classification of all early extinguishments of debt as an extraordinary item may no longer be appropriate. In addition, the Statement amends SFAS No. 39, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Provisions of this Statement, as they relate to Statement No. 39, are to be effective for transactions occurring after May 15, 2002. Provisions, which relate to Statement No. 4, are effective for fiscal years beginning after May 15, 2002. The Company has not yet assessed the impact of SFAS No. 145 on the Company's financial position and results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 is effective for transactions initiated after December 31, 2002. Under SFAS No. 146, a company will record a liability for a cost associated with an exit or disposal activity when that liability is incurred and can be measured at fair value. A liability is incurred when an event obligates the entity to transfer or use assets. The Company has not yet assessed the impact of SFAS No. 146 on the Company's financial position and results of operations.

(11) SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The Company's obligation related to its Senior Notes due 2004 is fully and unconditionally guaranteed on a joint and several basis and on a senior basis by four of the Company's wholly owned subsidiaries (the "Guarantors"). The total principal amount of these notes is $140.0 million. These guarantees are general unsecured obligations of the Guarantors, rank senior in right of payment to all subordinated indebtedness of the Guarantors and rank *pari passu* in right of payment with all existing and future senior indebtedness of the Guarantors. There are no restrictions on the Company's ability to obtain cash dividends or other distributions of funds from the Guarantors, except those imposed by applicable law. The following supplemental financial information sets forth, on a condensed consolidating basis, balance sheets, statements of operations and statements of cash flows for Mrs. Fields' Original Cookies, Inc. (the "Parent Company"), Great American Cookie Company, Inc., The Mrs. Fields' Brand, Inc., Pretzelmaker, Inc., and Pretzel Time, Inc., which are Guarantors (collectively, the "Guarantor Subsidiaries") and Mrs. Fields' Cookies Australia, Mrs. Fields' Cookies (Canada) Ltd., H & M Canada, Pretzelmaker of Canada, Peachtree Pretzel Time, Inc., Sunshine Pretzel Time, Inc. and CMBC, Inc., and three partially owned subsidiaries (collectively, the "Non-guarantor

Subsidiaries"). The Company has not presented separate financial statements and other disclosures concerning the Guarantor Subsidiaries because management has determined that such information is not material to investors.

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 28, 2002

(Unaudited)
(Dollars in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 2,036	$ (6)	$ 102	$ –	$ 2,132
Accounts receivable, net	2,175	49	–	–	2,224
Amounts due from franchisees and licensees, net	341	2,741	11	–	3,093
Amounts due from affiliates	33,075	–	–	(32,772)	303
Inventories	2,557	741	–	–	3,298
Other current assets	710	–	6	–	716
Total current assets	40,894	3,525	119	(32,772)	11,766
PROPERTY AND EQUIPMENT, net	21,576	1,583	–	–	23,159
INTANGIBLES, net	8,496	66,534	166	–	75,196
INVESTMENT IN SUBSIDIARIES	37,604	1	–	(37,605)	–
AMOUNTS DUE FROM AFFILIATES	1,500	–	–	–	1,500
OTHER ASSETS	4,346	489	–	–	4,835
	$ 114,416	$ 72,132	$ 285	$ (70,377)	$ 116,456
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)					
CURRENT LIABILITIES:					
Current portion of long-term debt and capital lease obligations	$ 2,268	$ 2	$ –	$ –	$ 2,270
Accounts payable and bank borrowings	15,593	791	10	–	16,394
Amounts due to affiliates	1,501	31,307	795	(32,772)	831
Accrued liabilities	13,363	671	48	–	14,082
Total current liabilities	32,725	32,771	853	(32,772)	33,577

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, net of current portion	140,800	–	–	–	140,800
STORE CLOSURE RESERVE, net of current portion	1,353	–	–	–	1,353
DEFERRED REVENUE, net of current portion	1,500	2,281	–	–	3,781
MINORITY INTEREST	7	–	–	–	7
STOCKHOLDER'S EQUITY (DEFICIT)	(61,969)	37,080	(568)	(37,605)	(63,062)
	$ 114,416	$ 72,132	$ 285	$ (70,377)	$ 116,456

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE 13 WEEKS ENDED SEPTEMBER 28, 2002

(Unaudited)
(Dollars in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES:					
Net store and food sales	$ 27,656	$ –	$ 45	$ –	$ 27,701
Franchising and licensing	2,597	7,376	45	(2,578)	7,440
Mail order	2,065	–	–	–	2,065
Management fee revenue	2,825	–	–	–	2,825
Other operating revenue	11	–	–	–	11
Total revenues	35,154	7,376	90	(2,578)	40,042
OPERATING COSTS AND EXPENSES:					
Selling and store occupancy costs	19,335	–	41	(1,862)	17,514
Cost of sales–store and food	7,512	–	22	(910)	6,624
Franchising and licensing	7	1,707	–	–	1,714
Mail order	1,133	–	–	–	1,133
General and administrative	8,143	1,770	84	194	10,191
Store closure provision (reversal)	(52)	–	–	–	(52)
Wal-Mart restructuring costs	2,199	–	–	–	2,199
Depreciation and amortization	1,004	396	24	–	1,424
Total operating costs and expenses	39,281	3,873	171	(2,578)	40,747
Income (loss) from operations	(4,127)	3,503	(81)	–	(705)
OTHER EXPENSE:					
Interest expense, net	(4,270)	(55)	–	–	(4,325)
Other expense, net	1,153	–	–	–	1,153

Total other expense, net	(3,117)	(55)	–	–	(3,172)
Income (loss) before provision for income taxes and minority interest	(7,244)	3,448	(81)	–	(3,877)
Provision for income taxes	(7)	–	–	–	(7)
Income (loss) before minority interest	(7,251)	3,448	(81)	–	(3,884)
Minority interest	8	–	–	–	8
Net income (loss)	$ (7,243)	$ 3,448	$ (81)	$ –	$ (3,876)

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE 39 WEEKS ENDED SEPTEMBER 28, 2002

(Unaudited)
(Dollars in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES:					
Net store and food sales	$ 86,246	$ –	151	$ –	$ 86,397
Franchising and licensing	7,478	23,530	173	(8,353)	22,828
Mail order	6,676	–	–	–	6,676
Management fee revenue	8,715	–	–	–	8,715
Other operating revenue	1,731	–	–	–	1,731
Total revenues	110,846	23,530	324	(8,353)	126,347
OPERATING COSTS AND EXPENSES:					
Selling and store occupancy costs	60,840	–	143	(5,830)	55,153
Cost of sales–store and food	23,722	–	49	(3,116)	20,655
Franchising and licensing	32	5,433	–	–	5,465
Mail order	3,696	–	–	–	3,696
General and administrative	22,059	6,339	286	593	29,277
Store closure provision (reversal)	(13)	–	–	–	(13)
Wal-Mart restructuring costs	7,487	–	–	–	7,487
Depreciation and amortization	6,737	1,123	34	–	7,894
Total operating costs and expenses	124,560	12,895	512	(8,353)	129,614
Income (loss) from operations	(13,714)	10,635	(188)	–	(3,267)
OTHER EXPENSE:					
Interest expense, net	(12,870)	(172)	–	–	(13,042)

Other expense, net	1,056	–	(31)	–	1,025
Total other expense, net	(11,814)	(172)	(31)	–	(12,017)
Income (loss) before provision for income taxes, minority interest and cumulative effect of accounting change	(25,528)	10,463	(219)	–	(15,284)
Provision for income taxes	(118)	–	–	–	(118)
Income (loss) before minority interest and cumulative effect of accounting change	(25,646)	10,463	(219)	–	(15,402)
Minority interest	32	–	–	–	32
Income (loss) before cumulative effect of accounting change	(25,614)	10,463	(219)	–	(15,370)
Loss from cumulative effect of accounting change	(39,111)	–	–	–	(39,111)
Net income (loss)	$ (64,725)	$ 10,463	$ (219)	$ –	$ (54,481)

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE 39 WEEKS ENDED SEPTEMBER 28, 2002

(Unaudited)
(Dollars in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 538	$ (388)	$ 25	$ –	$ 175
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	(5,602)	–	–	–	(5,602)
Proceeds from sales of property and equipment	6,651	457	–	–	7,108
Net cash provided by (used in) investing activities	1,049	457	–	–	1,506
CASH FLOWS FROM FINANCING ACTIVITIES:					

Principal payments on long-term debt and capital lease obligations	(1,899)	(55)	–	–	(1,954)
Bank borrowings and drafts in transit	(1,092)	–	–	–	(1,092)
Net cash provided by (used in) financing activities	(2,991)	(55)	–	–	(3,046)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	–	–	(6)	–	(6)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,404)	14	19	–	(1,371)
CASH AND CASH EQUIVALENTS, beginning of period	3,441	(21)	83	–	3,503
CASH AND CASH EQUIVALENTS, end of period	$ 2,037	$ (7)	$ 102	$ –	$ 2,132
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Interest paid	$ 9,311	$ 12	$ –	$ –	$ 9,323
Income taxes paid	$ 77	$ –	$ –	$ –	$ 77

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 29, 2001

(Unaudited)
(Dollars in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 3,441	$ (21)	$ 83	$ –	$ 3,503
Accounts receivable, net	2,466	731	–	(684)	2,513
Amounts due from franchisees and licensees, net	849	3,648	87	–	4,584
Amounts due from affiliates	44,750	–	–	(44,198)	552
Inventories	3,302	682	3	–	3,987
Other current assets	2,063	–	–	–	2,063

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total current assets	56,871	5,040	173	(44,882)	17,202
PROPERTY AND EQUIPMENT, net	32,701	1,853	39	–	34,593
INTANGIBLES, net	49,955	67,997	188	–	118,140
INVESTMENT IN SUBSIDIARIES	37,398	1	–	(37,399)	–
OTHER ASSETS	6,360	42	–	–	6,402
	$ 183,285	$ 74,933	$ 400	$ (82,281)	$ 176,337
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)					
CURRENT LIABILITIES:					
Current portion of long-term debt and capital lease obligations	$ 2,509	$ 56	$ –	$ –	$ 2,565
Accounts payable and bank borrowings	23,705	2,257	8	(684)	25,286
Amounts due to affiliates	608	43,895	576	(44,198)	881
Accrued liabilities	9,686	1,192	33	–	10,911
Total current liabilities	36,508	47,400	617	(44,882)	39,643
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, net of current portion	142,408	–	–	–	142,408
STORE CLOSURE RESERVE, net of current portion	1,857	–	–	–	1,857
DEFERRED REVENUE, net of current portion	50	915	–	–	965
MINORITY INTEREST	38	–	–	–	38
STOCKHOLDER'S EQUITY (DEFICIT)	2,424	26,618	(217)	(37,399)	(8,574)
	$ 183,285	$ 74,933	$ 400	$ (82,281)	$ 176,337

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE 13 WEEKS ENDED SEPTEMBER 29, 2001

(Unaudited)

(Dollars in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES:					
Net store and food sales	$ 30,404	$ –	$ 58	$ –	$ 30,462
Franchising and licensing	1,508	6,774	60	(1,545)	6,797
Mail order	1,623	–	–	–	1,623
Management fee revenue	3,086	5	–	–	3,091
Total revenues	36,621	6,779	118	(1,545)	41,973
OPERATING COSTS AND EXPENSES:					
Selling and store occupancy costs	18,650	–	48	(288)	18,410
Cost of sales–store and food	8,614	(11)	14	(1,257)	7,360
Franchising and licensing	–	1,828	–	–	1,828
Mail order	1,026	–	–	–	1,026
General and administrative	6,610	3,564	162	–	10,336
Store closure reversal	176	–	–	–	176
Depreciation and amortization	4,112	1,603	10	–	5,725
Total operating costs and expenses	39,188	6,984	234	(1,545)	44,861
Income (loss) from operations	(2,567)	(205)	(116)	–	(2,888)
OTHER EXPENSE:					
Interest expense, net	(4,322)	(70)	–	–	(4,392)
Other expense, net	(23)	–	–	–	(23)
Total other expense, net	(4,345)	(70)	–	–	(4,415)
Income (loss) before provision for income taxes and minority interest	(6,912)	(275)	(116)	–	(7,303)
Provision for income taxes	236	(338)	–	–	(102)
Income (loss) before minority interest	(6,676)	(613)	(116)	–	(7,405)
Minority interest	4	–	–	–	4
Net income (loss)	$ (6,672)	$ (613)	$ (116)	$ –	$ (7,401)

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE 39 WEEKS ENDED SEPTEMBER 29, 2001

(Unaudited)
(Dollars in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUES:					

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net store and food sales	$ 89,034	$ –	$ 165	$ –	$ 89,199
Franchising and licensing	4,120	21,437	220	(4,333)	21,444
Mail order	5,938	–	–	–	5,938
Management fee revenue	9,462	–	–	–	9,462
Total revenues	108,554	21,437	385	(4,333)	126,043
OPERATING COSTS AND EXPENSES:					
Selling and store occupancy costs	54,472	–	138	(835)	53,775
Cost of sales–store and food	24,056	(34)	41	(3,498)	20,565
Franchising and licensing	–	5,568	–	–	5,568
Mail order	3,530	–	–	–	3,530
General and administrative	17,598	8,828	346	–	26,772
Store closure reversal	74	–	–	–	74
Depreciation and amortization	12,588	4,809	65	–	17,462
Total operating costs and expenses	112,318	19,171	590	(4,333)	127,746
Income (loss) from operations	(3,764)	2,266	(205)	–	(1,703)
OTHER EXPENSE:					
Interest expense, net	(12,895)	(198)	–	–	(13,093)
Other expense, net	64	–	–	–	64
Total other expense, net	(12,831)	(198)	–	–	(13,029)
Income (loss) before provision for income taxes and minority interest	(16,595)	2,068	(205)	–	(14,732)
Provision for income taxes	223	(338)	–	–	(115)
Income (loss) before minority interest	(16,372)	1,730	(205)	–	(14,847)
Minority interest	8	–	–	–	8
Net income (loss)	$ (16,364)	$ 1,730	$ (205)	$ –	$ (14,839)

MRS. FIELDS' ORIGINAL COOKIES, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE 39 WEEKS ENDED SEPTEMBER 29, 2001

(Unaudited)
(Dollars in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 8,072	$ 263	$ (124)	$ 163	$ 8,374

CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	(14,742)	–	–	–	(14,742)
Proceeds from asset sales	158	–	–	–	158
Net cash provided by (used in) investing activities	(14,584)	–	–	–	(14,584)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Principal payments on long-term debt and capital lease obligations	(1,578)	356	–	–	(1,222)
Payment of debt financing costs	–	–	–	–	–
Bank borrowings under line of credit	7,180	(619)	–	–	6,561
Tax sharing distribution to Mrs. Fields' Holding	–	–	–	–	–
Net cash provided by (used in) financing activities	5,602	(263)	–	–	5,339
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	–	–	(48)	–	(48)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(910)	–	(172)	163	(919)
CASH AND CASH EQUIVALENTS, beginning of period	3,426	–	248	(163)	3,511
CASH AND CASH EQUIVALENTS, end of period	$ 2,516	$ –	$ 76	$ –	$ 2,592
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Interest paid	$ 7,549	$ 23	$ –	$ –	$ 7,572
Income taxes paid	$ 46	$ 76	$ –	$ –	$ 122

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Information

This report contains forward-looking statements. Forward-looking statements include the words "may," "will," "estimate," "continue," "believe," "expect" or "anticipate" and other similar words. These forward-looking statements generally relate to our plans and objectives for future operations and are based upon management's reasonable estimates of future results or trends. Although the Company believes that the plans and objectives reflected in or suggested by such forward-looking statements are based upon assumptions that are reasonable, the Company may not achieve such plans or objectives. Actual results may differ materially from projected results due, but not limited, to unforeseen developments, including developments relating to the following:

- the availability and adequacy of cash flow to satisfy obligations, including debt service on the senior notes and additional funds required for working capital,
- the current negative stockholder's equity and the ability to solicit new franchisees,
- the ability to sell company-owned stores to franchisees,
- the ability to refinance the line of credit,
- economic, competitive, demographic, business and other conditions in various markets,
- the seasonal nature of operations,
- actions taken or failed to be taken by third parties, including the Company's customers, suppliers, competitors and shareholders, as well as legislative, regulatory, judicial and other governmental authorities,
- changes in business strategy, capital improvements or development plans or in personnel or their compensation,
- performance by franchisees and licensees,
- difficulties or delays in developing and introducing anticipated new products or failure of customers to accept new product offerings,
- changes in consumer preferences and the Company's ability to adequately anticipate such changes,
- changes in raw materials and employee labor costs,
- the termination of, or inability to renew on favorable terms, material agreements,
- changes in relationships with the Company's franchisees and licensees, and
- changes in customer traffic

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report may not occur.

Overview

Mrs. Fields' Original Cookies, Inc. ("Mrs. Fields" or the "Company") is a wholly owned subsidiary of Mrs. Fields' Holding Company, Inc. ("Mrs. Fields' Holding"). Mrs. Fields' Holding is a wholly owned subsidiary of Mrs. Fields Famous Brands, Inc. ("Famous Brands"), which was established to combine Mrs. Fields' Holding and TCBY Holding Company, Inc. ("TCBY") under a common parent.

Mrs. Fields has 11 wholly owned operating subsidiaries; namely, Great American Cookie Company, Inc., The Mrs. Fields' Brand, Inc., Pretzel Time, Inc., Pretzelmaker, Inc., Mrs. Fields' Cookies Australia, Mrs. Fields' Cookies (Canada) Ltd., H&M Canada, Pretzelmaker of Canada, Peachtree Pretzel Time, Inc., Sunshine Pretzel Time, Inc., and CMBC, Inc.; and three partially owned subsidiaries.

Mrs. Fields primarily operates and franchises retail stores, which sell freshly baked cookies, brownies, pretzels and other food products through six specialty retail chains. As of September 28, 2002, Mrs. Fields owned and operated 124 Mrs. Fields Cookies stores, 30 Original Cookie Company stores, 75 Great American Cookies stores, 25 Hot Sam Pretzels stores, 88 Pretzel Time stores, 5 Pretzelmaker stores, and 19 Bakery Cookie Cafes in the United States. Additionally, Mrs. Fields has franchised or licensed 884 stores in the United States and 74 stores in several other countries.

During mid-to-late 2001 and early 2002, the Company opened 57 company-owned stores in Wal-Mart locations. Sales and operating performance at the Wal-Mart locations did not meet expectations. Based upon the operating trends of the Wal-Mart locations, and to eliminate future operational losses from these locations, management determined to close the Company's stores located within Wal-Mart. The Company negotiated a release from these locations from Wal-Mart effective September 28, 2002. During the 13 weeks and 39 weeks ended September 28, 2002, the Company recorded a non-cash charge of $1.7 million and $7.0 million, respectively, for the write-off of the leasehold improvements and store assets located within Wal-Mart. In addition the Company incurred exit costs of $518,000 associated with loss of inventory and other costs. The Company has no further obligations for these store locations. Management does not anticipate any further costs or charges related to these locations in the future.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS 142 is effective for fiscal years beginning after December 15, 2001 for all goodwill and other intangible assets recognized. The statement changes the accounting for goodwill and other indefinite life intangible assets from an amortization method to an impairment only approach. Upon the Company's adoption of SFAS No. 142 on December 30, 2001, amortization of current goodwill ceased.

As a result of the transitional goodwill impairment evaluation, the Company recorded a non-cash charge of approximately $39.1 million to reduce the carrying value of the goodwill associated with its "company owned stores" reporting unit. Such charge is non-operational in nature and is reflected as a cumulative effect of an accounting change in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Loss.

The impact of the restructuring and impairment charges of $7.5 million associated with Wal-Mart, the write-off of goodwill of $39.1 million from the implementation of SFAS 142, and depreciation and amortization expense of $24.2 million for the year ended December 29, 2001 and $7.9 million for the 39 weeks ended September 28, 2002 have negatively impacted stockholder's equity, resulting in stockholder's deficit of $63.1 million at September 28, 2002. The Company's stockholder's deficit may limit its ability to obtain new franchisees in certain states that require a minimum positive stockholder's equity to offer franchises. Certain other states may require the deferral of the initial franchise fee payment until the franchised store opens.

Mrs. Fields' business follows seasonal trends and economic conditions and is also affected by climate and weather conditions, which in turn affect mall traffic. Because Mrs. Fields' stores are heavily concentrated in shopping malls, Mrs. Fields' sales performance is significantly dependent on the performance of those malls. Mrs. Fields typically experiences its highest revenues in the fourth quarter of the calendar year due to the holiday season.

Mrs. Fields has entered into a management agreement (the "TCBY Management Agreement") with TCBY and TCBY Systems, LLC, ("TCBY Systems"), a wholly owned indirect subsidiary of TCBY, pursuant to which Mrs. Fields has agreed to manage and operate TCBY's business, and pay specified operating and other costs of TCBY in exchange for a management fee ("Management Fee") paid by TCBY Systems semi-monthly. Revenue generated from the Management Fee is reported under the caption "Management fee revenue" in the

Condensed Consolidated Statements of Operations and Comprehensive Loss. On August 31, 2001, the Management Agreement was amended to provide for the retention of certain amounts payable and the release of such amounts based upon compliance with a ratio test included in a TCBY Systems' credit facility and that the payment of Management Fee and certain other amounts to be received by the Company under the TCBY Management Agreement would, under certain circumstances, be subordinated to certain indebtedness of TCBY Systems. Included in amounts due from affiliates and deferred revenue on the Condensed Consolidated Balance Sheet as of September 28, 2002, is $1.5 million related to such retention amount.

TCBY currently is negotiating to sell its dairy processing plant subsidiary to two entities owned by Capricorn Investors III, L.P., a significant stockholder of Famous Brands, with the closing anticipated to occur prior to December 1, 2002. In connection with the proposed sale of its dairy processing plant subsidiary, TCBY also is negotiating with the lenders under its credit facility and its subordinated noteholders to seek consent to the proposed transaction and to seek certain other amendments, waivers and consents under the revolving credit facility and the subordinated notes. As part of these proposed transactions, it is anticipated that (i) TCBY will receive sufficient proceeds from the sale of its dairy processing plant subsidiary to remit $2.5 million to the Company to reimburse the Company for expenses it incurred on behalf of TCBY during the year ended December 30, 2000 to transfer the management functions of TCBY from Little Rock, Arkansas to the Company's corporate headquarters in Salt Lake City, Utah (the "TCBY Reimbursement"), and (ii) the TCBY Management Agreement will be amended to reduce the Management Fee from $12.4 million per year to $10.4 million per year for the period of October 1, 2002 through September 30, 2003 and thereafter to $9.4 million per year to reflect actual and anticipated reductions in the Company's overhead cost structure in performing its management function for TCBY. It is anticipated that the TCBY Management Agreement will also be amended to eliminate a provision in the TCBY Management Agreement that requires TCBY to defer up to $2.0 million of the management fees payable thereunder annually contingent on the financial performance of TCBY as measured against certain financial ratios in its credit facility, although the $1.5 million in such fees deferred through September 28, 2002 would continue to be deferred until certain of TCBY's debt is repaid. Consummation of these transactions is subject to various approvals, including final approval of the Board of Directors of the Company and, in the case of the proposed amendment to the TCBY Management Agreement, receipt of a fairness opinion from an accounting, appraisal or investment bank of national standing. There can be no assurance that TCBY will be successful in closing the sale of its dairy processing plant subsidiary, receiving sufficient proceeds to pay the TCBY Reimbursement to the Company, or obtaining the requested amendments, waivers and consents under its credit facility and subordinated notes. In the event that the closing does not occur or the requested amendments, waivers and consents are not obtained, it is possible that TCBY will not be able to make the required payments under the Management Agreement to the Company, which could adversely affect the Company's results from operations and its liquidity.

Results of Operations of Mrs. Fields

The following table sets forth, for the periods indicated, certain information relating to the operations of Mrs. Fields and percentage changes from period to period.

	13 Weeks Ended			39 Weeks Ended		
	September 28, 2002	September 29, 2001	% Change	September 28, 2002	September 29, 2001	% Change
Statement of Operations Data:	(Dollars in Thousands, excluding Other Data)					
REVENUES:						
Net store and food sales	$ 27,701	$ 30,462	(9.1)	86,397	$ 89,199	(3.1)
Franchising and licensing	7,440	6,797	9.5	22,828	21,444	6.5
Mail order	2,065	1,623	27.3	6,676	5,938	12.4
Management fee revenue	2,825	3,072	(8.0)	8,715	9,347	(6.8)
Other operating revenue	11	19	(42.1)	1,731	115	NM
Total revenues	40,042	41,973	(4.6)	126,347	126,043	
OPERATING COSTS AND EXPENSES:						
Selling and store occupancy costs	17,514	18,410	(5.1)	55,153	53,775	2.6
Cost of sales–stores and food	6,624	7,360	(10.0)	20,655	20,565	0.4

Franchising and licensing	1,714	1,828	(6.2)	5,465	5,568	(1.9)
Mail order	1,133	1,026	10.4	3,696	3,530	4.7
General and administrative	10,191	10,336	(1.4)	29,277	26,772	9.4
Store closure provision (reversal)	(52)	176	NM	(13)	74	NM
Wal-Mart restructuring costs	2,199	–	NM	7,487	–	NM
Depreciation	1,098	2,909	(62.3)	6,944	8,233	(15.7)
Amortization–goodwill and intangibles	326	2,816	NM	950	9,229	NM
Total operating costs and expenses	40,747	44,861	(9.2)	129,614	127,746	1.5
Loss from operations	(705)	(2,888)	(75.6)	(3,267)	(1,703)	91.8
OTHER EXPENSE, NET:						
Interest expense, net	(4,325)	(4,392)	(1.5)	(13,042)	(13,093)	(0.4)
Other income (expense), net	1,153	(23)	NM	1,025	64	NM
Total other expense, net	(3,172)	(4,415)	(28.1)	(12,017)	(13,029)	(7.8)
Loss before provision for income taxes, minority interest and cumulative effect of accounting change	(3,877)	(7,303)	(46.9)	(15,284)	(14,732)	3.7
Provision for income taxes and minority interest	1	(98)	NM	(86)	(107)	(19.4)
Loss before cumulative effect of accounting change	(3,876)	(7,401)	(47.6)	(15,370)	(14,839)	(3.6)
Loss from cumulative effect of accounting change	–	–	NM	(39,111)	–	NM
Net loss	$ (3,876)	$ (7,401)	(47.6)	$ (54,481)	$ (14,839)	NM
EBITDA(1)	$ 2,866	$ 3,013		$ 12,101	$ 15,833	
Cash flows from operating activities	$ 2,663	$ 11,353		$ 175	$ 8,374	
Cash flows from investing activities	$ 130	$ (9,674)		$ 1,506	$ (14,584)	
Cash flows from financing activities	$ (2,611)	$ (1,429)		$ (3,046)	$ 5,339	
OTHER DATA:						
Number of Company owned store unit weeks	5,596	5,705		17,573	16,795	
Unit week average ("UWA") sales, excluding Walmart locations	$ 5,326	$ 5,335		$ 5,296	$ 5,307	
Year-over-year comparable store sales percent	(2.5)	(5.1)		(2.0)	(3.0)	
Unit weeks–stores open more than 13 months	4,588	5,025		14,133	15,423	
UWA sales–stores open more than 13 months	$ 5,349	$ 5,426		$ 5,327	$ 5,324	

(1) EBITDA consists of earnings before store closure provision (reversal), impairment and restructuring costs, depreciation, amortization, interest, income taxes, minority interest, other income or expense and cumulative effect of accounting change. EBITDA is not intended to represent cash flows from operations as defined by accounting principles generally accepted in the United States and should not be considered as an alternative to net loss as an indicator of operating performance or to cash flows as a measure of liquidity. EBITDA has been included because it is one of the indicators by which Mrs. Fields assesses its financial performance and its capacity to service debt. EBITDA may not be comparable to other similarly titled measures.

13 Weeks Ended September 28, 2002 Compared to the 13 Weeks Ended September 29, 2001

Loss From Operations−Overview. The Company incurred a loss from operations of $705,000 for the 13 weeks ended September 28, 2002, compared to a loss from operations of $2.8 million for the 13 weeks ended September 29, 2001, a decrease in loss from operations of $2.2 million. This decrease in loss from operations is primarily attributable to an increase in contributions from franchising and licensing of $700,000 and mail order of $300,000 and decreases in general and administrative expenses of $100,000 and depreciation and amortization expense of $4.3 million offset by decreases in store contribution of $1.1 million and in management fee income of $200,000 and restructuring costs associated with the Company exiting its Wal-Mart locations on September 28, 2002 of $2.2 million.

Store contribution was $3.5 million for the 13 weeks ended September 28, 2002, a decrease of $1.1 million or 24.2 percent, from store contribution of $4.6 million for the 13 weeks ended September 29, 2001. The decrease was a result of a 2.8 percent decrease in same store comparable sales for the 2002 13 week period from the 2001 13 week period. Additionally, the decrease resulted from the sale of 32 corporate owned stores to franchisees during the first half of 2002 and a $400,000 loss incurred at the Company's Wal-Mart locations for the 13 weeks ended September 28, 2002 compared to a loss of $200,000 in the same period of 2001.

Franchising and licensing contribution was $5.7 million for the 13 weeks ended September 28, 2002, an increase of $700,000 or 15.2 percent, from franchising and licensing contribution of $4.9 million for the 13 weeks ended September 29, 2001. This increase was principally the result of an increase in royalties and license fees earned under its Mrs Fields branded product licenses for Mrs. Fields branded ice cream and premium hot cocoa.

Mail order contribution was $900,000 for the 13 weeks ended September 28, 2002, an increase of $300,000 or 56.1 percent, from $600,000 for the 13 weeks ended September 29, 2001. This increase was attributable to a 27.2 percent increase in mail order sales and cost reductions as a result of the state-of-the-art baking and manufacturing facility occupied in late 2001.

Company Owned and Franchised or Licensed Store Activity. As of September 28, 2002, there were 366 Company owned stores and 958 franchised or licensed stores in operation. The store activity for the 13 weeks ended September 28, 2002 and September 29, 2001 is summarized as follows:

	September 28, 2002		**September 29, 2001**	
	Company owned	**Franchised or Licensed**	**Company owned**	**Franchised or Licensed**
Stores open as of the beginning of the period	426	966	414	947
Stores opened (including relocations and acquisitions)	8	16	3	22
Stores closed (including relocations)	(10)	(27)	(10)	(16)
Wal-Mart stores (closed) opened	(54)	(1)	22	5
Stores sold to franchisees	(7)	7	(2)	2
Stores acquired from franchisees	3	(3)	3	(3)
Stores open as of the end of the period	366	958	430	957

Net Store and Food Sales. Total net store and food sales, which includes sales from stores and sales of refrigerated cookie dough product to retail markets, were $27.7 million for the 13 weeks ended September 28, 2002, a decrease of $2.8 million or 9.1 percent, from $30.5 million for the 13 weeks ended September 29, 2001. The decrease in store sales was the result of 587 fewer store weeks (excluding Wal-Mart locations) resulting in a sales shortfall from normalized unit week average ("UWA") of $2.5 million, and a 2.8 percent decrease or $711,000 in same store comparable sales. This decrease was offset by a net increase in sales of $576,000 from the Company's Wal-Mart locations, which opened in mid-to-late 2001.

Store Operations: The following tables outline the performance of the Company's store operations and segregates the performance of the Wal-Mart locations for the 13 weeks ended September 28, 2002 and September 29, 2001 (dollars in thousands, excluding UWA sales and contribution).

13 Weeks Ended September 28, 2002

	Wal-Mart	% Sales	Traditional Stores	% Sales	Total Stores	% Sales
Sales	$ 1,048		$ 26,221		$ 27,269	
Cost of sales	491	46.9	5,746	21.9	6,237	22.9
Selling and store occupancy costs	1,000	95.4	16,514	62.9	17,514	64.2
Contribution	$ (443)	(42.3)	$ 3,961	15.2	$ 3,518	12.9
Unit weeks	673		4,923		5,596	
UWA sales	$ 1,557		$ 5,326		$ 4,873	
UWA contribution	$ (658)		$ 805		$ 629	

	13 Weeks Ended September 29, 2001					
	Wal-Mart	% Sales	Traditional Stores	% Sales	Total Stores	% Sales
Sales	$ 472		$ 29,801		$ 30,273	
Cost of sales	190	40.2	7,030	23.6	7,220	23.8
Selling and store occupancy costs	443	93.9	17,967	60.3	18,410	60.8
Contribution	$ (161)	(34.1)	$ 4,804	16.1	$ 4,643	15.4
Unit weeks	195		5,510		5,705	
UWA sales	$ 2,421		$ 5,409		$ 5,306	
UWA contribution	$ (826)		$ 872		$ 814	

Cost of Sales–Store and Food–(Stores only). Cost of sales were $6.2 million for the 13 weeks ended September 28, 2002, a decrease of $1.0 million or 13.6 percent, from $7.2 million for the 13 weeks ended September 29, 2001. This decrease was due to fewer operating stores, resulting in 109 fewer total unit weeks during the 13 weeks ended September 28, 2002 compared to the 13 weeks ended September 29, 2001 and cost containment strategies.

Cost of sales for the Company's traditional stores were $5.7 million for the 13 weeks ended September 28, 2002, a decrease of $1.3 million or 18.3 percent, from $7.0 million for the 13 weeks ended September 29, 2001. This decrease was the result of 587 fewer unit weeks for the 13 weeks ended September 28, 2002 compared to the 13 weeks ended September 29, 2001 and cost containment strategies implemented, including the closing of non-performing stores.

Selling and Store Occupancy Costs. Total selling and store occupancy costs were $17.5 million for the 13 weeks ended September 28, 2002, a decrease of $900,000 or 4.9 percent, from $18.4 million for the 13 weeks ended September 29, 2001. The decrease was primarily due to fewer stores opened during the 2002 period compared to the 2001 period. Selling and store occupancy costs increased from 60.8 percent of sales for the 13 weeks ended September 29, 2001 to 64.2 percent of sales for the 13 weeks ended September 28, 2002. This increase was in part due to the increase in selling and store occupancy costs associated with the Wal-Mart locations where selling and store occupancy costs were 95.4 percent of sales for the 13 weeks ended September 28, 2002. At the Company's traditional stores, selling and occupancy costs were 62.9 percent of sales for the 13 weeks ended September 28, 2002 compared to 60.3 percent of sales for the 13 weeks ended September 29, 2001 due to an increase in rent and occupancy expense and other store and selling expense.

Labor costs associated with the traditional stores remained flat at 27.8 percent of sales for the 13 weeks ended September 28, 2002 and the 13 weeks ended September 29, 2001 as a result of tightening the staffing levels and closure of non-performing stores offset by an increase in labor rates.

Occupancy costs, including rent, for the traditional stores were $6.7 million for the 13 weeks ended September 28, 2002, a decrease of $400,000 or 5.5 percent, compared to $7.1 million for the 13 weeks ended September 29, 2001. The decrease in occupancy costs was the result of fewer stores opened during the period offset by increased lease termination costs of $100,000. Rents on a UWA basis increased 7.3%

for the 13 weeks ended September 28, 2002 from the 13 weeks ended September 29, 2001. This increase in UWA rents is due to increases in lease termination costs and base rents for the Company's combined multi-concept bakery cafes.

Other store and selling expenses for the traditional stores were 9.7 percent of sales for the 13 weeks ended September 28, 2002 compared to 8.6 percent of sales for the 13 weeks ended September 29, 2001. Employee incentives for improving individual store performance, which increased store operating performance by approximately $900,000, represented 49.6 percent of the increase or $143,000.

Franchising and Licensing Revenues. Franchising and licensing revenues were $7.4 million for the 13 weeks ended September 28, 2002, an increase of $600,000 or 9.5 percent, from $6.8 million for the 13 weeks ended September 29, 2001.

Franchising revenues were $6.3 million for the 13 weeks ended September 28, 2002, an increase of $300,000 or 4.5 percent, from $6.0 million for the 13 weeks ended September 29, 2001. This increase was principally due to an increase in product sales to the Company's franchisees through the Company's batter facility of approximately $100,000, and an increase in franchising royalties of approximately $200,000 as a result of additional franchisees from the sale of Company-owned stores to franchisees.

Licensing and other revenues were $1.1 million for the 13 weeks ended September 28, 2002, an increase of $400,000 or 49.7 percent, from $700,000 for the 13 weeks ended September 29, 2001. This increase in revenues was principally due to licensing royalties earned under licensing agreements for Mrs. Fields branded ice cream and premium hot cocoa. During the 13 weeks ended September 28, 2002, the Company recognized licensing revenues of approximately $600,000 under two new licensing agreements, including approximately $100,000 from a manufacturer of premium hot cocoa and approximately $500,000 from TCBY for the sale of Mrs. Fields branded ice cream. The increase in licensing royalties was offset by a reduction in international and domestic licensing revenues of approximately $100,000.

Franchising and Licensing Expenses. Franchising and licensing expenses were $1.7 million for the 13 weeks ended September 28, 2002, a decrease of $100,000 or 6.2 percent, from $1.8 million for the 13 weeks ended September 28, 2002. The decrease was principally due to a decrease in labor and administrative costs associated with the Company's batter facility.

Mail Order Sales. Mail order sales were $2.1 million for the 13 weeks ended September 28, 2002, an increase of $500,000 or 27.2 percent, from $1.6 million for the 13 weeks ended September 29, 2001. Mail order sales consist of sales through the Company's catalog and e-tailing web-site. The increase was primarily due to an increase in mail order catalog and e-tailing sales, which was partially offset by a decrease of approximately $30,000 in product sales to airlines as a result of lower airline travel post-September 11.

Mail Order Expenses. Mail order expenses were $1.1 million for the 13 weeks ended September 28, 2002, an increase of $100,000, or 10.4 percent, from $1.0 million for the 13 weeks ended September 29, 2001. Net contribution for mail order increased from 36.8 percent of sales for the 13 weeks ended September 29, 2001 to 45.1 percent of sales for the 13 weeks ended September 28, 2002 as a result of savings in labor and occupancy costs associated with mail order's new state-of-the-art baking and manufacturing facility occupied in late 2001.

Management Fee Revenue. Management fee revenue was $2.8 million for the 13 weeks ended September 28, 2002, a decrease of $300,000 or 8.0 percent, from $3.1 million for the 13 weeks ended September 29, 2001. The decrease was due to an increase in the retention amount of the Management Fee of $500,000 during the 13 weeks ended September 28, 2002 offset by 2001 retention amounts of $200,000 received and recognized as income during the 13 weeks ended September 28, 2002.

General and Administrative Expenses. General and administrative expenses were $10.2 million for the 13 weeks ended September 28, 2002, a decrease of $100,000 or 1.4 percent, from $10.3 million for the 13 weeks ended September 29, 2001. This decrease was primarily the result of decreases in the corporate bonus incentives of $400,000 and marketing expenditures of $400,000 offset by increases in severance costs for various employees downsized in September 2002 of $200,000, legal settlement costs of $300,000, and insurance costs of $200,000.

Store Closure Provision. Reversal of the store closure provision was $52,000 for the 13 weeks ended September 28, 2002 compared to a store closure provision of $176,000 for the 13 weeks ended September 29, 2001. This was the result of effective settlement of associated operating lease commitments below previous estimates to establish the store closure reserve.

Wal-Mart Restructuring Costs. Wal-Mart restructuring costs were $2.2 million for the 13 weeks ended September 28, 2002. In September 2002, the Company negotiated a release from Wal-Mart for the Company's Wal-Mart locations. In connection with that release, operations ceased at these locations on September 28, 2002. As a result, the remaining carrying value of the equipment of $1.7 million was written off. Additionally, the associated inventory was written off and certain costs were incurred for exiting these stores. The Company does not anticipate incurring any additional charges associated with exiting the Wal-Mart locations.

Depreciation and Amortization Expense. Depreciation expense was $1.1 million for the 13 weeks ended September 28, 2002, a decrease of $1.8 million or 62.3 percent, from $2.9 million for the 13 weeks ended September 29, 2001. This decrease was primarily the result of fewer store assets as a result of store closures and the sale of corporate owned stores to franchisees in 2002 and the impairment of assets at the Wal-Mart stores recorded during the 13 weeks ended June 29, 2002 of $5.3 million.

Amortization expense was $326,000 for the 13 weeks ended September 28, 2002, a decrease of $2.5 million, from $2.8 million for the 13 weeks ended September 29, 2001. This decrease was principally the result of ceasing amortization of goodwill upon adoption of SFAS No. 142, effective December 30, 2001 which changes the accounting treatment applied to goodwill and other intangible assets after the assets have been initially recognized in the financial statements.

Interest Expense, Net. Interest expense, net was $4.3 million for the 13 weeks ended September 28, 2002, a decrease of $100,000, from $4.4 million for the 13 weeks ended September 29, 2001. This decrease was principally the result of lower interest rates on the Company's line of credit, and lower balances outstanding under the line of credit and under the Company's capital lease obligations.

Other, Net. Other income, net was $1.2 million for the 13 weeks ended September 28, 2002, an increase of $1.2 million, from $23,000 of other expense, net for the 13 weeks ended September 29, 2001. This increase was principally due to $1.2 million gain recognized on the sale of corporate owned stores to franchisees during the 13 weeks ended September 28, 2002.

39 weeks Ended September 28, 2002 Compared to the 39 weeks Ended September 29, 2001

Income From Operations−Overview. The Company incurred a loss from operations of $3.3 million for the 39 weeks ended September 28, 2002 compared to a loss from operations of $1.7 million for the 39 weeks ended September 29, 2001, an increase in loss from operations of $1.6 million. This increase in loss from operations was primarily attributable to decreases in store contribution of $4.2 million and in management fee revenue of $600,000, an increase in general and administrative expenses of $2.5 million and restructuring costs associated with the Company exiting its Wal-Mart locations on September 28, 2002 of $7.5 million offset by increases in contributions from franchising and licensing of $1.5 million and mail order of $600,000 and in other operating revenues of $1.6 million and a decrease in depreciation and amortization expense of $9.5 million.

Store contribution was $10.5 million for the 39 weeks ended September 28, 2002, a decrease of $4.2 million or 28.7 percent, from store contribution of $14.7 million for the 39 weeks ended September 29, 2001. The decrease was a result of a 2.0 percent decrease in same store comparable sales for the 2002 39 week period from the 2001 39 week period. Additionally, the decrease resulted from the sale of 32 corporate owned stores to franchisees during the first half of 2002 and a $1.4 million loss incurred at the Company's Wal-Mart locations for the 39 weeks ended September 28, 2002 compared to a loss of $200,000 in the same period of 2001.

Franchising and licensing contribution was $17.4 million for the 39 weeks ended September 28, 2002, an increase of $1.5 million or 9.4 percent, from franchising and licensing contribution of $15.9 million for the 39 weeks ended September 29, 2001. This increase was principally the result of an increase in royalties and license fees earned under its Mrs Fields branded product licenses for Mrs. Fields branded ice cream and premium hot cocoa of $600,000, an increase in non-traditional franchise royalties of $300,000, and an increase in contribution of cookie batter sold to Great American Cookie franchisees of $200,000.

Mail order contribution was $3.0 million for the 39 weeks ended September 28, 2002, an increase of $600,000 or 23.7 percent, from $2.4 million for the 39 weeks ended September 29, 2001. This increase was attributable to a 12.4 percent increase in mail order sales and cost reductions as a result of the state-of-the-art baking and manufacturing facility occupied in late 2001.

Other operating revenue is principally comprised of $1.5 million received under the Company's business interruption insurance for the loss of the World Trade Center store as a result of the events of September 11, 2001.

Company Owned and Franchised or Licensed Store Activity. As of September 28, 2002, there were 366 Company owned stores and 958 franchised or licensed stores in operation. The store activity for the 39 weeks ended September 28, 2002 and September 29, 2001 is summarized as follows:

	September 28, 2002		September 29, 2001	
	Company owned	Franchised or Licensed	Company owned	Franchised or Licensed
Stores open as of the beginning of the period	463	990	420	951
Stores opened (including relocations and acquisitions)	15	45	11	57
Stores closed (including relocations)	(36)	(102)	(25)	(56)
Wal-Mart stores (closed) opened	(45)	(6)	23	6
Stores sold to franchisees	(38)	38	(6)	6
Stores acquired from franchisees	7	(7)	7	(7)
Stores open as of the end of the period	366	958	430	957

Net Store and Food Sales. Total net store and food sales, which includes sales from stores and sales of refrigerated cookie dough product to retail markets, were $86.4 million for the 39 weeks ended September 28, 2002, a decrease of $2.8 million or 3.1 percent, from $89.2 million for the 39 weeks ended September 29, 2001. The decrease in store sales was the result of 1,108 fewer store weeks (excluding Wal-Mart locations), resulting in a sales shortfall from normalized UWA of $4.5 million and a 2.0 percent decrease or $1.5 million in same store comparable sales. This decrease was offset by a net increase in sales of $3.1 million from the Company's Wal-Mart locations, which opened in mid-to-late 2001.

Store Operations: The following tables outline the performance of the Company's store operations and segregate the performance of the Wal-Mart locations for the 39 weeks ended September 28, 2002 and September 29, 2001 (dollars in thousands, excluding UWA sales and contribution).

	39 Weeks Ended September 28, 2002					
	Wal-Mart	% sales	Traditional stores	% sales	Total stores	% sales
Sales	$ 3,621		$ 82,025		$ 85,646	
Cost of sales	1,603	44.3	18,394	22.4	19,997	23.3
Selling and store occupancy costs	3,457	95.4	51,696	63.0	55,153	64.3
Contribution	$ (1,439)	(39.7)	$ 11,935	14.6	$ 10,496	12.4
Unit weeks	2,086		15,487		17,573	
UWA sales	$ 1,736		$ 5,296		$ 4,874	
UWA contribution	$ (690)		$ 771		$ 597	

	39 Weeks Ended September 29, 2001					
	Wal-Mart	% sales	Traditional stores	% sales	Total stores	% sales
Sales	$ 484		$ 88,073		$ 88,557	
Cost of sales	193	39.9	19,858	22.5	20,051	22.6
Selling and store occupancy costs	468	96.7	53,307	60.5	53,775	60.7
Contribution	$ (177)	(36.6)	$ 14,908	17.0	$ 14,731	16.7
Unit weeks	200		16,595		16,795	

UWA sales	$	2,420	$	5,307	$	5,273
UWA contribution	$	(885)	$	898	$	877

Cost of Sales–Store and Food–(Stores only). Cost of sales were $20.0 million for the 39 weeks ended September 28, 2002, a decrease of $100,000 or 0.2 percent, from $20.1 million for the 39 weeks end September 29, 2001. This decrease is due to fewer operating stores, resulting in 778 fewer total unit weeks during the 39 weeks ended September 28, 2002 compared to the 13 weeks ended September 29, 2001, and cost containment strategies.

Cost of sales for the Company's traditional stores were $18.4 million for the 39 weeks ended September 28, 2002, a decrease of $1.5 million or 7.4 percent, from $19.9 million for the 39 weeks ended September 29, 2001. This decrease was the result of 1,108 fewer unit weeks for the 39 weeks ended September 28, 2002 compared to the 39 weeks ended September 29, 2001 and cost containment strategies implemented, including the closing of non-performing stores.

Selling and Store Occupancy Costs. Total selling and store occupancy costs were $55.2 million for the 39 weeks ended September 28, 2002, an increase of $1.4 million or 2.6 percent, from $53.8 million for the 39 weeks ended September 29, 2001. The decrease was primarily due to fewer stores opened during the 2002 period compared to the 2001 period. Selling and store occupancy costs increased from 60.7 percent of sales for the 39 weeks ended September 29, 2001 to 64.3 percent of sales for the 39 weeks ended September 28, 2002. This increase was in part due to the increase in selling and store occupancy costs associated with the Wal-Mart locations where selling and store occupancy costs were 95.4 percent of sales for the 39 weeks ended September 28, 2002. At the Company's traditional stores, selling and occupancy costs were 63.0 percent of sales for the 39 weeks ended September 28, 2002 compared to 60.5 percent of sales for the 39 weeks ended September 29, 2001 due to an increase in rent and occupancy expense and other store and selling expense.

Labor costs associated with the traditional stores remained flat at 28.8 percent of sales for the 39 weeks ended September 28, 2002 and 28.4 percent for the 39 weeks ended September 29, 2001 as a result of tightening the staffing levels and closure of non-performing stores offset by an increase in labor rates.

Occupancy costs, including rent, for the traditional stores were $20.4 million for the 39 weeks ended September 28, 2002, an increase of $200,000 or 1.2 percent, compared to $20.6 million for the 39 weeks ended September 29, 2001. Rents on a UWA basis increased 6.9% for the 39 weeks ended September 28, 2002 from the 39 weeks ended September 29, 2001. This increase in UWA rents is due to increases in lease termination costs and base rents for the Company's combined multi-concept bakery cafes.

Other store and selling expenses for the traditional stores were 9.4 percent of sales for the 39 weeks ended September 28, 2002 compared to 8.7 percent of sales for the 39 weeks ended September 29, 2001.

Franchising and Licensing Revenues. Franchising and licensing revenues were $22.8 million for the 39 weeks ended September 28, 2002, an increase of $1.4 million or 6.5 percent, from $21.4 million for the 39 weeks ended September 29, 2001.

Franchising revenues were $18.4 million for the 39 weeks ended September 28, 2002, an increase of $800,000 or 4.5 percent, from $17.6 million for the 39 weeks ended September 29, 2001. This increase was principally due to increases in initial franchise fees of $600,000, franchising revenues from batter sales to franchisees of $300,000 offset by lower recurring royalties received from franchisees as a result of fewer franchisees and impact of the recession on franchisee sales. Franchisee sales have experienced an average reduction in UWA sales of 9.6%.

Licensing and other revenues were $4.5 million for the 39 weeks ended September 28, 2002, an increase of $600,000 or 16.3 percent, from $3.9 million for the 39 weeks ended September 29, 2001. During the 2002 period, the Company recognized licensing revenues of $100,000 from a manufacturer of premium hot cocoa and licensing revenues of $500,000 from TCBY for the sale of Mrs. Fields branded ice cream. These contracts were not in place in 2001.

Franchising and Licensing Expenses. Franchising and licensing expenses were $5.5 million for the 39 weeks ended September 28, 2002, a decrease of $100,000 or 1.9 percent, from $5.6 million for the 39 weeks ended September 28, 2002. The decrease was principally due to a decrease in labor and operating costs at the company's batter facility.

Mail Order Sales. Mail order sales were $6.7 million for the 39 weeks ended September 28, 2002, an increase of $800,000 or 12.4 percent, from $5.9 million for the 39 weeks ended September 29, 2001. Mail order sales consist of sales through the Company's catalog and e-tailing web-site. The increase was primarily due to an increase in mail order catalog and e-tailing sales, which was partially offset by a decrease of approximately $300,000 in product sales to airlines as a result of lower airline travel post-September 11.

Mail Order Expenses. Mail order expenses were $3.7 million for the 39 weeks ended September 28, 2002, an increase of $200,000 or 4.7 percent, from $3.5 million for the 39 weeks ended September 29, 2001. Net contribution for mail order increased from 40.6 percent of sales for the 39 weeks ended September 29, 2001 to 44.6 percent of sales for the 39 weeks ended September 28, 2002 as a result of savings in labor and occupancy costs associated with mail order's state-of-the-art baking and manufacturing facility occupied in late 2001.

Management Fee Revenue. Management fee revenue was $8.7 million for the 39 weeks ended September 28, 2002, a decrease of $600,000 or 6.8 percent, from $9.3 million for the 39 weeks ended September 29, 2001. The decrease was due to an increase in the retention amount of the Management Fee of $1.5 million during the 39 weeks ended September 28, 2002 offset by 2001 retention amounts of $900,000 received and recognized as income during the 39 weeks ended September 28, 2002. The Company has increased the retention amount for 2002 to the full amount required under the TCBY amended Management Agreement of $1.5 million through September 28, 2002.

Other Operating Revenue. Other operating revenue was $1.7 million for the 39 weeks ended September 28, 2002, an increase of $1.6 million from the $100,000 for the 39 weeks ended September 29, 2001. This increase was principally due to $1.5 million received under the Company's business interruption insurance policy for the loss of the Company's World Trade Center store as a result of the events of September 11, 2001.

General and Administrative Expenses. General and administrative expenses were $29.3 million for the 39 weeks ended September 28, 2002, an increase of $2.5 million or 9.4 percent, from $26.8 million for the 39 weeks ended September 29, 2001. This increase was the result of increases in marketing and advertising expenses of $800,000, workers compensation reserves of $700,000, settlement of legal claims of $500,000, severance expense associated with general and administrative staffing reduction of $200,000 and other general and administrative costs of $300,000.

Store Closure Provision. Reversal of the store closure provision was $13,000 for the 39 weeks ended September 28, 2002 compared to store closure provision of $74,000 for the 39 weeks ended September 29, 2001. This was the result of effective settlements of operating lease commitments below previous estimates to establish the store closure reserve.

Wal-Mart Restructuring Costs. Wal-Mart restructuring costs were $7.5 million for the 39 weeks ended September 28, 2002. In September 2002, the Company negotiated a release from Wal-Mart for the Company's Wal-Mart locations. In connection with that release, operations ceased at these locations on September 28, 2002. As a result, the carrying value of the equipment of $7.0 million was written off. Additionally, the associated inventory was written off and certain costs were incurred for exiting these stores. The Company does not anticipate incurring any additional charges associated with exiting the Wal-Mart locations.

Depreciation and Amortization Expense. Depreciation expense was $6.9 million for the 39 weeks ended September 28, 2002, a decrease of $1.3 million or 15.7 percent, from $8.2 million for the 39 weeks ended September 29, 2001. This decrease was primarily the result of fewer stores assets as a result of store closures and sale of corporate owned stores to franchisees and impairment of assets at the Wal-Mart locations.

Amortization expense was $1.0 million for the 39 weeks ended September 28, 2002, a decrease of $8.3 million, from $9.3 million for the 39 weeks ended September 29, 2001. This decrease was principally the result of ceasing amortization of goodwill upon adoption of SFAS No. 142, effective December 30, 2001 which changes the accounting treatment applied to goodwill and other intangible assets after the assets have been initially recognized in the financial statements.

Interest Expense, Net. Interest expense, net was $13.0 million for the 39 weeks ended September 28, 2002, a decrease of $100,000, from $13.1 million for the 39 weeks ended September 29, 2001. This decrease was principally the result of lower interest rates on the Company's line of credit, and lower balances outstanding under the line of credit and under the Company's capital lease obligations.

Other, Net. Other income, net was $1.1 million for the 39 weeks ended September 28, 2002, an increase of $1.0 million, compared to $100,000 of other income, net for the 39 weeks ended September 29, 2001. This increase is principally due to $1.1 million gain recognized on the sale of corporate owned stores to franchisees during the 39 weeks ended September 28, 2002.

Loss From Cumulative Effect of Accounting Change. The Company recorded a non-cash charge of approximately $39.1 million to reduce the carrying value of the goodwill associated with its "company owned stores" reporting unit. Such charge is non-operational in nature and is reflected as a cumulative effect of an accounting change in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Loss.

Liquidity and Capital Resources

General. The Company's principal sources of liquidity are cash flows from operating activities, sale of Company owned stores, the TCBY Reimbursement, cash on hand and available borrowings under its existing revolving credit facility. Cash flows from asset sales are subject to indenture restrictions. Asset sale proceeds are required to be used in specified ways for payment of debt and permitted investment. At September 28, 2002, the Company had $2.1 million of unrestricted cash and cash equivalents and bank borrowings under the line of credit of $7.1 million and standby letters of credit totaling $1.9 million outstanding, all of which are scheduled to mature prior to March 31, 2003. The maximum availability under the Company's reducing credit facility is currently $9.0 million and is currently scheduled to decrease to $6.0 million on December 1, 2002 and to $4.0 million on January 31, 2003. However, the Company is currently negotiating with the lender to extend the dates of the reductions in the revolving credit facility or reduce the amount of the required reductions. There can be no assurance that the Company will be successful in negotiating the extension of the dates or amounts of the reductions. Capricorn Investors III, L.P. ("Capricorn III"), one of Famous Brands' principal stockholders, has guaranteed the lesser of $3.5 million or 50.0 percent of the aggregate amount of the Company's revolving credit facility.

Mrs. Fields' operations were negatively impacted by the recession that began to affect the Company's results in the second quarter of 2001 and have been further impacted by the events of September 11, 2001. Additionally, the Company has incurred net losses from the date of its formation resulting in a stockholder's deficit of $63.1 million at September 28, 2002. For the 39 weeks ended September 28, 2002, approximately $55.7 million of such net losses were the result of non-cash expenses, including the loss from the cumulative effect of an accounting change, depreciation and amortization of intangible assets, debt issuance costs, and asset impairment on Wal-Mart locations.

The Company's stockholder's deficit of $63.1 million may limit its ability to obtain new franchisees in certain states that require a minimum positive stockholder's equity to offer franchises. Certain other states may require the deferral of the initial franchise fee payment until the franchised store opens. These restrictions may reduce or defer proceeds from initial franchise fees.

The Company expects that its principal uses of cash for the forseeable future will be for working capital, capital expenditures, store closure obligations, debt service requirements and other general corporate purposes. The Company expects to expend approximately $6.2 million for capital expenditures in fiscal year 2002 of which approximately $3.0 million will be used for the construction of new stores, $1.9 million will be used to remodel existing stores and $1.3 million will be used for other non-store capital expenditures. Approximately $1.1 million of these expenditures for new store construction have been identified for possible sale to franchisees. In addition to its regular monthly debt service and the step down in the credit facility discussed above, the Company has a semi-annual interest payment on its long-term notes of $7.1 million due December 1, 2002. Additionally, Mrs. Fields' Holding has $28.0 million of 14.0 percent Senior Secured Discount Notes that will require semi-annual cash interest payments of $1.9 million commencing June 1, 2003. The 14.0 percent Senior Secured Discount Notes are secured by all of the Company's common stock. These 14.0 percent Senior Secured Discount Notes mature August 2005 and the Company's $10^1/8$ percent Senior Notes of $140.0 million mature November 2004. Management anticipates that these cash requirements, except the principal payments of the 14.0 percent Senior Secured Discount Notes and the Company's $10^1/8$ percent Senior Notes at maturity, will be funded with cash generated from operating activities, the sale of Company owned stores, the TCBY Reimbursement, and short-term borrowings under its credit facility as needed. Management is currently negotiating to replace its reducing credit facility with a non-reducing facility. There can be no assurance that the Company will be successful in negotiating the replacement of the current reducing credit facility. Management anticipates that the 14.0 percent Senior Secured Discount Notes and the Company's $10^1/8$ percent Senior Notes will be refinanced prior to maturity. However, there can be no assurance that the Company will be successful in refinancing these debt instruments.

The Company is in compliance with its covenants underlying its revolving credit facility and $10^{1}/8$ percent Senior Notes at September 28, 2002. Mrs. Fields' Holding is in compliance with its covenants underlying its 14.0 percent Senior Secured Discount Notes at September 28, 2002.

Due to the uncertainty regarding the Company's negotiations with respect to the extension of the dates for and the amounts of the reductions of its current credit facility and proposed replacement thereof, there can be no assurance that such negotiations will be successful. If the Company is unable to modify the current credit facility or replace it, the Company may be unable to meet anticipated working capital needs, routine capital expenditures and current debt service obligations on a short-term basis without asset sales, the timing and probability of which cannot be predicted. Furthermore, any such asset sales may further impede the Company's ability to obtain necessary financing.

September 28, 2002 Compared to December 29, 2001

As of September 28, 2002, the Company had liquid assets (unrestricted cash and cash equivalents and accounts receivable) of $7.4 million, a decrease of $3.1 million, from December 29, 2001 when liquid assets were $10.5 million. Current assets decreased by $5.4 million to $11.8 million at September 28, 2002 from $17.2 million at December 29, 2001. This decrease was primarily the result of a decrease in cash and cash equivalents, in accounts receivable, amounts due from franchisees and licensees, amounts due from affiliates, inventories, and assets held for sale that were sold to franchisees in 2002. Long-term assets decreased $54.4 million to $104.7 million at September 28, 2002 from $159.1 million at December 29, 2001. This decrease was due to a write-off of goodwill in accordance with SFAS 142 of $39.1 million, a write down of the carrying value of the long-term assets of the Company's Wal-Mart locations of $7.5 million, recurring depreciation and amortization of property and equipment, intangibles, and deferred loan costs and the sale of Company owned stores offset by an increase in amounts due from affiliates associated with the Management Fee retention amount under the TCBY Management Agreement.

Current liabilities decreased by $6.0 million to $33.6 million at September 28, 2002 from $39.6 million at December 29, 2001. This decrease was primarily due to a decrease in accounts payable, accrued liabilities, sales tax payable and bank borrowings under the line of credit, which was partially offset by an increase in accrued interest payable and accrued salaries, wages, and benefits.

The Company's working capital deficit decreased by $600,000 to a deficit of $21.8 million at September 28, 2002 from a deficit of $22.4 million at December 29, 2001, for the reasons described above.

The Company generated $175,000 of cash from operating activities during the 39 weeks ended September 28, 2002. The Company generated $1.5 million of cash from investing activities during the 39 weeks ended September 28, 2002, primarily from proceeds from the sales of 39 Company owned stores to franchisees, which was partially offset by capital expenditures. The Company utilized $3.0 million of cash for financing activities during the 39 weeks ended September 28, 2002, principally due to payments on the Company's line of credit, long-term debt and capital leases offset by drafts in transit in excess of borrowing availability.

The specialty cookie and pretzel businesses do not require the maintenance of significant receivables or inventories. However, the Company continually invests in its business by upgrading and remodeling stores and adding new stores, carts and kiosks as opportunities arise. Investments in these long-term assets, which are key to generating current sales, reduce its working capital. During the 39 weeks ended September 28, 2002 and September 29, 2001, the Company expended cash of $5.6 million and $14.8 million, respectively, for capital assets.

Inflation

The impact of inflation on the operations of the business has not been significant in recent years. Most of the Company's leases contain escalation clauses. However, such leases are accounted for on a straight-line basis as required by accounting principles generally accepted in the United States, which minimizes fluctuations in operating income. In addition, some of our employees are paid hourly wages at the Federal minimum wage level. Minimum wage increases will negatively impact our payroll costs in the short term, but management believes such impact can be offset in the long term through lower staffing of store operations and, if necessary, through product price increases.

Critical Accounting Policies

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses in the Company's financial statements. Management has reviewed the accounting policies that it uses to prepare the Company's financial statements and believes that the following policies are the most important to the portrayal of the Company's financial condition and the results of its operations while requiring the use of judgments and estimates about the effects of matters that are inherently uncertain.

Related Party Transactions. Mrs. Fields has contractual relationships with various affiliates, primarily TCBY and Mrs. Fields' Holding, which are intended to be fair to the parties involved in the transactions and on terms similar to what could be negotiated with independent third parties. Sometimes the Company is required to negotiate the agreements for both sides of the transaction. Also, inherent in any contractual relationship is the interpretation of the intent of the agreement at a later time when unanticipated events occur. When situations like these occur, the Company attempts objectively to determine the terms of the transaction or interpret the intent of the agreement on a fair and independent basis. However, there is no guarantee that it will be successful in doing so. Individual affiliate transactions or a series of related transactions in excess of $1.0 million require a resolution by the Company's board of directors. Individual affiliate transactions or a series of related transactions in excess of $5.0 million require an "opinion of fairness" by an accounting, appraisal or investment banking firm.

Impairment of Long-lived Assets. The Company reviews its long-lived assets for impairment when circumstances indicate that the book value of an asset may not be fully recovered by the undiscounted net cash flow generated over the remaining life of the related asset or group of assets. If the cash flows generated by the asset are not sufficient to recover the remaining book value of the asset, the Company is required to write down the value of the asset. In evaluating whether the asset will generate sufficient cash flow to recover its book value, the Company estimates the amount of cash flow that will be generated by the asset and the remaining life of the asset. In making its estimate, the Company considers the performance trends related to the asset, the likelihood that the trends will continue or change, both at the asset level as well as at the national economic level and the length of time that it expects to retain the asset.

Allowance for Doubtful Accounts. The Company sells product to and receives royalties from its franchisees and sells product to other customers. Sometimes these franchisees and customers are unable or unwilling to pay for the products that they receive or royalties that they owe. Factors that affect the Company's ability to collect amounts that are due to Mrs. Fields include the financial strength of a franchisee or customer and its operations, the economic strength of the mall where the franchisee is located and the overall strength of the retail economy. Mrs. Fields is required to establish an estimated allowance for the amounts included in accounts receivable that it will not be able to collect in the future. To establish this allowance, it evaluates the customer's or franchisee's financial strength, payment history, reported sales and the availability of collateral to offset potential losses. If the assumptions that are used to determine the allowance for doubtful accounts change, Mrs. Fields may have to provide for a greater level of expense in future periods or to reverse amounts accrued in prior periods.

Store Closure Reserve. The Company will periodically close under-performing stores, either individually or as part of an overall store closure plan. When a store is targeted for closure, it records a provision for costs that will be incurred in closing the store, which are predominately estimated lease termination costs. The costs include both settlement payments and continued contractual payments over time under original lease agreements. The amount of the provision is allocated between current amounts that are estimated to be paid within one year and long-term amounts that are estimated to be paid thereafter. The amount of the estimated reserve and the timing of the payments are affected by Mrs. Fields' ability to settle with the landlord for amounts less than the amount reserved and the timing of the settlement payments agreed to in the settlement.

Recent Accounting Pronouncements. In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, except for obligations of lessees and the associated asset retirement costs. SFAS No. 143 requires that the fair value of the liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company has not yet assessed the impact of SFAS No. 143 on the Company's financial position and results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statement No. 4, 44 and 64, Amendment of FASB Statement No. 39, and Technical Corrections." The Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishments of Debt," and an amendment of that Statement, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." SFAS No. 145 recognizes that the use of debt extinguishments can be a part of the risk management strategy of a company and hence, the classification of all early extinguishments of debt as an extraordinary item may no longer be appropriate. In addition, the Statement amends SFAS No. 39, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Provisions of this Statement, as they relate to Statement No. 39, are to be effective for transactions occurring after May 15, 2002. Provisions, which relate to Statement No. 4, are effective for fiscal years beginning after May 15, 2002. The Company has not yet assessed the impact of SFAS No. 145 on the Company's financial position and results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 is effective for transactions initiated after December 31, 2002. Under SFAS No. 146, a company will record a liability for a cost associated with an exit or disposal activity when that liability is incurred and can be measured at fair value. A liability is incurred when an event obligates the entity to transfer or use assets. The Company has not yet assessed the impact of SFAS No. 146 on the Company's financial position and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There have been no significant changes in market risks since the end of the Company's fiscal year ended December 29, 2001. For more information, please read the consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 29, 2001.

ITEM 4. CONTROLS AND PROCEDURES

Based on their evaluation, as of a date within 90 days of the filing of this Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded the Company's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's reports filed or submitted under the Securities Exchange Act of 1934. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

PART II–OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, Mrs. Fields is involved in routine litigation, including franchise disputes. Mrs. Fields is not a party to any legal proceedings, which in the opinion of management of Mrs. Fields, after consultation with legal counsel, are material to Mrs. Fields' business, financial condition or results of operations beyond amounts provided for in the accompanying consolidated financial statements.

Mrs. Fields' stores and products are subject to regulation by numerous governmental authorities, including, without limitation, federal, state and local laws and regulations governing health, sanitation, environmental protection, safety and hiring and employment practices.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.18 Mrs. Fields Famous Brands, Inc. Director Stock Option Plan adopted August 1, 2002.

10.49 Eighth Amendment to Amended and Restated Loan Agreement, dated as of August 30,

	2002, by and between Mrs. Fields' Original Cookies, Inc. and LaSalle National Association.
10.50	Ninth Amendment to Amended and Restated Loan Agreement, dated as of September 17, 2002, by and between Mrs. Fields' Original Cookies, Inc. and LaSalle National Association.
99.1	Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Forms 8-K

None

SIGNATURES

Pursuant to the requirements 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.

MRS. FIELDS' ORIGINAL COOKIES, INC.

/s/ LARRY A. HODGES	November 8, 2002
Larry A. Hodges, President and CEO	**Date**
/s/ SANDRA M. BUFFA	November 8, 2002
Sandra M. Buffa, Senior Vice President and CFO (Chief Financial and Principal Accounting Officer)	**Date**

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Larry A. Hodges, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mrs. Fields' Original Cookies, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ LARRY A. HODGES

Date: November 8, 2002

Larry A. Hodges
President and CEO

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Sandra M. Buffa, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mrs. Fields' Original Cookies, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

	/s/ SANDRA M. BUFFA
Date: November 8, 2002	Sandra M. Buffa Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description of Document
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99.1	Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.18

MRS. FIELDS FAMOUS BRANDS, INC.
DIRECTOR STOCK OPTION PLAN

1. *Purpose.*

The purpose of the MRS. FIELDS FAMOUS BRANDS, INC. Director Stock Option Plan (the "Plan") is to align the interests of outside directors of MRS. FIELDS FAMOUS BRANDS, INC., a Delaware corporation (the "Company"), and its subsidiaries, with those of the stockholders of the Company; and to attract, motivate and retain as directors the best available individuals.

2. *Definitions.*

The following terms, as used herein, shall have the following meanings:

(a) *"Award"* shall mean any Option granted pursuant to the Plan.

(b) *"Award Agreement"* shall mean any written agreement, contract or other instrument or document between the Company and a Participant evidencing an Award.

(c) *"Board"* shall mean the Board of Directors of the Company.

(d) *"Capricorn"* shall mean, collectively, Capricorn Investors II, L.P., a Delaware limited partnership, and Capricorn Investors III, L.P., a Delaware limited partnership, together with any affiliated persons.

(e) *"Change of Control"* shall mean the earliest to occur of (i) a transaction in which Capricorn's equity investment in the Company is reduced (including through the operation of a merger in which the Company is not the surviving corporation and the Common Stock is converted into the right to receive cash or other property) such that Capricorn is no longer the largest equity investor in the Company or (ii) a sale by the Company of all or substantially all of its assets.

(f) *"Common Stock"* shall mean the Common Stock, par value $.001 per share, of the Company.

(g) *"Code"* shall mean the Internal Revenue Code of 1986, as amended from time to time.

(h) *"Committee"* shall mean a committee of the Board which administers the Plan as provided herein.

(i) *"Company"* shall have the meaning set forth in Section 1 hereof.

(j) *"Exchange Act"* shall mean the Securities Exchange Act of 1934, as amended from time to time now or hereafter construed, interpreted and applied by regulations, rulings and cases.

(k) *"Initial Public Offering"* shall mean a public offering of Common Stock pursuant to a registration statement under the Securities Act.

(l) *"Option"* shall mean the right, granted pursuant to the Plan, of a holder to purchase shares of Common Stock. Options granted hereunder shall not qualify as "incentive stock options" within the meaning of Section 422 of the Code.

(m) *"Participant"* shall mean a director of the Company who is, pursuant to Section 4 of the Plan, selected to participate in the Plan.

(n) *"Plan"* shall have the meaning set forth in Section 1 hereof.

(o) *"Securities Act"* shall mean the Securities Act of 1933, as amended from time to time, and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

(p) *"Time Vested Option"* shall mean an Option that will vest 25% per year on the anniversaries of the date as of which it was awarded and will vest in full upon the occurrence of a Change of Control.

3. *Administration.*

The Plan shall be administered by the Committee. The Committee shall have the authority, in its sole discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in connection with the administration of the Plan, including, without limitation, the authority to take the following actions: to grant Awards; to determine the persons to whom and the time or times at which Awards shall be granted; to determine the type and number of Awards to be granted, the number of shares of Common Stock to which an Award may relate and the terms, conditions and restrictions relating to any Award; to determine whether, to what extent, and under what circumstances an Award may be settled, cancelled, adjusted, forfeited, exchanged, or surrendered or accelerated or an Option or Options may be repriced to a lower exercise price; to construe and interpret the Plan and any Award; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of Award Agreements, consistent with the terms and provisions of the Plan; and to make all other determinations deemed necessary or advisable for the administration of the Plan, consistent with the terms and provisions of the Plan. From and after the Initial Public Offering, the Committee shall consist of two or more persons who are intended to be "disinterested persons" within the meaning of Rule 16b-3 under the Exchange Act.

4. *Eligibility.*

Awards may be granted to outside directors of the Company and its subsidiaries in the sole discretion of the Committee. In determining the persons to whom Awards shall be granted and the type of Award, the Committee shall take in to account such factors as the Committee shall deem relevant in connection with accomplishing the purposes of the Plan.

5. *Stock Subject to the Plan.*

(a) *Number of Shares.* The maximum number of shares of Common Stock reserved for issuance pursuant to the Plan shall be 50,000. All such shares of Common Stock shall be subject to equitable adjustment as provided herein. Such shares may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. If any shares subject to an Award are forfeited, cancelled, exchanged or surrendered or if an Award otherwise terminates or expires without a distribution of shares to the Participant, the shares of Common Stock with respect to such Award shall, to the extent of any such forfeiture, cancellation, exchange, surrender, termination or expiration, again be available for Awards under the Plan.

(b) *Equitable Adjustment.* In the event that an extraordinary transaction or other event or circumstance affecting the Common Stock shall occur, including, but not limited to, any dividend or other distribution (whether in the form of cash, stock or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, sale of assets or other similar transaction or event, and the Committee determines that a change or adjustment in the terms of any Award is appropriate, then the Committee may, in its sole discretion, make such equitable changes or adjustments or take any other actions that it deems necessary or appropriate (which shall be effective at such time as the Committee in its sole discretion determines), including, but not limited to causing changes or adjustments to any or all of (i) the number and kind of shares of stock or other securities or property which may thereafter be issued in connection with Awards, (ii) the number and kind of shares of stock or other securities or property issued or issuable in respect of outstanding Awards, (iii) the exercise price relating to any Award, and (iv) any performance criteria relating to any Award.

6. *Stock Options.*

Each Option granted pursuant to this Section shall be evidenced by an Award Agreement, in such form and containing such terms and conditions as the Committee shall from time to time approve, which Award Agreement shall comply with and be subject to the following terms an conditions, as applicable. Each Option shall be a Time-Vested Option.

(a) *Stock Options*

(1) *Number of Shares.* Each Award Agreement shall state the number of shares of Common Stock to which the Option relates.

(2) *Option Exercise Price.* Each Award Agreement shall state the Option exercise price. The Option exercise price shall be subject to adjustment as provided in Section 5 hereof. Unless otherwise expressly stated in the Committee resolution expressly granting an Option, the date as of which the Committee adopts the resolution expressly granting an Option shall be considered the day on which such Option is granted.

(3) *Method and Time of Payment.* The Option exercise price shall be paid in full, at the time of exercise, in cash, in shares of Common Stock having a fair market value (determined by the Committee) equal to such Option exercise price, in a combination of cash and Common Stock (or other consideration deemed acceptable by the Committee) or, in the sole discretion of the Committee, through a cashless exercise procedure.

(4) *Term and Exercisability of Options.* Each Award Agreement shall provide that each Option shall become exercisable in accordance with its characterization as a Time-Vested Option; *provided*, that the Committee shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as it, in its sole discretion, deems appropriate. The exercise period shall be not more than ten (10) years from the date of the grant of the Option, or such shorter period as is determined by the Committee. The exercise period shall be subject to earlier termination as provided in Section 6(a)(5) hereof. An Option may be exercised, as to any or all full shares of Common Stock as to which the Option has become exercisable, by written notice delivered in person or by mail to the Secretary of the Company, specifying the number of shares of Common Stock with respect to which the Option is being exercised, together with payment in full of the Option exercise price. For purposes of the preceding sentence, the date of exercise will be deemed to be the date upon which the Secretary of the Company receives both the notification and such payment.

(5) *Termination.* If a Participant's status as a director of the Company or a subsidiary terminates, the Committee will have the exclusive authority to determine if and for how long, and under what conditions, such Option may be exercised after such termination; *provided*, *however*, that the Committee may not shorten any exercise period set forth in

an Award Agreement, and *provided*, *further*, that in no event will an Option continue to be exercisable beyond the expiration date of such Option.

(6) *Non-transferability of Common Stock.* Each Award Agreement shall provide that prior to an Initial Public Offering, the Participant shall execute a stockholders agreement prior to being granted any Option hereunder with respect to the shares of Common Stock to which such Option relates, in such form and containing such terms and conditions as the Committee shall from time to time approve, including without limitation, any restrictions on the transferability of such shares.

7. *General Provisions.*

(a) *Compliance with Legal Requirements.* The Plan and the granting and exercising of Awards, and the other obligations of the Company under the Plan and any Award Agreement or other agreement shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental authority or agency as may be required. The Company, in its discretion, may postpone the issuance or delivery of Common Stock under any Award as the Company may consider appropriate and may require any Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Common Stock in compliance with applicable laws, rules and regulations.

(b) *Non-transferability.* Awards shall not be transferable by a Participant other than by will or the laws of descent and distribution or, if then permitted by Rule 16b-3 under the Exchange Act, pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder, and shall be exercisable during the lifetime of a Participant only by such Participant or his guardian or legal representative.

(c) *No Right to Continued Service.* Nothing in the Plan or in any Award granted or any Award Agreement or other agreement entered into pursuant hereto shall confer upon any Participant the right to continue as a director of the Company or any of its subsidiaries or to be entitled to any remuneration or benefits not set forth in the Plan or such Award Agreement or other agreement or to interfere with or limit in any way the right of the Company or its shareholders to terminate such Participant's status as a director.

(d) *Withholding Taxes.* Where a Participant or other person is entitled to receive shares of Common Stock pursuant to the exercise of an Option, the Company shall have the right to require the Participant or such other person to pay to the Company the amount of any taxes which the Company may be required to withhold before delivery to such Participant or other person of a certificate or certificates representing such shares.

Unless otherwise prohibited by the Committee or by applicable law, a Participant may satisfy any such withholding tax obligation by any of the following methods, or by a combination of such methods: (a) tendering a cash payment or (b) delivering to the Company previously acquired shares of Common Stock (none of which shares may be subject to any claim, lien, security interest, community property right or other right of spouses or present or former family members, pledge, option, voting agreement or other restriction or encumbrance of any nature whatsoever) having an aggregate fair market value, determined by the Committee as of the date the withholding tax obligation arises, equal to the amount of the total withholding tax obligation.

(e) *Amendment and Termination of the Plan.* The Board or the Committee may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part; *provided that*, no amendment which requires stockholder approval under applicable law or in order for the Plan to continue to comply with Rule 16b-3 under the Exchange Act shall be effective unless the same shall be approved by the requisite vote of the stockholders of the Company. Notwithstanding the foregoing, subject to the other provisions of the Plan, no amendment shall affect adversely any of the rights of any Participant, without such Participant's consent, under any Award theretofore granted under the Plan. The power to grant Options under the Plan will automatically terminate on August 1, 2012. If the Plan is terminated, any unexercised Option shall continue to be exercisable in accordance with its terms and the terms of the Plan in effect immediately prior to such termination.

(f) *Participant Rights.* No Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment for Participants. Except as provided specifically herein, a Participant or a transferee of an

Award shall have no rights as a stockholder with respect to any shares of stock covered by any Award until the date of the issuance of a certificate to him for such shares.

(g) *Unfunded Status of Awards.* The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company.

(h) *Fractional Shares.* Fractional shares of Common Stock may be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares.

(i) *Governing Law.* The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of New York without giving effect to the conflict of laws principles thereof.

(j) *Effective Date.* The Plan shall become effective on August 1, 2002.

(k) *Beneficiary.* A Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant, the executor or administrator of the Participant's estate shall be deemed to be the grantee's beneficiary.

(l) *Interpretation.* The Plan is designed and intended to comply with Rule 16b-3 promulgated under the Exchange Act.

Adopted by Resolution of the Board of Directors of the Company dated July 31, 2002.

STOCK OPTION AWARD AGREEMENT
MRS. FIELDS FAMOUS BRANDS, INC.
DIRECTOR STOCK OPTION PLAN

STOCK OPTION AWARD AGREEMENT made this day of **[** **]**, 2002, between MRS. FIELDS FAMOUS BRANDS, INC., a Delaware corporation (the "Company"), and **[**Name of Director**]** (the "Optionee"). Capitalized terms used but not defined herein shall have the same meaning as in the Plan, unless otherwise indicated.

W I T N E S S E T H:

WHEREAS, the Company has adopted the MRS. FIELDS FAMOUS BRANDS, INC. Director Stock Option Plan (the "*Plan*") to attract, motivate and retain the best available directors of the Company and its subsidiaries and to increase their interest in the success of the Company; and

WHEREAS, the Optionee has been designated pursuant to Section 4 of the Plan as a Participant in the Plan.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, and for good and valuable consideration, the parties hereto hereby agree as follows:

1. *Grant of Option.* Pursuant to the provisions of the Plan, the Company grants to the Optionee, subject to the terms and conditions of the Plan, which are incorporated in full herein by reference, and subject further to the terms and conditions herein set forth, Options to purchase from the Company all or any part of an aggregate of **[**Insert Number**]** shares of Common Stock (the "*Options*") at the purchase price(s) (the "*Option Price*") as set forth on *Schedule A* hereto. The Options shall be exercisable as hereinafter provided. **[**In consideration of the grant of the Options identified as "Replacement Options" on *Schedule A* hereto, the Optionee hereby waives any and all rights under the Mrs. Fields' Holding Company, Inc. Director Stock Option Plan, dated as of , 1996.]

2. *Vesting.* The Options shall be deemed to have been granted as of the date(s) set forth on *Schedule A* hereto for purposes of the relevant vesting criteria and shall vest and become exercisable as provided in the Plan.

3. *Option Price.* The Option Price per share of Common Stock issuable to the Options shall equal the price(s) set forth on *Schedule A* hereto, subject to equitable adjustment as provided in the Plan.

4. *Termination of Status as Director.* If the Optionee's, status as a director of the Company is terminated, all Options not yet vested shall immediately terminate, all Options which have vested on or before the date of termination shall remain outstanding for 60 days following such date of termination (but in no event beyond September 29, 2011) and, immediately thereafter, shall terminate (without any action on the part of the Company).

5. *Purchase of Common Stock.*

(a) *Notice.* The Optionee may exercise all or any portion of the Option by giving written notice to the Company. The date of exercise of the Option with respect to the shares of Common Stock specified in the notice shall be the date on which the Company receives the written notice from such Optionee.

(b) *Payment and Other Conditions.* Prior to the delivery to the Optionee of any stock certificates evidencing shares of Common Stock in respect of which the Options shall have been exercised, (i) the Optionee shall have paid to the Company the Option Price of all shares of Common Stock purchased pursuant to such exercise of the Options and an amount equal to federal, state and local taxes, if any, required to be withheld as a result of such exercise as provided in the Plan and (ii) the Optionee shall have executed and delivered a stockholders agreement on the date hereof.

6. *Registration of Shares of Common Stock and Limitations on Exercisability.*

(a) Notwithstanding anything contained herein to the contrary, the Options shall not be exercisable, no transfer of shares of Common Stock may be made to the Optionee, and any attempt to exercise the Options or to transfer any shares of Common Stock to the Optionee shall be void and of no effect, unless and until (i) a registration statement under the Securities Act has been duly filed and declared effective pertaining to the shares of Common Stock subject to the Options, and the shares of Common Stock subject to the Options have been duly qualified under applicable state securities or blue sky laws or (ii) the Committee, in its sole discretion, determines in good faith, or the Optionee, upon the request of the Committee, provides an opinion of counsel satisfactory to the Committee, that such registration or qualification is not required as a result of the availability of an exemption from registration or qualification under such laws.

7. *No Restriction on Right of the Company to Effect Corporate Changes.* Neither the Plan, this Stock Option Agreement nor the Options shall affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the assets or business of the Company, or any other corporate act or proceeding, whether of a similar character or otherwise.

8. *Optionee Bound by Plan.* The Optionee hereby acknowledges receipt of a copy of the Plan and agrees that the Optionee and any other person who may be entitled to any rights hereunder shall be bound to all the terms and conditions thereof.

9. *Interpretation and Construction.* Subject to the express provisions of the Plan, the Committee shall have full authority to interpret and construe this Stock Option Agreement and any interpretation, construction or determination made by the Committee pursuant hereto or pursuant to the Plan shall be final and conclusive.

10. *Headings.* The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of this Stock Option Award Agreement.

11. *Construction of the Term "Optionee".* Whenever the word "Optionee" is used herein under circumstances where the provision should logically be construed to apply to the executors, the administrators, Designated Beneficiary or any other person or persons to whom the Option may be transferred by will or by the laws of descent and distribution or by reason of the death of the Optionee, the word "Optionee"

shall be deemed to include such person or persons. As used herein, the term "Designated Beneficiary" shall mean the person or persons last designated as such by the Optionee as the person or persons who shall have the right to exercise the Option after the Optionee's death on a form filed by the Optionee with the Committee in accordance with such procedures as the Committee shall establish. If no such person is designated, the Designated Beneficiary shall be the Optionee's estate.

12. *Governing Law.* This Stock Option Award Agreement and all rights hereunder shall be construed in accordance with and governed by the laws of the State of New York.

13. *Term of Option.* The Options shall expire at the close of business at the Company's headquarters on the date(s) set forth on *Schedule A* hereto.

14. *Notices.* Any notice hereunder to the Company or the Committee shall be in writing addressed to the principal executive offices of the Company, to the attention of its Secretary, and any notice hereunder to the Optionee shall be addressed to the Optionee at the address provided on the signature page hereto, subject to the designation in writing by either party of some other address.

[*Remainder of Page Intentionally Left Blank.*]

IN WITNESS WHEREOF, the Company has caused this Stock Option Award Agreement to be executed by its duly authorized officers, and the Optionee has executed this Stock Option Award Agreement, both as of the date first above written.

MRS. FIELDS FAMOUS BRANDS, INC.

By: ______________________
Name: ______________________
Title: ______________________

____
[Name of Director]

Address:

____

____

____

Schedule A

Number of Options*	Date of Grant	Option Price	Expiration Date

* Replacement Options

QuickLinks

Exhibit 10.18

Exhibit 10.49

EIGHTH AMENDMENT TO
AMENDED AND RESTATED LOAN AGREEMENT

This Eighth Amendment to Amended and Restated Loan Agreement (this "Amendment") is made as of the 30th day of August, 2002 by **Mrs. Fields' Original Cookies, Inc.**, a Delaware corporation ("Borrower"), and **LaSalle Bank National Association**, a national banking association ("LaSalle").

W I T N E S S E T H:

WHEREAS, Borrower and LaSalle are all of the parties to that certain Amended and Restated Loan Agreement dated as of February 28, 1998, as amended by that certain First Amendment to Amended and Restated Loan Agreement dated as of July 31, 1998 (the "First Amendment"), that certain Second Amendment to Amended and Restated Loan Agreement dated as of April 1, 1999 ("Second Amendment"), that certain Third Amendment to Amended and Restated Loan Agreement dated as of February 1, 2000 ("Third Amendment"), that certain Fourth Amendment to Amended and Restated Loan Agreement dated as of April 3, 2000 ("Fourth Amendment"), that certain Fifth Amendment to Amended and Restated Loan Agreement dated as of March 30, 2001 ("Fifth Amendment"), that certain Sixth Amendment to Amended and Restated Loan Agreement dated as of September 28, 2001 ("Sixth Amendment") and that certain Seventh Amendment to Amended and Restated Loan Agreement dated as of December 28, 2001 ("Seventh Amendment") (the Amended and Restated Loan Agreement, together with the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, as further amended, restated, modified or supplemented and in effect from time to time, being herein referred to as the "Loan Agreement"); and

WHEREAS, Borrower has requested that LaSalle amend the Loan Agreement with respect to certain matters, and LaSalle is agreeable to such request, on and subject to the terms and conditions set forth herein;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. *Definitions.* Capitalized terms used herein and not otherwise defined herein are used with the meanings given such terms in the Loan Agreement.

2. *Amendment.* The Loan Agreement is hereby amended by deleting the definition of "Revolving Loan Commitment" in its entirety and replacing it with the following:

> *"Revolving Loan Commitment"* shall mean (i) prior to August 31, 2002, Ten Million and 00/100 Dollars ($10,000,000.00), (ii) on and after August 31, 2002 until and including September 30, 2002, Nine Million and 00/100 Dollars ($9,000,000.00), (iii) on and after October 1, 2002 until and including January 30, 2003, Six Million and 00/100 Dollars ($6,000,000.00), and (iii) on and after January 31, 2003, Four Million and 00/100 Dollars ($4,000,000.00).

3. *Amendment Fee.* Concurrently with the execution hereof, Borrower shall pay to LaSalle an amendment fee of $5,000. Borrower hereby acknowledges and agrees that LaSalle may debit any account of Borrower or make an advance on the Revolving Loan for the payment of the amendment fee.

4. *Representations and Warranties.* Borrower hereby represents, warrants and covenants to LaSalle that:

(a) *Authorization.* The Borrower is duly authorized to execute and deliver this Amendment and all deliveries required hereunder, and is and will continue to be duly authorized to borrow monies under the Loan Agreement, as amended hereby, and to perform its obligations under the Loan Documents.

(b) *No Conflicts.* The execution and delivery of this Amendment and all deliveries required hereunder, and the performance by the Borrower of its obligations under the Loan Documents do not and will not conflict with any provision of law or of the charter or by-laws of the Borrower or of any agreement binding upon the Borrower.

(c) *Validity and Binding Effect.* This Amendment and the Loan Documents are a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

(d) *No Events of Default.* As of the date hereof, no Default or Event of Default under the Loan Documents has occurred or is continuing.

(e) *Warranties.* As of the date hereof, the representations and warranties in the Loan Agreement are true and correct as though made on such date, except where a different date is specifically indicated.

5. *Miscellaneous.*

(a) *Captions.* Section captions and headings used in this Amendment are for convenience only and are not part of and shall not affect the construction of this Amendment.

(b) *Governing Law.* This Amendment shall be a contract made under and governed by the laws of the State of Illinois, without regard to conflict of laws principles. Whenever possible, each provision of this Amendment shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

(c) *Counterparts.* This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall together constitute but one and the same document.

(d) *Successors and Assigns.* This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(e) *References.* From and after the date of execution of this Amendment, any reference to the Loan Agreement or the other Loan Documents contained in any notice, request, certificate or other instrument, document or agreement executed concurrently with or after the execution and delivery of this Amendment shall be deemed to include this Amendment unless the context shall otherwise require.

(f) *Continued Effectiveness.* Notwithstanding anything contained herein, the terms of this Amendment are not intended to and do not serve to effect a novation as to the Loan Agreement. The parties hereto expressly do not intend to extinguish the Loan Agreement. Instead, it is the express intention of the parties hereto to reaffirm the indebtedness created under the Loan Agreement which is evidenced by the Revolving Note provided for therein and secured by the Collateral. The Loan Agreement, except as modified hereby, and each of the other Loan Documents remain in full force and effect and are hereby reaffirmed in all respects.

[Balance of page left intentionally blank; signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Eighth Amendment to Amended and Restated Loan Agreement as of the date first set forth above.

MRS. FIELDS' ORIGINAL COOKIES, INC., a Delaware corporation

By:	/s/ MICHAEL WARD
Name:	Michael Ward
Its:	S.V.P.

LASALLE BANK NATIONAL ASSOCIATION, a national banking association

By:	/s/ DAVID A. STANG
Name:	David A. Stang
Its:	First Vice President Leverage Finance

QuickLinks

Exhibit 10.49

Exhibit 10.50

NINTH AMENDMENT TO
AMENDED AND RESTATED LOAN AGREEMENT

This Ninth Amendment to Amended and Restated Loan Agreement (this "Amendment") is made as of the 17th day of September, 2002 by **Mrs. Fields' Original Cookies, Inc.**, a Delaware corporation ("Borrower"), and **LaSalle Bank National Association**, a national banking association ("LaSalle").

W I T N E S S E T H:

WHEREAS, Borrower and LaSalle are all of the parties to that certain Amended and Restated Loan Agreement dated as of February 28, 1998, as amended by that certain First Amendment to Amended and Restated Loan Agreement dated as of July 31, 1998 (the "First Amendment"), that certain Second Amendment to Amended and Restated Loan Agreement dated as of April 1, 1999 ("Second Amendment"), that certain Third Amendment to Amended and Restated Loan Agreement dated as of February 1, 2000 ("Third Amendment"), that certain Fourth Amendment to Amended and Restated Loan Agreement dated as of April 3, 2000 ("Fourth Amendment"), that certain Fifth Amendment to Amended and Restated Loan Agreement dated as of March 30, 2001 ("Fifth Amendment"), that certain Sixth Amendment to Amended and Restated Loan Agreement dated as of September 28, 2001 ("Sixth Amendment"), that certain Seventh Amendment to Amended and Restated Loan Agreement dated as of December 28, 2001 ("Seventh Amendment") and that certain Eighth Amendment to Amended and Restated Loan Agreement dated as of August 30, 2002 ("Eighth Amendment") (the Amended and Restated Loan Agreement, together with the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment, the Seventh Amendment and the Eighth Amendment, as further amended, restated, modified or supplemented and in effect from time to time, being herein referred to as the "Loan Agreement"); and

WHEREAS, Borrower has requested that LaSalle amend the Loan Agreement with respect to certain matters, and LaSalle is agreeable to such request, on and subject to the terms and conditions set forth herein;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. *Definitions.* Capitalized terms used herein and not otherwise defined herein are used with the meanings given such terms in the Loan Agreement.

2. *Amendment.*

(a) The Loan Agreement is hereby amended as follows:

(i) by deleting the definition of "Maximum Letter of Credit Obligation" in its entirety and replacing it with the following:

"Maximum Letter of Credit Obligation" shall mean the lesser of (i) the Revolving Loan Commitment *minus* the aggregate amount of all Revolving Loans outstanding at any time, or (ii) $6,000,000.

(ii) by deleting the definition of "Revolving Loan Commitment" in its entirety and replacing it with the following:

"Revolving Loan Commitment" shall mean (i) on and after August 31, 2002 until and including November 30, 2002, Nine Million and 00/100 Dollars ($9,000,000.00), (ii) on and after December 1, 2002 until and including January 30, 2003, Six Million and 00/100 Dollars ($6,000,000.00), and (iii) on and after January 31, 2003, Four Million and 00/100 Dollars ($4,000,000.00).

(iii) by deleting Section 2.4 in its entirety and replacing it with the following:

Section 2.4 *Letters of Credit*. Subject to the terms and conditions of this Agreement and upon the execution and delivery by the Borrower and the acceptance by the Bank, in its sole and absolute discretion, of an application for letter of credit, the Bank agrees to issue for the account of the Borrower out of the Revolving Loan Commitment, Letters of Credit in the standard form of the Bank and otherwise in form and substance acceptable to the Bank, from time to time during the term of this Agreement, *provided* that the Letter of Credit Obligations may not at any time exceed the Maximum Letter of Credit Obligation, and *provided*, further, that no Letter of Credit shall have an expiration date later than the Revolving Loan Maturity Date then in effect. The amount of any payments made by the Bank with respect to draws made by a beneficiary under a Letter of Credit for which the Borrower has failed to reimburse the Bank upon the earlier of (i) the Bank's demand for repayment, or (ii) five (5) days from the date of such payment to such beneficiary by the Bank, shall be deemed to have been converted to a Revolving Loan (which Revolving Loan shall be a Prime Loan) as of the date such payment was made by the Bank to such beneficiary. If at any time the Letter of Credit Obligations exceed the Maximum Letter of Credit Obligations for any reason, including without limitation upon the reduction or termination of the Revolving Loan Commitment, the Borrower shall provide cash collateral to the Bank in an amount equal to such excess, to be held by the Bank in an account maintained by the Bank in its own name, or in an account otherwise acceptable to the Bank, until such excess no longer exists.

(b) The other Loan Documents are amended to the extent necessary to comply with the foregoing amendments to the Loan Agreement.

3. *Amendment Fee.* Concurrently with the execution hereof, Borrower shall pay to LaSalle an amendment fee of $5,000. Borrower hereby acknowledges and agrees that LaSalle may debit any account of Borrower or make an advance on the Revolving Loan for the payment of the amendment fee.

4. *Representations and Warranties.* Borrower hereby represents, warrants and covenants to LaSalle that:

(a) *Authorization.* The Borrower is duly authorized to execute and deliver this Amendment and all deliveries required hereunder, and is and will continue to be duly authorized to borrow monies under the Loan Agreement, as amended hereby, and to perform its obligations under the Loan Documents.

(b) *No Conflicts.* The execution and delivery of this Amendment and all deliveries required hereunder, and the performance by the Borrower of its obligations under the Loan Documents do not and will not conflict with any provision of law or of the charter or by-laws of the Borrower or of any agreement binding upon the Borrower.

(c) *Validity and Binding Effect.* This Amendment and the Loan Documents are a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

(d) *No Events of Default.* As of the date hereof, no Default or Event of Default under the Loan Documents has occurred or is continuing.

(e) *Warranties.* As of the date hereof, the representations and warranties in the Loan Agreement are true and correct as though made on such date, except where a different date is specifically indicated.

5. *Miscellaneous.*

(a) *Captions.* Section captions and headings used in this Amendment are for convenience only and are not part of and shall not affect the construction of this Amendment.

(b) *Governing Law.* This Amendment shall be a contract made under and governed by the laws of the State of Illinois, without regard to conflict of laws principles. Whenever possible, each provision of this Amendment shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

(c) *Counterparts.* This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall together constitute but one and the same document.

(d) *Successors and Assigns.* This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(e) *References.* From and after the date of execution of this Amendment, any reference to the Loan Agreement or the other Loan Documents contained in any notice, request, certificate or other instrument, document or agreement executed concurrently with or after the execution and delivery of this Amendment shall be deemed to include this Amendment unless the context shall otherwise require.

(f) *Continued Effectiveness.* Notwithstanding anything contained herein, the terms of this Amendment are not intended to and do not serve to effect a novation as to the Loan Agreement. The parties hereto expressly do not intend to extinguish the Loan Agreement. Instead, it is the express intention of the parties hereto to reaffirm the indebtedness created under the Loan Agreement which is evidenced by the Revolving Note provided for therein and secured by the Collateral. The Loan Agreement, except as modified hereby, and each of the other Loan Documents remain in full force and effect and are hereby reaffirmed in all respects.

[Balance of page left intentionally blank; signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Ninth Amendment to Amended and Restated Loan Agreement as of the date first set forth above.

MRS. FIELDS' ORIGINAL COOKIES, INC., a Delaware corporation

By: /s/ MICHAEL WARD
Name: Michael Ward
Its: S.V.P.

LASALLE BANK NATIONAL ASSOCIATION, a national banking association

By: /s/ DAVID A. STANG
Name: David A. Stang
Its: First Vice President Leverage Finance

QuickLinks

Exhibit 10.50

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 99.1

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Mrs. Fields' Original Cookies, Inc. (the "Company") on Form 10-Q for the period ended September 28, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), Larry A. Hodges, as Chief Executive Officer of the Company, and Sandra M. Buffa, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ LARRY A. HODGES

Larry A. Hodges
Chief Executive Officer
November 8, 2002

/s/ SANDRA M. BUFFA

Sandra M. Buffa
Chief Financial Officer
November 8, 2002

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

QuickLinks