SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

EINSTEIN NOAH BAGEL CORP

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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 27, 1998

OR

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

Commission File Number 0-21097

EINSTEIN/NOAH BAGEL CORP.

(Exact name of Registrant as specified in its charter)

Delaware	84-1294908
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14103 Denver West Parkway
Golden, CO 80401-4086
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (303) 215-9300

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

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

Title of Each Class

Common Stock, $.01 par value

7 1/4% Convertible Subordinated Debentures due 2004

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, as amended (the "Exchange Act"), during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days: Yes: X No:

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

The aggregate market value of the voting stock of the registrant held by stockholders who were not affiliates (as defined by regulations of the Securities and Exchange Commission) of the registrant was approximately $19,996,436 at March 22, 1999 (based on the closing sale price on the Nasdaq SmallCap Market on March 22, 1999, as reported by The Wall Street Journal (Western Edition)). At March 22, 1999, the registrant had issued and outstanding an aggregate of 34,083,681 shares of common stock (including 813,146 shares of common stock held by a subsidiary of the Company).

Documents Incorporated by Reference

Those sections or portions of the registrant's proxy statement for the Annual Meeting of Stockholders to be held on May 24, 1999 described in Part III hereof are incorporated by reference in this report.

PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-K under "Item 1. Business", "Item 3. Legal Proceedings", "Item 7. Management's Discussion and Analysis of Financial

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Condition and Results of Operations", and elsewhere in this Form 10-K, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Einstein/Noah Bagel Corp. (the "Company"), Einstein/Noah Bagel Partners, L.P., a majority-owned subsidiary of the Company ("Bagel Partners"), Einstein Bros(R) Bagels stores and Noah's New York Bagels(R) stores to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: competition; success of operating initiatives; development and operating costs; advertising and promotional efforts; brand awareness; availability and terms of capital; adverse publicity; acceptance of new product offerings; the Company's relationship with Boston Chicken, Inc. ("Boston Chicken"), the Company's majority stockholder; changes in business strategy or development plans; achievement of development schedules; availability, locations, and terms of sites for store development; food, labor, and employee benefit costs; changes in government regulation; regional weather conditions; the Company's ability to implement new information technology systems; Year 2000 compliance of systems provided to the Company by Boston Chicken or other third party vendors; Year 2000 compliance of systems used by Company suppliers; and other factors referenced in this Form 10-K. The Company cannot predict which factors would cause actual results to differ materially from those indicated by the forward-looking statements. In addition to considering statements that explicitly describe such risks and uncertainties, readers are urged to consider statements that include the terms "believes," "belief," "expects," "plans," "anticipates," "intends" or the like to be uncertain and forward-looking.

ITEM 1. BUSINESS

General

References in this Form 10-K to the "Company" mean the Company, its predecessors and its and their subsidiaries, including Bagel Partners, unless the context otherwise requires. Einstein Bros.(R) and Noah's New York Bagels(R) are trademarks owned by the Company.

The Company owns and operates specialty retail stores that feature fresh-baked bagels, proprietary cream cheeses, specialty coffees and teas, and creative soups, salads and sandwiches, primarily under the Einstein Bros. Bagels brand name and also under the Noah's New York Bagels brand name. The Company's primary brand, Einstein Bros. Bagels, was developed by the Company after it was formed in March 1995. The Noah's New York Bagels brand was acquired by the Company in February 1996. As of December 27, 1998, there were 546 Company stores in operation systemwide in 44 designated market areas ("DMAs"), 433 Einstein Bros. Bagels stores in 40 of such DMAs throughout the United States and 113 Noah's New York Bagels stores in four of such DMAs: northern California, portions of Los Angeles, Portland and Seattle/Tacoma. The Company also licenses one Einstein Bros. Bagels store located in a hotel in Phoenix, Arizona and one Noah's New York Bagels store located in the San Francisco International Airport. During fiscal 1998 the Company closed 43 stores and opened 15 new stores. Subsequent to the end of fiscal 1998, the Company closed ten stores and opened five new stores.

In February 1999, the Company announced that it intended to test the Einstein Bros. Bagels concept in the Los Angeles area by converting three to five of the 39 Noah's New York Bagels stores in that area to the Einstein Bros. Bagels concept. If the test proves successful, the Company intends to convert the remaining Noah's New York Bagels stores in that market to the Einstein Bros. Bagels concept.

During fiscal 1998 the Company focused primarily on improving store operations to increase same store sales and margins. The Company instituted programs to more effectively hire, train and incentivize store general managers, established consistent measurements of weekly store level performance, expanded menus to include new

lunch and sweets offerings, increased menu prices, closed underperforming stores and began more aggressive in-store merchandising.

The key component of the Company's product strategy is its offering of fresh-baked bagels, produced utilizing proprietary processes that allow for maximum inclusion of high quality ingredients, such as whole blueberries, raisins and nuts. Bagels are offered in a wide variety of both traditional and creative flavors and are baked fresh throughout the day in each store using steamed-baking processes.

The Company's stores also offer consumers a line of traditional and creative flavors of cream cheese and an extensive line of beverages featuring branded coffees and teas, fruit teas, bottled and fountain sodas, juices and

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waters. The menu also includes creative soups, salads and sandwiches offering customers a variety of lunch alternatives, as well as branded retail products that support the major menu categories, including ground and whole bean coffee, teas, bagel chips, coffee mugs and other items. Stores are typically in leased locations of approximately 2,000 square feet, substantial indoor seating and when practical, additional outdoor seating.

The Company was incorporated in Delaware in February 1995 under the name Progressive Bagel Concepts, Inc. The Company's name was subsequently changed to Einstein/Noah Bagel Corp. in June 1996. The Company's principal executive offices are located at 14103 Denver West Parkway, Golden, Colorado 80401 and its telephone number is (303) 215-9300.

Loan Conversions and Area Developer Merger

From November 1995 until December 1997, stores were developed and operated primarily by area developers funded in part through convertible loans made by the Company. The Company believes that its area developers substantially assisted the Company in accomplishing its goal of rapidly developing stores and brand awareness in targeted local markets to achieve market leadership. However, as a result of the Company's decision in 1997 to slow new store development, the Company believed its business would be strengthened by focusing on a number of business objectives better accomplished through a Company-controlled system.

After considering a number of alternative transactions, the Company's management recommended, and the board of directors of the Company approved, the conversion of its loans to its area developers into a majority equity interest in the area developers and the purchase of additional area developer equity interests. Accordingly, on December 5, 1997, four of the Company's five area developers merged into the surviving area developer now known as Einstein/Noah Bagel Partners, L.P. ("Bagel Partners"). As a result of the loan conversions and the area developer merger (together with certain related transactions, the "Transactions"), the Company owns approximately 78% of Bagel Partners, with the remaining minority interest owned by Bagel Store Development Funding, L.L.C. ("Bagel Funding") and management of the former area developers. Einstein/Noah Bagel Partners, Inc., a wholly-owned subsidiary of the Company, is the general partner of Bagel Partners (the "General Partner"). By reason of its holdings, the Company is able to control the affairs and policies of Bagel Partners, elect the board of directors of the General Partner and approve or disapprove any matter submitted to a vote of the partners of Bagel Partners, including a change in control of Bagel Partners.

The Company believes that a Company-controlled system has allowed it to develop and refine its brands by unifying store operations and customer experience and has enhanced the Company's focus on store operations. In addition, a Company-controlled system has enabled the Company to reduce systemwide overhead, facilitate debt financing, improve tax efficiency and attract and retain qualified employees through unified performance incentives. Continued achievement of the foregoing benefits is dependent on a number of factors, many of which are beyond the control of the Company. See "Special Note Regarding Forward-Looking Statements" on page 2.

While the Company believes it has realized certain benefits from the Transactions, the timing and extent of the benefits have not been as anticipated by management at the time of the Transactions. After operating and controlling the Einstein Bros. Bagels and Noah's New York Bagels stores acquired in the Transactions for one year, the Company, as part of its continual evaluation process, assessed the recoverability of certain long-lived assets and determined that they were impaired. The impairment was based primarily upon an evaluation of realized operating results, which were below those anticipated upon consummation of the Transactions, and current revenue growth and cash flow projections. As a result, the Company recorded an impairment of intangible assets and identifiable long-lived assets in 1998. See Note 13 of Notes to the Company's Consolidated Financial Statements.

Development Agreement

The Company's development agreement with Bagel Partners currently provides for the development of ten stores in fiscal 1999. Subsequent to the end of fiscal 1998, five of these stores have been opened. The opening and success of stores are dependent on a number of factors, including the availability of suitable sites, the negotiation of acceptable lease or purchase terms for such sites, permitting and regulatory compliance, the ability to meet construction schedules, the ability to hire and train qualified personnel, the financial and other capabilities of the Company and general economic and business conditions. Not all of the foregoing factors are within the control of the Company. The financial resources required by the Company to achieve systemwide plans will be dependent upon, among other things, the number and cost of stores developed and store operating results. The cost to develop a prototype store ranges from approximately $350,000 to $450,000. There can be no assurance that the Company will have access to the financial resources necessary to achieve systemwide

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plans or that stores will be successfully developed and operated.

Marketing and Competition

The Company believes that a key component in developing both the Einstein Bros. Bagels and Noah's New York Bagels brands is a strong local and community-based effort that encourages a close relationship between each store and its community. The Company utilizes traditional marketing and advertising methods, including radio, newspapers and other print media (including use of free-standing inserts and promotional coupons), signage, direct mail and in-store point-of-purchase displays to promote its brands.

The food service industry is intensely competitive with respect to food quality, concept, convenience, location, customer service and value. In addition, there are many well-established food service competitors with substantially greater financial and other resources and substantially longer operating histories than the Company. Many of such competitors are less dependent than the Company on a single, primary product. The Company believes that it competes with other bagel retailers and bakeries, specialty coffee retailers, doughnut shops, fast-food restaurants, delicatessens, take-out food service companies, supermarkets and convenience stores. In addition, the Company believes that the start-up costs associated with retail bagel and similar food service establishments are not a significant impediment to entry into the retail bagel business. The Company believes that its Einstein Bros. Bagels and Noah's New York Bagels brands compete favorably in the important factors of food quality, convenience, customer service and value.

Food service businesses are often affected by changes in consumer tastes, national, regional and local economic conditions, demographic trends, traffic patterns, the cost and availability of labor, purchasing power, availability of product, and the type, number and location of competing restaurants. Multi-unit food service businesses such as the Company can also be substantially adversely affected by publicity resulting from food quality, illness, injury or other health concerns (including food-borne illness claims) or operating issues stemming from one store or a limited number of stores, whether or not the Company is liable. Claims relating to foreign objects, food-borne illness or operating issues are common in the food service industry and a number of such claims may exist at any given time. Dependence on frequent deliveries of produce and supplies also subjects food service businesses such as the Company to the risk that shortages or interruptions in supply caused by adverse weather or other conditions could adversely affect the availability, quality and cost of ingredients. In addition, material changes in, or the Company's failure to comply with, applicable federal, state and local government regulations, and factors such as inflation, increased food, labor and employee benefit costs, regional weather conditions and unavailability of an adequate number of experienced managers and hourly employees may also adversely affect the food service industry in general and the Company's results of operations and financial condition in particular.

Vendors

The Company is party to an agreement with Harlan Bagel Supply Company, L.L.C. ("Harlan") and the equity owners of Harlan. Under the agreement, Harlan has agreed to sell frozen bagel dough to the Company at a price equal to the cost of ingredients and packaging, a predetermined allowance for product losses and a fixed toll charge (which is subject to adjustment for inflation, changes in formulations, specifications or procedures required by the Company or failure of the Company to purchase certain minimum numbers of bagels). The Company leases to Harlan certain equipment owned by the Company. Harlan has granted to the Company an option to acquire all of the assets of Harlan at a formula price equal to a multiple of Harlan's profits from sales of products under the supply

agreement. The option is exercisable through the term of the supply agreement or the equipment lease agreement (currently April 2005) in the event of a default under the equipment lease agreement or a default under Harlan's third-party loan agreements or other debt obligations.

The Company has a long-term distribution agreement with Marriott Distribution Services, Inc. ("Marriott"), which provides for distribution of food, beverages and supplies to stores at a negotiated fixed mark-up above cost. The Company purchases the majority of its products and supplies from Marriott. Certain vendors have provided funds to the Company to be used for advertising, marketing and promotions.

The Company may be subject to shortages or interruptions in supply caused by transportation strikes, adverse weather or other conditions which could adversely affect the quality, availability and cost of ingredients.

Trademarks and Other Proprietary Rights

The Company owns a number of trademarks and service marks that have been registered with the United States Patent and Trademark Office, including

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Einstein Bros.(R) and Noah's New York Bagels(R). In addition, the Company has federal trademark applications pending for a number of trademarks and service marks, as well as the Einstein Bros. logo and certain other logos used by the Company. The Company has applied to register Noah's New York Bagels in more than 30 foreign countries and Einstein Bros. in approximately 70 foreign countries. Most of the applications pending in the United States and foreign countries were filed in 1995 and 1996. The Company has not yet obtained federal registrations for certain of the trademarks and service marks used in its business, and there can be no assurance that such registrations will be obtained.

The Company considers its intellectual property rights to be important to its business and actively defends and enforces such rights.

Government Regulation

The restaurant industry is subject to numerous federal, state and local government regulations, including those relating to the preparation and sale of food and building and zoning requirements. The Company is subject to laws governing its relationship with employees, including minimum wage requirements, overtime, working and safety conditions and citizenship requirements. The failure to obtain or retain food licenses, or increases in employee benefit costs or other costs associated with employees, could adversely affect the Company.

Relationship with Boston Chicken

On October 5, 1998, Boston Chicken, the owner of approximately 51% of the outstanding shares of common stock of the Company, filed a voluntary petition for protection under Chapter 11 of the Federal Bankruptcy Code. The Company understands that Boston Chicken is in the process of developing alternative reorganization plans. Depending on the terms of the reorganization plan ultimately submitted to and approved by the Bankruptcy Court, the shares of Company common stock owned by Boston Chicken may be transferred, sold or otherwise disposed of to one or more persons or entities. The Company does not believe that Boston Chicken's bankruptcy proceedings will otherwise materially affect the Company. Boston Chicken currently provides the Company with accounting and administration services and computer and communications services; however, the Company has advised Boston Chicken that during fiscal 1999 it intends to develop a business infrastructure that will permit it to perform those services independently of Boston Chicken. The Company and Boston Chicken have had discussions regarding this transition, although the terms on which the Company may be able to transition from the existing fee service agreements are not known at this time. The failure of the Company to negotiate acceptable transition terms, the inability to effect the transition on a timely basis or the interruption of services provided by Boston Chicken prior to the Company's development and implementation of a satisfactory business infrastructure could have a material adverse effect on the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Year 2000." See "Special Note Regarding Forward-Looking Statements" on page 2.

Boston Chicken has an option (the "BCI Option") to maintain ownership of shares of common stock of the Company having up to 52% of the voting power of all of the outstanding shares of capital stock of the Company having the power generally to vote in the election of directors. The BCI Option is exercisable at a per share exercise price equal to (i) the weighted average price per share at which the Company's common stock is issued or sold in a

transaction pursuant to which the BCI Option becomes exercisable, in the case of a transaction in which such price per share is readily ascertainable, or (ii) in all other cases, the average of the closing sale prices for the common stock on the Nasdaq National Market (or such other principal exchange or market on which the common stock may then be trading) for the five trading days ending on the fifth trading day prior to the date of the transaction pursuant to which the BCI Option becomes exercisable. The BCI Option terminates if (i) Boston Chicken sells or transfers shares of the Company's common stock and as a result owns less than a majority of the then outstanding shares of the Company's voting stock or (ii) the percentage of outstanding shares of voting stock of the Company owned by Boston Chicken is reduced below 50% other than as a result of Boston Chicken's voluntary sale or transfer of shares of the Company's common stock and Boston Chicken fails to acquire a sufficient number of shares of common stock so that it owns at least a majority of the then outstanding shares of voting stock of the Company by July 31 of the calendar year next following the calendar year in which such reduction occurs. In addition, the percentage ownership level of 52% is subject to reduction to the extent voluntary sales or transfers by Boston Chicken reduce its ownership of the outstanding shares of voting stock of the Company to less than 52% but do not otherwise result in termination of the BCI Option. In determining the percentage ownership of the voting stock of the Company owned by Boston Chicken for purposes of the BCI Option, the following shares are excluded: (i) shares of the Company's common stock subject to options granted by Boston Chicken and its subsidiaries prior to the date of the agreement, (ii) any shares of common stock held by officers,

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directors or employees of Boston Chicken, and (iii) any shares of common stock held by any person or entity that would not be counted under generally accepted accounting principles in determining whether Boston Chicken owns a majority of the voting stock for consolidated financial statement purposes. Pursuant to such calculation, as of December 27, 1998, Boston Chicken had the right to purchase 2,124,579 shares of common stock of the Company at prices ranging from $3.87 to $30.75 per share. Boston Chicken also has five demand and unlimited piggyback registration rights under the Securities Act of 1933, as amended (the "Securities Act"), with respect to shares of the Company's common stock owned by Boston Chicken.

The Company previously had an unsecured subordinated, non-convertible credit facility with Boston Chicken providing for borrowings of up to $50.0 million. There was no balance outstanding under the facility during fiscal 1998. Interest on loans made under the credit facility was based on the reference rate of the Bank of America National Trust and Savings Association, plus 1.5%, and any borrowings outstanding were required to be repaid by June 15, 2003. In June 1998, the Company and Boston Chicken agreed to terminate such credit facility.

In June 1998, the Company and Boston Chicken amended the agreements pursuant to which Boston Chicken provides the Company with accounting and administration services and computer and communications services. Those agreements were amended to reduce the amount of fees payable by the Company for such services. In addition, Boston Chicken subleases to the Company approximately 26,450 square feet of office space (and certain common areas, including parking areas) for the Company's support center located in Golden, Colorado. The sublease currently provides for rental payments of $27,000 per month and has an initial term expiring in December 2001. During fiscal 1998, the Company paid Boston Chicken an aggregate of approximately $7.4 million pursuant to such agreements.

Employees; Labor Matters

In connection with the Transactions, the Company offered employment to all of the employees of Bagel Partners. Pursuant to the services agreement dated December 15, 1997 between the Company and Bagel Partners, the Company provides to Bagel Partners the services of such employees and certain other employees hired by the Company and Bagel Partners reimburses the Company for the cost of such employees. As of March 22, 1999, the Company had approximately 11,700 employees, of which approximately 11,435 were store-level employees.

Certain operations of the Company conducted in northern California under the Noah's New York Bagels brand have from time to time been the subject of union organizing activities. Two stores in the San Francisco Bay area are currently in union contract negotiations. Union affiliation may have a negative impact upon employee relations and labor costs.

Executive Officers

Set forth below are the names and ages of the executive officers of the Company, the positions they hold with the Company, and summaries of their business experience. Executive officers are elected by, and serve at the discretion of the Board of Directors. The executive officers of the Company are as follows:

Robert M. Hartnett, age 47, became Chief Executive Officer and a director of the Company in February 1998, and he became President and Chairman of the Board of the Company in May 1998. Mr. Hartnett has also served as Vice President-Eastern Zone of the General Partner of Bagel Partners since December 1997. From March 1996 to February 1998, Mr. Hartnett served as President and Chief Executive Officer of one of the Company's former area developers. From August 1992 until March 1996, Mr. Hartnett was Chief Executive Officer of R&A Foods, L.L.C., an area developer of Boston Chicken.

Paul J. B. Murphy III, age 44, became Executive Vice President - Operations of the Company in March 1998. From December 1997 to March 1998, Mr. Murphy served as Senior Vice President - Operations of the Company and from July 1996 until December 1997, he was Chief Operating Officer of one of the Company's former area developers. Prior to that time, he was Director of Operations of R&A Foods, L.L.C., an area developer of Boston Chicken, from August 1992 until July 1996. Before that, Mr. Murphy spent 11 years with S&A Restaurants, owner and operator of Steak & Ale and Bennigans restaurants. In his most recent position, he was an Area Manager responsible for Bennigans restaurants in Texas and New Mexico.

W. Eric Carlborg, age 35, became Chief Financial Officer in April 1997. Prior thereto he was Senior Vice President-Finance of the Company since July 1996. From October 1995 through June 1996, he was Vice President of Alignment and Planning of Boston Chicken. Prior to that time, Mr. Carlborg served as Vice President-Corporate Finance of Merrill Lynch from January 1994 to October 1995.

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Gail A. Lozoff, age 48, became Chief Marketing Officer of the Company in March 1998 and has been a director of the Company since April 1995. From October 1997 until March 1998, Ms. Lozoff served as Chief Concept Officer of the Company. From September 1996 until October 1997, Ms. Lozoff served as a Vice President of the Company and from April 1995 until September 1996, she served as Vice President-Design and Merchandising of the Company. Prior to that time, Ms. Lozoff was President and Chief Executive Officer of Bagel & Bagel, Inc. from May 1992 until 1995.

Paul A. Strasen, age 42, has been a Senior Vice President of the Company since February 1997 and has been General Counsel of the Company since April 1995. Mr. Strasen has also served as a Vice President of the General Partner of Bagel Partners since December 1997 and was a Senior Vice President of Boston Chicken from May 1997 until December 1997. From April 1995 to February 1997, he was a Vice President of the Company. Prior to that time, he was a partner at the Chicago law firm of Bell, Boyd & Lloyd from 1988 to April 1995.

Paula E. Manley, age 45, has been a Vice President of the Company since February 1998 and became Vice President - Operations Finance, Controller and Assistant Secretary in October 1998. From October 1996 to January 1998, Ms. Manley was Chief Financial Officer of one of the Company's former area developers. Prior to that time, Ms. Manley served as Real Estate Manager for the Franchise Division of Burger King Corp. from October 1994 to October 1996 and as Controller of that division from January 1990 to October 1994.

ITEM 2. PROPERTIES

The Company leases its support center facility (containing its principal executive offices and test bakery) in Golden, Colorado, which consists of approximately 26,450 square feet of office space (and certain common areas, including parking areas), from Boston Chicken. The Company and its subsidiaries also lease sites for stores and commissaries. While the Company expects to continue to lease sites in the future, the Company may also purchase land and/or buildings for stores and commissaries to the extent acceptable terms are available.

Stores and commissaries leased by the Company are typically leased under "triple net" leases that require the lessee to pay its proportionate share of real estate taxes, maintenance costs and insurance premiums. In some

cases, store leases require not only base rent but also percentage rent based on sales in excess of specified amounts. Generally, the Company's store leases have initial terms of five years with options to renew for two or three additional five-year periods at market rates.

The Company also leases a 54,640 square-foot dough production facility in Whittier, California.

In some cases, the Company remains legally obligated on leases for stores or commissaries that have been closed, either because the Company has assigned its rights under the lease without termination of the lease or because the Company has subleased such sites. As of March 22, 1999 the Company had entered into 12 such lease assignments and 20 such subleases.

ITEM 3. LEGAL PROCEEDINGS

The Company, like others in the food service business, is from time to time the subject of complaints, threat letters or litigation from customers alleging illness, injury, or other food quality, health (including food-borne illness claims), or operational concerns. Claims relating to foreign objects in food, food-borne illness or operating issues are common in the food service industry, and a number of such claims may exist at any given time. Adverse publicity resulting from such allegations may materially adversely affect the Company or its brands, regardless of whether such allegations are valid or whether the Company is liable. In addition, the Company encounters complaints and allegations from former or prospective employees or others from time to time, as well as other matters which are common for businesses such as the Company. The Company does not believe that any such matters of which it is aware are material to the Company individually or in the aggregate, but matters may arise which could adversely affect the Company or its business operations.

The Company and certain of its current and former officers and directors have entered into an agreement to settle a class action lawsuit brought against them in the United States District Court for the District of Colorado and in state court in Jefferson County, Colorado. The complaints allege, among other things, that the Company and the other defendants violated Sections 11, 12(2) and 15 of the Securities Act of 1933, as amended, and Section 10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder, as well as certain similar provisions of Colorado state law. The settlement does not include the claims pending in the lawsuit against the underwriters in the Company's public offerings of common stock in August 1996 and November 1996 (the "Underwriters") and against the Company's independent public accountants.

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The settlement of the litigation is being funded with proceeds of director and officer liability insurance policies and is subject to certain customary conditions, including final approval of the United States District Court for the District of Colorado where the lawsuit is pending. As also required by the settlement agreement, the United States Bankruptcy Court for the District of Arizona which has jurisdiction over the Chapter 11 bankruptcy case of Boston Chicken has granted relief from the automatic stay in effect in the Boston Chicken bankruptcy case to permit the settlement to be funded with proceeds of the insurance policies, which cover directors and officers of both Boston Chicken and the Company.

The Underwriters have requested that the Company indemnify them against any damages, costs and expenses they may incur in the litigation (including amounts paid in settlement thereof). The Company's director and officer liability insurance policies do not cover any amounts the Company may be obligated to pay in connection with the indemnification claim. Although the Company cannot predict the outcome of the lawsuits against the Underwriters and the independent public accountants, the Company believes that the complaints are without merit.

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

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal 1998.

Part II

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

On October 15, 1998, the Company's common stock began trading on the Nasdaq SmallCap Market. Prior to that time the Company's common stock was traded on the Nasdaq National Market.

The following table sets forth the high and low sales prices of the common stock during each of the Company's 1997 and 1998 fiscal quarters, as quoted on the Nasdaq National Market or Nasdaq SmallCap Market, as reported by The Wall Street Journal (Western Edition).

	High	Low
1997		
First Quarter	$33.750	$17.000
Second Quarter	21.750	8.750
Third Quarter	15.000	10.000
Fourth Quarter	11.750	5.000
1998		
First Quarter	$ 6.875	$ 3.500
Second Quarter	6.250	3.250
Third Quarter	4.250	1.094
Fourth Quarter	3.625	0.938

On March 22, 1999, the last reported sale price of the common stock on the Nasdaq SmallCap Market was $1.31 per share. As of March 22, 1999, there were approximately 703 record holders of the common stock.

The Company has never paid cash dividends on its common stock and the Board of Directors intends to continue a policy of retaining any earnings for use in the Company's operations. The Company does not anticipate paying any cash dividends in the foreseeable future. In addition, the Company's current credit facilities contain prohibitions on the payment of any cash dividends.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial and store data for the Company. This data should be read in conjunction with the Consolidated Financial Statements of the Company and the Notes thereto included in Item 8 hereof and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 hereof. Income (loss) from operations includes a $26.6 million write-off of intangible assets during the 1995 period, an $18.2 million charge associated primarily with the Transactions during fiscal year 1997, and a $212.4 million charge for impairment of store fixed assets, goodwill and other intangible assets during fiscal year 1998.
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	Period from March 24, 1995 (inception) through December 31, 1995	Fiscal Year Ended December 29, 1996	December 28, 1997	December 27, 1998
	(In thousands, except per share data and number of stores)			
Consolidated Statements of Operations Data:				
Revenue:				
Store revenue.............................	$ 25,685	$ 35,803	$ 28,436	$ 371,919
Royalties and franchise-related fees.......	671	19,918	28,286	0
Interest income from franchisees...........	67	5,986	21,566	0
Total revenue...........................	26,423	61,707	78,288	371,919
Income (loss) from operations................	(43,152)	10,039	3,664	(234,885)
Net income (loss)...........................	(43,716)	5,707	(1,402)	(203,927)
Basic earnings (loss) per share.............	(7.87)	0.29	(0.04)	(6.18)
Diluted earnings (loss) per share............	(7.87)	0.27	(0.04)	(6.18)
Weighted average number of common shares outstanding:				
Basic..................................	5,570	19,286	32,956	33,024
Diluted................................	5,570	21,023	32,956	33,024
Store Data (unaudited):				
Systemwide net revenue......................	$ 26,410	$138,251	$302,995	$ 371,919
Company-owned stores.........................	47	14	574	546
Area developer stores........................	13	301	0	0
Number of stores at end of year.............	60	315	574	546
Consolidated Balance Sheet Data:				
Total assets................................	$ 50,299	$332,418	$643,128	$ 375,142
Long-term debt..............................	58,875	-	149,000	143,000
Stockholders' equity (deficit)...............	(20,994)	315,517	330,346	129,358

</TABLE>

Predecessor Companies

The summary historical combined financial data shown below represent the financial data of the Company's predecessors: Brackman Brothers, Inc. ("Brackman"), Bagel & Bagel, Inc. ("Bagel & Bagel") and Offerdahl's Bagel Gourmet, Inc. ("Offerdahl's"). The financial data for the period ended March 31, 1995 include the results of operations of the predecessors through their respective dates of acquisition, which were March 24, 1995 for Brackman and Bagel & Bagel and March 31, 1995 for Offerdahl's. The financial information is presented on the historic cost basis of each of the predecessors. The basic and fully diluted earnings (loss) per share and the weighted average number of common shares outstanding during the period have not been presented for these periods because the Company believes this information is not meaningful. Subsequent to the acquisition of these predecessors, the Company sold substantially all of their assets. Accordingly, the Company does not believe that such operating results are meaningful or are indicative of future operating results of the Company.

<TABLE>
<CAPTION>

	Year ended December 31, 1994	Period from January 1, 1995 through March 31, 1995
	(in thousands)	
Combined Statements of Operations Data:		
Total revenue..........................	$19,158	$5,882
Income from operations.................	1,452	39
Net income (loss)......................	696	(158)
Combined Balance Sheet Data:		
Total assets...........................	$ 9,511	
Long-term debt.........................	2,822	

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

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RESULTS OF OPERATIONS

General

From November 1995 until December 1997, stores were developed and operated primarily by area developers of the Company. The area developers were funded in part through convertible loans made by the Company. The Company believes that its area developers substantially assisted the Company in accomplishing its goal of rapidly developing stores and brand awareness in targeted local markets to achieve market leadership. However, as a result of the Company's decision in 1997 to slow new store development, the Company believed its business would be strengthened by focusing on a number of business objectives better accomplished through a Company-controlled system.

After considering a number of alternative transactions, the Company's management recommended, and the board of directors of the Company approved, the conversion of its loans to its area developers into a majority equity interest in the area developers and the purchase of additional area developer equity interests. Accordingly, on December 5, 1997, four of the Company's five area developers merged into the surviving area developer now known as Einstein/Noah Bagel Partners, L.P. ("Bagel Partners"). As a result of the loan conversions and the area developer merger (together with certain related transactions, the "Transactions"), the Company owns approximately 78% of Bagel Partners, with the remaining minority interest owned by Bagel Store Development Funding, L.L.C. and management of the former area developers.

While the Company believes it has realized certain benefits from the Transactions, the timing and extent of the benefits have not been as anticipated by management at the time of the Transactions. After operating and controlling the Einstein Bros. Bagels and Noah's New York Bagels stores acquired in the Transactions for one year, the Company, as part of its continual evaluation process, assessed the recoverability of certain long-lived assets and determined that they were impaired. The impairment was based primarily upon an evaluation of realized operating results, which were below those anticipated upon consummation of the Transactions, and current revenue growth and cash flow projections. As a result, the Company recorded an impairment of intangible assets and identifiable long-lived assets in 1998. See Note 13 of Notes to the Company's Consolidated Financial Statements. In addition, during 1998 the Company closed 43 underperforming stores acquired in the Transactions.

As of March 22, 1999, Boston Chicken held approximately 51% of the voting stock of the Company. In addition, Boston Chicken has an option that permits it to maintain ownership of shares of common stock having up to 52% of the voting power of all of the outstanding shares of capital stock of the Company having the power generally to vote in the election of directors. See "Item 1. Business -- Relationship with Boston Chicken."

The Company and Boston Chicken are parties to various fee service agreements, pursuant to which Boston Chicken provides to the Company certain accounting and administration and computer and communications services. In January 1999, the Company's management informed Boston Chicken that the Company intended to develop a business infrastructure that will permit it to perform those services independently. The Company and Boston Chicken have had discussions regarding this transition, although the terms on which the Company may be able to transition from the existing fee service agreements are not known at this time. The failure of the Company to negotiate acceptable transition terms, the inability to effect the transition on a timely basis or the interruption of services provided by Boston Chicken prior to the Company's development and implementation of a satisfactory business infrastructure could have a material adverse effect on the Company. See "Special Note Regarding Forward-Looking Statements" on page 2.

In connection with the development of a business infrastructure, in February 1999 the Company entered into license and support service agreements with a third-party software vendor to obtain a license and support services for enterprise systems (consisting of financial, human resources and payroll systems). The Company has also entered into an agreement with a third-party consulting group that will assist the Company in the implementation of the new systems. The Company currently anticipates that the financial systems will begin operating in the third quarter of fiscal 1999 and that the human resources and payroll systems will begin operating at the beginning of fiscal 2000.

The Company has also commenced negotiations to obtain from several third-party vendors licenses for back office and point-of-sale store systems and support services for those systems, and it anticipates entering into negotiations to obtain other licenses and support services required in the operation of its business. The Company has also begun to hire additional support center employees to provide the various accounting, administrative and systems support services that are currently provided by Boston Chicken, including human resources administration, benefits administration, risk management, payroll, accounts payable, fixed assets, treasury, and systems administration and support.

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The transition to a business structure and systems that are independent of Boston Chicken will require the dedication of significant management resources and may distract attention from the day-to-day business of the Company, which could adversely affect the Company's business and operating results. In addition, there can be no assurance that the new systems will be implemented in a timely fashion or that the cost of such implementation will not exceed the amount estimated by the Company. The failure to implement such systems in a timely manner or at the budgeted cost could have a material adverse effect on the Company. There can also be no assurance that the Company will be able to hire and train sufficient qualified personnel to perform the required services in a timely manner and on acceptable terms. See "Special Note Regarding Forward-Looking Statements" on page 2.

Results of Operations

As a result of the Transactions, the revenue generated by the Company as a lender, franchisor and service provider to the area developers prior to the date of the Transactions is eliminated in consolidation and replaced with store revenue and operating expenses from and after the date of the Transactions. The foregoing results are adjusted in the "minority interest" line item to reflect the minority interests not owned by the Company. As a result of the Transactions, the operating results for the 1998 fiscal year and later periods will not be readily comparable to those for prior fiscal years.

Fiscal year ended December 27, 1998 compared to fiscal year ended December 28, 1997

The Company's results of operations for fiscal year ended December 27, 1998 reflect the Company's first full year of operations as the majority owner and operator of stores systemwide.

Revenue. Total systemwide net revenue increased 22.7% to $371.9 million for 1998 compared to $303.0 million in the prior year. The increase in systemwide net revenue was due to an increase in the average number of stores and average net weekly per store sales. The average number of stores in operation were 551 compared to 458 in the prior year. Average net weekly per store sales were $13,103 compared to $12,980 in the prior year. Average net weekly per store sales represents weekly per store average revenue, after customer and employee discounts, for all stores open at the end of the periods presented. The increase in average net weekly per store sales was due to a higher proportion of mature stores in comparison to the prior year and to the effect of several Company initiatives, including a new lunch menu, higher menu prices, closure of underperforming stores, and focus on improved store level operations. These Company initiatives were instituted earlier, and have to date proven more effective, in the Company's Einstein Bros. Bagels concept than in its Noah's New York Bagels concept, and they were offset by declines due to less marketing spending and lower per store revenue generated by the Noah's New York Bagels stores.

The increase in Company store revenue along with the decline in royalties and franchise-related fees was due to an increase in average number of Company stores as a result of the Transactions.

Store Costs and Expenses. Total store costs and expenses increased to $342.5 million for 1998 compared to $29.1 million in the prior year, due to an increase in average number of Company stores as a result of the Transactions.

While line by line comparisons may not meaningful as a result of the Transactions, the Company believes that overall store performance improved in 1998, compared to the performance of the stores in 1997 following the Transactions. This improvement was illustrated by the increase in average net weekly per store sales, mentioned above, in addition to the positive margin generated from store revenue less store costs and expenses compared to the

negative margin generated in the prior year. However, the improvement in store level revenue growth and cash flow did not meet the Company's expectations at the time of the Transactions.

Salaries, Benefits, General and Administrative. Salaries, benefits, general and administrative expenses increased to $37.6 million compared to $27.9 million in the prior year, due primarily to an increase in the number of company employees as a result of the Transactions. Salaries, benefits, general and administrative expenses previously paid by the Company's area developers are now reflected in the Company's consolidated financial statements. Salaries, benefits, general and administrative expenses include $2.3 million for severance charges incurred in 1998 in connection with the elimination of certain positions, primarily at the Company's support center.

Impairment of Long-Lived Assets. In 1998, as part of the Company's ongoing evaluation of long-lived assets, management made an assessment of the recoverability of certain long-lived assets. As a result of such assessment,

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the Company recorded an impairment of intangible assets and identifiable long-lived assets aggregating $212.4 million in 1998, consisting of the following amounts: $125.5 million - goodwill, $20.4 million - trademarks and copyrights, $3.7 million - capitalized recipes and $62.8 million - property and equipment. See Note 13 of Notes to the Company's Consolidated Financial Statements.

In 1997 the Company recognized an impairment loss on various long-lived assets of $10.8 million, resulting primarily from the closure of a bagel dough production facility and the conversion to a Company-controlled system. The assets subject to the impairment loss had a net book value of $11.6 million before the impairment loss.

Useful Lives of Long-Lived Assets. In 1998, as part of the Company's ongoing evaluation of long-lived assets, management evaluated the useful lives of goodwill and trademarks. The evaluation was made after the Company had operated and controlled the Einstein Bros. Bagels and Noah's New York Bagels stores acquired in the Transactions for a period of one year. Based primarily upon the assessment of realized operating results, which were below those anticipated upon consummation of the Transactions, and current revenue growth and cash flow projections, the Company concluded that 20 years would be a more accurate estimate of useful lives for goodwill and trademarks than the 35-year and 30-year periods previously used for goodwill and trademarks, respectively. The new useful life of 20 years is effective on a prospective basis beginning in 1999. Based upon balances as of December 27, 1998, this would result in annual amortization related to goodwill and trademarks of $11.7 million and $0.1 million, respectively. See Note 2 of Notes to the Company's Consolidated Financial Statements.

Other Expense. The Company incurred other expense of $14.9 million for 1998 compared to $4.1 million in the prior year, due primarily to increased interest expense from the Company's outstanding subordinated debt being outstanding for the entire year and a higher average amount of bank facility debt, together with the write-off of $3.4 million notes receivable from a stockholder.

Minority Interest. The minority interest in losses of Bagel Partners was $46.1 million in 1998, compared to $4.0 million in the prior year. This increase was due to greater losses incurred in the current year.

Income Taxes. The Company had a $0.2 million income tax expense in 1998, consisting of state and local taxes.

Fiscal year ended December 28, 1997 compared to fiscal year ended December 29, 1996

The Company's results of operations for fiscal year ended December 28, 1997 reflect primarily the Company's operations as a franchisor. As a result of the Transactions, the Company's results of operations after December 5, 1997 reflect results of the Company as the majority owner and operator of stores systemwide.

Revenue. Total systemwide net revenue increased 119.2% to $303.0 million for 1997 compared to $138.3 million in the prior year. The increase in systemwide net revenue was due to an increase in the number of stores in operation systemwide offset by lower average net weekly per store sales. The lower average net weekly per store sales were due to a lower proportion of mature stores in the system in 1997 compared to the prior year.

Revenue from Company stores decreased 20.6% to $28.4 million in 1997 from $35.8 million in the prior year. The decrease was due to a lower average number of Company stores in 1997 compared to 1996.

Royalties and franchise-related fees increased to $28.3 million for 1997 from $19.9 million in the prior year, due primarily to an increase in royalties, real estate fees and lease income attributable to the larger base of franchise stores operating in 1997 compared to 1996.

Interest income from loans to area developers increased to $21.6 million for 1997 from $6.0 million in the prior year due to higher outstanding loan balances associated with the increase in stores opened by the Company's area developers during fiscal 1997.

Store Costs and Expenses. Total store costs and expenses were $29.1 million for 1997 compared to $29.7 million in the prior year. Total store expenses in 1996 represented primarily expenses for stores prior to their sale to area developers; expenses in 1997 represented expenses incurred primarily by Company stores after the Transactions.

Salaries, Benefits, General and Administrative. Salaries, benefits, general and administrative expenses were $27.9 million in 1997 compared to $17.7 million in the prior year, due primarily to an increase in the number of employees, an increase in expenditures at the Company's support center necessary to support systemwide expansion and a charge of $7.4 million associated

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primarily with the Transactions.

Impairment of Long-Lived Assets. In 1997 the Company recognized an impairment loss on various long-lived assets of $10.8 million, resulting primarily from the closure of a bagel dough production facility and the conversion to a Company-controlled system. The assets subject to the impairment loss had a net book value of $11.6 million before the impairment loss.

Other Expense. The Company incurred other expense of $4.1 million for 1997 compared to $4.3 million in the prior year.

Minority Interest. The minority interest in losses of Bagel Partners was $4.0 million in 1997 as a result of the Transactions.

Income Taxes. The Company had a $5.0 million income tax expense in 1997 resulting primarily from certain non-deductible intangible amortization and the uncertainty associated with the realization of its deferred tax asset.

Liquidity and Capital Resources

The Company's primary sources of capital have been from issuances of equity and debt securities, borrowings under the Company's revolving credit facility and internally generated cash from operations. In 1998, $12.5 million of cash was used in operations, compared to $27.7 million of cash provided from operations in 1997. The decrease in cash from operations was a result of the Transactions, because cash previously used in area developer operations is now used in Company operations. Cash provided from operations in 1997 totaled $27.7 million, an increase of $21.2 million from the cash provided from operations in 1996 of $6.5 million. The increase was due primarily to an increase in royalties and franchise-related fees and interest income from loans to area developers attributable to the larger base of franchise stores operating in 1997 compared to 1996.

In 1998, $0.4 million of net cash was used in financing activities, resulting from repayments under the Company's term loan facility and borrowings under the Company's revolving credit facility. As of December 27, 1998, the Company had $3.8 million available in cash and cash equivalents. At December 27, 1998, a $24.0 million term loan and a $5.6 million revolving loan were outstanding under the Company's secured bank credit facility with Bank of America National Trust and Savings Association and two other lenders. The bank credit facility consists of a term loan facility (originally in the amount of $30.0 million) and a $25.0 million revolving credit facility. The bank credit facility contains financial covenants that require the Company to maintain minimum average weekly net

sales levels and to comply with ratios of system cash flow to senior indebtedness and pro forma fixed charges. As of December 27, 1998, the Company had $25.0 million available from its revolving credit facility. See Note 6 of Notes to the Company's Consolidated Financial Statements.

Cash provided from financing activities totaled $158.7 million in 1997. In May 1997, the Company completed a private offering of $125.0 million principal amount of 7 1/4% convertible subordinated debentures due 2004. As of December 28, 1997, the Company had $34.1 million available in cash and cash equivalents.

During 1996, the Company borrowed $80.0 million from Boston Chicken under a convertible secured loan agreement, resulting in a $120.0 million outstanding balance. In June 1996, Boston Chicken converted the entire $120.0 million balance of convertible debt into 15,307,421 shares of common stock of the Company. Also during 1996, the Company raised $174.6 million from the sale of approximately 8,670,000 shares of its common stock. At December 29, 1996, there was no balance outstanding under the Company's credit facility.

In 1998, the Company's primary uses of capital, other than providing working capital for normal operating expenses, consisted of satisfaction of current liabilities (including liabilities incurred in closing stores and severance obligations incurred in reducing overhead), expenditures related to building and opening new stores and retrofitting existing stores, and payment of principal and interest on outstanding indebtedness.

Prior to 1998, the Company's primary use of capital consisted of providing partial financing to its area developers for use in rapid store development and working capital needs. Net loan advances to area developers were $190.0 million in 1997 (consisting of $359.2 million of loan advances, net of $169.2 million of loan repayments) and $137.3 million in 1996 (consisting of $206.8 million of loan advances, net of $69.5 million of loan repayments). The majority of the loan advance and repayment activity reflects the revolving nature of the loans; that is, amounts were drawn and repaid on a regular basis to optimize cash management. The increase in loan advances was attributable to the increase in the number of area developer stores opened in 1997 compared to 1996.

In addition to providing funding to its area developers, the Company's

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capital requirements in 1997 and 1996 consisted of store acquisition and development, development of its corporate infrastructure, which supports systemwide expansion, and investments in food production facilities. In 1997, the Company expended $8.2 million on its corporate infrastructure and investments in food production facilities compared to $10.1 million in 1996. In 1996, the Company expended $107.9 million on store acquisition and development, including the acquisition of all the capital stock of Noah's New York Bagels, Inc. for $100.9 million. The Company generated $3.6 million in 1997 and $49.9 million in 1996 from the sale of stores to newly formed area developers. There were no material gains or losses recognized as a result of these sales.

The Company's primary uses of capital in 1999, other than providing working capital for normal operating expenses, are expected to consist primarily of satisfaction of current liabilities, expenditures related to the development of business infrastructure and systems, including the acquisition of hardware, software licenses, maintenance and support for enterprise and store systems, expenditures related to building and opening a small number of new stores and refurbishing existing stores, and payment of principal and interest on outstanding indebtedness. The Company estimates that the aggregate cost associated with acquiring and implementing new enterprise systems will be approximately $3.0 million (of which approximately $750,000 has been incurred) and that the capital cost associated with upgrading store systems to become Year 2000 compliant will be approximately $1.6 million, primarily to purchase hardware that will accommodate Year 2000 compliant software. In addition, the Company expects to incur additional capital costs in obtaining ownership of software licenses, including licenses for back office and point-of-sale store systems, and additional operating expenses in building and operating a business infrastructure to perform services that to date have been provided to the Company by Boston Chicken. Moreover, until such time as the Company's fee service agreements with Boston Chicken expire or are terminated, the Company will continue to be obligated to pay fees to Boston Chicken under those agreements in addition to paying the expenses of building and operating its own infrastructure.

The Company's primary sources of capital in 1999 are expected to consist primarily of internally generated cash from operations and borrowings under the Company's revolving credit facility. The Company anticipates the

expected sources of capital will be sufficient to fund the expected uses. In the event the Company requires additional capital for the foregoing purposes, there can be no assurance that the Company will be able to raise such capital on satisfactory terms, if at all. See "Special Note Regarding Forward-Looking Statements" on page 2. If the Company is unable to comply with any of the financial covenants under its bank credit facility, the Company would be unable to draw on its revolving credit facility and, upon action of the lenders under the bank credit facility, all outstanding principal and interest under the bank credit facility could be accelerated and become immediately due and payable. To the extent the Company did not have borrowing availability under the bank credit facility, the Company could be required to seek additional sources of capital and, if unable to obtain such capital, could be unable to satisfy its obligations when due.

Seasonality

Historically, the Company has experienced lower average store revenue during November, December and January.

Year 2000

The Year 2000 issue is the result of computer programs written to identify the applicable year with two digits rather than four. As written, these programs may identify the year "00" as 1900 rather than 2000, which could result in systems miscalculations or systems failure leading to potentially substantial business disruptions. The Company has adopted a comprehensive plan to identify and resolve its Year 2000 issues. The Company's Year 2000 plan consists of (a) assuring that its information technology systems, currently provided by Boston Chicken under the terms of a computer and communications services agreement, are Year 2000 compliant, (b) assuring that new information technology systems acquired by the Company as part of its development of an independent business infrastructure are Year 2000 compliant, and (c) obtaining assurances from other third party vendors that their businesses and systems will be Year 2000 compliant on a timely basis.

Boston Chicken has informed the Company that the information technology systems it provides are, or will be by September 1999, Year 2000 compliant. Such systems include back office and point of sale store systems as well as financial, human resources, payroll and desktop systems utilized at the Company's support center. In addition to the public disclosure provided by Boston Chicken with respect to its Year 2000 compliance efforts, the Company receives periodic reports from Boston Chicken management relating to Year 2000 issues. In addition to the fees the Company pays to Boston Chicken under the computer and communications services agreement, the Company expects to incur

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capital expenditures of approximately $1.6 million, primarily to purchase hardware for store systems that will accommodate Year 2000 compliant software. The Company intends to continue monitoring Boston Chicken's Year 2000 compliance efforts on a regular basis with respect to systems provided by Boston Chicken and to seek assurances of Year 2000 compliance from any other vendors who may grant licenses to the Company or support its information technology systems. See "Special Note Regarding Forward-Looking Statements" on page 2.

The Company has received assurances from the third party software vendor that is providing the Company with a software license and support services for its enterprise systems that the software will be Year 2000 compliant. The Company has received similar assurances from its principal third party systems hardware vendor. The Company intends to seek assurances of Year 2000 compliance from other vendors of systems software, hardware and services. See "Special Note Regarding Forward-Looking Statements" on page 2.

The Company has also implemented a program to obtain third party vendor assurances of Year 2000 compliance. The Company is currently in the process of identifying all of its third party vendors and assessing the impact on the Company if vendors are not Year 2000 compliant. Management of the Company expects to meet with its most significant vendors, such as its bagel and cream cheese suppliers and its distribution vendor, by the end of its first fiscal quarter in 1999 to discuss their Year 2000 compliance plans. The Company is sending to substantially all other vendors, including the Company's landlords, equipment vendors, service providers, banks and utility companies, letters from the Company requesting written assurance of Year 2000 compliance on a timely basis. Management intends to evaluate all vendor responses and, if any response is deemed inadequate, will follow-up with letters, telephone calls and/or meetings with the applicable vendor. Throughout this process, management of the Company will assess both the likelihood of compliance by the vendor and the impact on the Company if it is determined that the vendor will not be compliant on a timely basis. To the extent that the Company determines that

a significant vendor is not likely to be Year 2000 compliant in a timely manner, the Company intends to develop contingency plans, including obtaining alternative sources for any product or service material to maintaining uninterrupted business operations. The Company expects that its third party vendor compliance program, including the development of contingency plans, if necessary, will be complete by the end of its second fiscal quarter in 1999. See "Special Note Regarding Forward-Looking Statements" on page 2.

The Company's Year 2000 compliance efforts involve a significant amount of time and effort by management and employees, the total cost of which is difficult to precisely estimate. The Company does not, however, anticipate that these costs will be material to the Company. The Company does not expect significant business disruptions arising from the failure of its third party vendors to be Year 2000 compliant on a timely basis; however, compliance efforts of Boston Chicken, other providers of information technology systems and other third party vendors are not within the Company's control. There can be no assurance that all of such persons will be Year 2000 compliant, or that the Company will successfully develop and implement satisfactory contingency plans on a timely basis. The occurrence of any such event could have a material adverse effect on the financial condition or results of operations of the Company. See "Special Note Regarding Forward-Looking Statements" on page 7.

Impact of Inflation

The Company believes that inflation has not had a material impact on its results of operations to date. Substantial increases in the cost of labor, employee benefits, food and other operating expenses could adversely affect results of store operations.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Over time, the Company is exposed to market risks arising from changes in interest rates. The Company has not historically used derivative financial instruments.

As of December 27, 1998, $29.6 million of floating-rate debt was exposed to changes in interest rates compared to $30.0 million in the prior year. This exposure was primarily linked to the prime lending rate. A hypothetical 10% change in the prime lending rate would not have had a material effect on the Company's annual earnings.

As of December 27, 1998 and December 28, 1997, the Company also had $125.0 million of fixed-rate convertible subordinated debentures due 2004. A hypothetical 10% change in interest rates on this debt would affect the market value of these financial instruments.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA (UNAUDITED)
(In thousands, except per share data)

The following table shows quarterly unaudited financial results for fiscal years 1998 and 1997. The first quarter consists of four four-week periods and the second, third and fourth quarters consist of three four-week periods. The fourth quarter of 1998 Loss from Operations includes a $212.4 million charge for impairment of store fixed assets, goodwill and other intangibles. See Note 13 of Notes to the Company's Consolidated Financial Statements.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1998:				
Revenue	$110,475	$87,899	$87,325	$ 86,220
Loss from Operations	(12,661)	(3,855)	(2,636)	(215,733)
Net Loss	(13,417)	(8,949)	(4,433)	(177,128)
Basic Loss per Share	(0.41)	(0.27)	(0.13)	(5.32)
Diluted Loss per Share	(0.41)	(0.27)	(0.13)	(5.32)
1997:				
Revenue	$ 16,728	$13,275	$13,882	$ 34,403
Income (Loss) from Operations	7,232	8,142	9,267	(20,977)
Net Income (Loss)	5,178	5,114	5,364	(17,058)
Basic Earnings (Loss) per Shares	0.16	0.15	0.16	(0.52)
Diluted Earnings (Loss) per Shares	0.15	0.15	0.16	(0.52)

EINSTEIN/NOAH BAGEL CORP. AND SUBSIDIARIES

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Einstein/Noah Bagel Corp.:

We have audited the accompanying consolidated balance sheets of Einstein/Noah Bagel Corp. (a Delaware corporation) and subsidiaries as of December 28, 1997 and December 27, 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for the fiscal years ended December 29, 1996, December 28, 1997 and December 27, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Einstein/Noah Bagel Corp. and subsidiaries as of December 28, 1997 and December 27, 1998, and the results of their operations and their cash flows for the fiscal years ended December 29, 1996, December 28, 1997 and December 27, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Denver, Colorado
February 17, 1999

EINSTEIN/NOAH BAGEL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

<TABLE>
<CAPTION>

	December 28, 1997	December 27, 1998
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 34,148	$ 3,766
Accounts receivable, net	1,593	1,716
Inventories	9,823	9,672
Prepaid expenses and other current assets	502	1,699
Total current assets	46,066	16,853
Property and Equipment, net	194,152	122,403
Goodwill, net	360,155	223,482
Trademarks, net	22,075	2,065
Recipes, net	7,202	2,670
Other Assets, net	13,478	7,669
Total assets	$643,128	$ 375,142
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 16,140	$ 17,804
Accrued expenses	38,369	23,284
Current portion of senior term loan	6,000	6,000
Total current liabilities	60,509	47,088
Revolving Credit Facility	-	5,625
Long-Term Portion of Senior Term Loan	24,000	18,000
Convertible Subordinated Debentures	125,000	125,000
Other Noncurrent Liabilities	23,225	16,140
Minority Interest	80,048	33,931
Stockholders' Equity:		
Preferred Stock - $.01 par value; 20,000,000 shares authorized; no shares issued and outstanding	-	-
Common Stock - $.01 par value; 200,000,000 shares authorized; 33,332,594 shares issued in 1997 and 34,083,681 shares issued in 1998	333	341
Additional paid-in capital	374,685	377,616
Treasury Stock, at cost (813,146 shares in 1997 and 1998)	(5,261)	(5,261)
Accumulated deficit	(39,411)	(243,338)
Total stockholders' equity	330,346	129,358
Total liabilities and stockholders' equity	$643,128	$ 375,142

</TABLE>

The accompanying notes to the consolidated financial statements are an integral

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part of these statements.

EINSTEIN/NOAH BAGEL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

<TABLE>
<CAPTION>

	Fiscal Year Ended		
	December 29, 1996	December 28, 1997	December 27, 1998
<S>	<C>	<C>	<C>
Revenue:			
Store revenue	$35,803	$28,436	$ 371,919
Royalties and franchise-related fees	25,904	49,852	-
Total revenue	61,707	78,288	371,919
Costs and Expenses:			
Store:			
Cost of products sold	11,546	9,479	127,573
Salaries and benefits	10,411	10,734	116,226
Other controllable costs	4,670	2,404	29,392
Rent, occupancy and related costs	1,074	4,680	35,603
Marketing expenses	842	126	13,291
Depreciation and amortization	1,146	1,683	20,411
Total store costs and expenses	29,689	29,106	342,496
Non-Store:			
Salaries, benefits, general and administrative	17,694	27,865	37,571
Impairment of long-lived assets	-	10,835	212,371
Depreciation and amortization (excluding goodwill amortization)	1,313	4,154	3,588
Goodwill amortization	2,972	2,664	10,778
Total non-store costs and expenses	21,979	45,518	264,308
Total costs and expenses	51,668	74,624	606,804
Income (Loss) from Operations	10,039	3,664	(234,885)
Other Income (Expense):			
Interest income	689	1,969	282
Interest expense	(6,950)	(6,098)	(11,811)
Other	1,929	-	(3,409)
Total other income (expense)	(4,332)	(4,129)	(14,938)
Income (Loss) before Income Taxes and Minority Interest	5,707	(465)	(249,823)
Income Taxes	-	4,973	221
Minority Interest in Loss of Subsidiary	-	(4,036)	(46,117)
Net Income (Loss)	$ 5,707	$(1,402)	$(203,927)
Basic Earnings (Loss) per Share	$0.29	$(0.04)	$(6.18)
Diluted Earnings (Loss) per Share	$0.27	$(0.04)	$(6.18)
Weighted Average Number of Common Shares Outstanding:			
Basic	19,286	32,956	33,024
Diluted	21,023	32,956	33,024

</TABLE>

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

EINSTEIN/NOAH BAGEL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

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<TABLE>
<CAPTION>

	Fiscal Year Ended		
	December 29, 1996	December 28, 1997	December 27, 1998
Common Stock			
Balance at beginning of year	$ 38	$ 323	$ 333
Conversion of preferred stock, repurchase common stock and debt	175	-	-
Issuance of common stock	96	2	8
Exercise of stock options and warrants	14	8	-
Balance at end of year	$ 323	$ 333	$ 341
Additional Paid-in Capital			
Balance at beginning of year	$ 22,684	$353,203	$ 374,685
Conversion of preferred stock, repurchase common stock and debt	140,270	-	-
Issuance of common stock, net of offering costs of $10,343 in 1996, $229 in 1997 and $- in 1998	182,491	5,369	2,929
Exercise of stock options and warrants, including income tax benefits of $1,597 in 1997	9,227	6,694	2
Dividends on Series A preferred stock and accretion of dividends on repurchase common stock	(1,708)	-	-
Issuance of options and warrants	239	1,619	
Options issued in connection with acquisitions	-	7,800	-
Balance at end of year	$353,203	$374,685	$ 377,616
Treasury Stock			
Balance at beginning of year	$ -	$ -	$ (5,261)
Purchase of 813,146 shares in 1997	-	(5,261)	-
Balance at end of year	$ -	$ (5,261)	$ (5,261)
Accumulated Deficit			
Balance at beginning of year	$(43,716)	$(38,009)	$ (39,411)
Net income (loss)	5,707	(1,402)	(203,927)
Balance at end of year	$(38,009)	$(39,411)	$(243,338)

</TABLE>

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

EINSTEIN/NOAH BAGEL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<TABLE>
<CAPTION>

	Fiscal Year Ended		
	December 29, 1996	December 28, 1997	December 27, 1998
Cash Flows from Operating Activities:			
Net income (loss)	$ 5,707	$ (1,402)	$(203,927)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	5,431	8,502	34,777
Minority interest	-	(4,036)	(46,117)
Provision for write-down of assets	-	12,773	217,104
Warrant and option expense	239	1,619	-
Gain on the sale of marketable equity securities	(1,824)	-	-
Changes in assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(3,966)	5,662	(123)
Accounts payable and accrued expenses	(292)	(11,377)	(8,456)
Deferred franchise revenue	8,180	(1,030)	-
Other assets and liabilities	(7,003)	16,950	(5,724)
Net cash provided by (used in) operating activities	6,472	27,661	(12,466)

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Cash Flows from Investing Activities:			
Purchase of property and equipment	(38,198)	(11,189)	(17,430)
Proceeds from sale of assets	49,943	3,600	-
Acquisitions of Noah's New York Bagels, Inc., net of cash acquired	(100,902)	-	-
Purchase of marketable equity securities, net of proceeds from sales	1,824	-	-
Purchase of other assets	(5,608)	(5,381)	(111)
Issuance of notes receivable	(209,514)	(359,218)	-
Repayment of notes receivable	70,694	169,223	-
Net cash used in investing activities	(231,761)	(202,965)	(17,541)
Cash Flows from Financing Activities:			
Proceeds from issuance of common stock	191,606	10,475	-
Increase in deferred financing costs	(944)	(6,764)	-
Proceeds from term loan	-	30,000	-
Borrowings under credit facility	-	62,200	68,357
Repayments under credit facility	-	(62,200)	(68,732)
Proceeds from convertible debt	352,272	125,000	-
Repayment of convertible debt	(272,272)	-	-
Net cash provided by (used in) financing activities	270,662	158,711	(375)
Net Increase (Decrease) in Cash and Cash Equivalents	45,373	(16,593)	(30,382)
Cash and Cash Equivalents, beginning of year	5,368	50,741	34,148
Cash and Cash Equivalents, end of year	$ 50,741	$ 34,148	$ 3,766
Supplemental Cash Flow Information:			
Interest Paid	$ 7,232	$ 5,098	$ 11,818
Income Taxes Paid	$ -	$ 640	$ 220
Supplemental Schedule of Non-Cash Activities:			
Conversion of debt to common stock	$ 120,000	$ -	$ -
Conversion of notes receivable into equity interests and assets	$ -	$ 332,646	$ -
Issuance of debt in connection with purchase of equipment and other assets	$ -	$ -	$ 1,682
Tax benefit of stock options exercised	$ -	$ 1,597	$ -
Options issued in connection with acquisitions	$ -	$ 7,800	$ -
Issuance of common stock in connection with acquisition	$ -	$ -	$ 2,922
Conversion of preferred stock, repurchase common stock and accrued dividends on preferred stock	$ 20,445	$ -	$ -
Accretion of dividends on repurchase common stock	$ 1,486	$ -	$ -

</TABLE>

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

EINSTEIN/NOAH BAGEL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Einstein/Noah Bagel Corp. and its subsidiaries (the "Company") operate specialty retail bagel stores in the United States, primarily under the Einstein Bros. Bagels and Noah's New York Bagels brand names. At December 27, 1998, there were 546 Company stores in operation.

On October 5, 1998, Boston Chicken, Inc. ("Boston Chicken") the owner of approximately 51% of the outstanding shares of common stock of the Company, filed a voluntary petition for protection under Chapter 11 of the Federal Bankruptcy Code. The Company understands that Boston Chicken is in the process of developing alternative reorganization plans.

2. Summary of Significant Accounting Policies

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of Einstein/Noah Bagel Corp. and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

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Fiscal Year. The Company's fiscal year is the 52/53-week period ending on the last Sunday in December, and normally consists of 13 four-week periods. The first quarter consists of four periods and each of the remaining three quarters consist of three periods.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and on deposit and highly liquid instruments purchased with maturities of three months or less.

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

Long-Lived Assets. The Company evaluates whether events and circumstances have occurred that indicate revision to the remaining useful lives or the remaining balances of long-lived assets may be appropriate. Such events and circumstances include, but are not limited to, a change in business strategy or a change in current and long-term projected operating performance. When factors indicate that the carrying amount of an asset may not be recoverable, the Company estimates the future cash flows expected to result from the use of such asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, the Company will recognize an impairment loss equal to the excess of the carrying amount over the fair value of the asset. See Note 13.

Property and Equipment. Property and equipment is stated at cost, less accumulated depreciation and amortization. The provision for depreciation and amortization has been calculated using the straight-line method with buildings and improvements being depreciated over 12 to 30 years, leasehold improvements being amortized over the lesser of their useful lives or their lease terms, including option periods, furniture, fixtures and equipment being depreciated over five to eight years, computer equipment being depreciated over three years, and pre-opening costs being depreciated over one year. The cost and accumulated depreciation for property and equipment sold, retired or otherwise disposed of are relieved from the accounts, and resulting gains or losses are reflected in income.

Property and equipment additions include acquisitions of buildings and equipment, costs incurred in the development and construction of new stores, and major improvements to existing stores. Expenditures for maintenance and repairs are charged to expense as incurred. Pre-opening costs consist primarily of salaries and other direct expenses incurred in connection with the set-up and stocking of stores, employee training and general store management activities incurred prior to the opening of new stores. Pre-opening costs are capitalized until the stores become operational and are then amortized over a one-year period. Beginning in 1999, all pre-opening expenses will be expensed as incurred in accordance with AICPA Statement of Position 98-5, "Reporting on the

Costs of Start-up Activities" ("SOP 98-5") The Company does not expect the adoption of SOP 98-5 to have a material impact on its results of operations in 1999.

Goodwill and Other Intangible Assets. Goodwill, trademarks and recipes are being amortized over 35, 30 and 10 years, respectively, through 1998. In 1998, as part of the Company's ongoing evaluation of long-lived assets, management evaluated the useful lives of goodwill and trademarks. The evaluation was made after the Company had operated and controlled the Einstein Bros. Bagels and Noah's New York Bagels stores acquired from its area developers for one year. Based primarily upon the assessment of realized operating results, which were below those anticipated upon consummation of that acquisition, and current revenue growth and cash flow projections, the Company concluded that 20 years would be a more accurate estimate of useful lives for goodwill and trademarks than the periods previously used. The new useful life of 20 years is effective on a prospective basis beginning in 1999. Based upon balances as of December 27, 1998, this would result in annual amortization related to goodwill and trademarks of $11.7 million and $0.1 million, respectively.

Deferred Financing Costs. Deferred financing costs are amortized over the period of the related financing, which ranges from three to seven years.

Revenue Recognition. Revenue from Company stores is recognized in the period during which related food and beverage products are sold. Royalties were recognized in the same period that related franchise store revenue was generated. Revenue derived from initial franchise fees and area development fees were recognized when the franchise store opened. Real estate fees were recognized as earned, and lease income was recognized over the life of the lease on a straight-line basis. Interest income was recognized as earned. Pursuant to Statement of Financial Accounting Standards No. 45, "Accounting for Franchise

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Fee Revenue" ("SFAS No. 45"), commencing with the Company's announcement in October 1997 to transition from a franchised to a Company-controlled system, the Company ceased recognizing initial franchise and area development fees for the opening of new stores. Upon consummation of the Company's conversion of its loans to area developers into equity interests on December 5, 1997, revenue recognized by the Company as lender, franchisor and service provider to the area developers was eliminated in consolidation. The components of royalties and franchise-related fees are as follows (in thousands of dollars):

	Fiscal Year Ended	
	December 29, 1996	December 28, 1997
Initial franchise and area development fees.....	$12,140	$ 9,920
Royalties......................................	6,086	15,487
Real estate fees and lease income..............	1,564	2,375
Other..	128	504
Interest Income................................	5,986	21,566
Total royalties and franchise related fees..	$25,904	$49,852

Per Share Data. Basic earnings (loss) per share are computed by dividing net income (loss), adjusted for dividends of $0.1 million on Series A preferred stock in 1996, by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are computed by dividing net income (loss), adjusted for dividends of $0.1 million on Series A preferred stock in 1996, by the weighted average number of common shares and dilutive Company securities outstanding during the period.

The difference between the weighted average number of common shares outstanding to compute basic and diluted earnings (loss) per share in 1996 represents the dilutive effect of common stock options and warrants of 1.7 million shares. These securities were excluded for 1997 and 1998 because they were antidilutive.

The calculation of diluted earnings (loss) per share excludes shares of common stock underlying the Company's 7 1/4% convertible subordinated debentures due June 1, 2004 because of their antidilutive effect. In addition, stock options and warrants outstanding in 1996 which had exercise prices greater than the average market price of the Company's common stock were excluded from the 1996 computations because of their antidilutive effect.

Pursuant to Securities and Exchange Commission ("SEC") rules, common stock and dilutive securities issued by the Company at prices below the initial public offering price during the 12-month period prior to the offering ("cheap stock") were previously included in the calculation as if they were outstanding for the entire fiscal year, regardless of whether or not they were antidilutive. In Staff Accounting Bulletin 98, the SEC redefined cheap stock as "nominal issuances." As a result, shares and dilutive Company securities that were originally treated as cheap stock and included in the 1996 computations have been adjusted in the restated 1996 weighted average shares outstanding. In 1996, basic earnings per share increased from $0.28 to $0.29 and diluted earnings per share increased from $0.25 to $0.27.

Advertising Costs. Advertising costs are expensed in the period incurred. Advertising expenses were $0.9 million, $2.2 million and $13.3 million in 1996, 1997 and 1998, respectively. See Note 8.

Employee Stock Options. The Company accounts for its employee stock options in accordance with the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25. Required pro forma disclosures of compensation expense determined under the fair value method of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), are presented in Note 11.

Employee Benefit Plan. The Company has a 401(k) plan to which the Company made no contribution in 1996, 1997 or 1998. In 1999, the Company will contribute an amount equal to 10% of the contributions of each employee until such employee contributions reach 6% of such employee's compensation.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

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disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications. Certain reclassifications have been made to the 1996 and 1997 amounts to conform with the 1998 presentation.

3. Supplemental Consolidated Financial Statement Data

Accounts receivable are net of an allowance for doubtful accounts of $0.8 million at December 28, 1997 and December 27, 1998.

	December 28, 1997	December 27, 1998
Property and equipment consists of (in thousands of dollars):		
Land, buildings and improvements	$ 1,143	$ -
Leasehold improvements	101,790	73,790
Furniture, fixtures and equipment	93,850	76,339
Pre-opening expense	1,335	-
	198,118	150,129
Less: Accumulated depreciation and amortization	(3,966)	(27,726)
Total property and equipment, net	$194,152	$122,403

Included in furniture, fixtures and equipment are assets leased to others of $8.5 million (net of accumulated depreciation of approximately $0.7 million) at December 28, 1997 and $13.5 million (net of accumulated depreciation of approximately $1.2 million) at December 27, 1998.

	December 28, 1997	December 27, 1998
Accumulated amortization of intangibles consists of the following (in thousands of dollars):		
Goodwill	$ 4,836	$10,980
Trademarks	1,258	99
Recipes	1,087	376
Total accumulated amortization	$ 7,181	$11,455

	December 28, 1997	December 27, 1998
Accrued expenses consist of (in thousands of dollars):		
Accrued payroll and related benefits	$ 7,997	$ 8,926
Accrued interest	1,017	892
Accrued store closure costs	4,716	3,156
Accrued purchase price obligation	4,500	-
Accrued vendor loss contracts	3,425	820
Accrued real property tax	1,051	3,314
Accrued other	15,663	6,176
Total accrued expenses	$38,369	$23,284

4. Acquisitions

In December 1997, the Company converted its outstanding loans to its area developers into a majority equity interest in the area developers and purchased additional area developer equity interests by exercising its option under each of the loan agreements to purchase the amount of equity available under the unfunded portion of the area developer loans, and the area developers merged into a single entity now known as Einstein/Noah Bagel Partners, L.P. ("Bagel Partners"). The Company owns an approximately 78% interest in Bagel Partners. The acquisitions have been accounted for as a purchase and, accordingly, the purchase price was allocated to assets (both

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tangible and intangible) and liabilities to third parties based upon an estimate of fair values at the date of acquisition. The following is a summary of each area developer acquisition (in thousands of dollars):

Area Developer	Loan Converted	Options Exercised	Liabilities Assumed	Goodwill
Colonial Bagels, L.P.	$46,000	$ -	$16,120	$56,252
Great Lakes Bagels, L.P.	87,812	8,688	19,519	76,596
Gulfstream Bagels, L.P.	69,927	16,373	6,743	54,535
Noah's Pacific, L.L.C.	76,862	3,738	19,785	61,591
Sunbelt Bagels, L.L.C.	50,200	-	5,426	47,356

The goodwill resulting from each acquisition was amortized over a 35-year life through 1998; thereafter, goodwill is being amortized over 20 years. See Note 13. In connection with the acquisitions, the Company committed to issue options to purchase 2,516,829 shares of the Company's common stock in exchange for options to purchase units of limited partnership interest in Bagel Partners at an exchange rate of one share of common stock for every 15 units of Bagel Partners limited partnership interest. Such options were granted in January 1998 at an exercise price of $6.00 per share, with an estimated fair value of $7.8 million.

The financial statements include the results of operations for the acquired entities from their dates of acquisition. The following represents the unaudited pro forma results of operations as if all of the purchase transactions described above had occurred at the beginning of the period presented (in thousands of dollars, except per share data):

	December 28, 1997
Revenue..........................	$307,035
Net loss.........................	(83,729)
Basic loss per share.............	(2.54)
Diluted loss per share...........	(2.54)

The pro forma information given above does not purport to be indicative of the results that actually would have been reported if the transactions had occurred at the beginning of the period presented and is not intended to be a projection of future results or trends.

5. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents. The carrying value approximates fair value due to the length of maturity of the investments.

Convertible Debt. The estimated fair value of convertible debt, including the conversion option, is based on the quoted market price of the convertible debt.

Revolving Credit Facility. The estimated fair value of the revolving credit facility is based on the discounted value of future payments using the Company's current borrowing rate.

Senior Term Loan. The estimated fair value of the senior term loan is based on the discounted value of future payments using the Company's current borrowing rate.

The estimated fair values of the Company's financial instruments are as follows (in thousands of dollars):

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	December 28, 1997		December 27, 1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents....................	$ 34,148	$34,148	$ 3,766	$ 3,766
Convertible debt.............................	125,000	82,188	125,000	58,750
Revolving credit facility....................	-	-	5,625	5,625
Senior term loan.............................	30,000	30,000	24,000	24,000

6. Debt

The Company has a secured credit facility, consisting of a term loan facility (originally in the amount of $30.0 million) and a $25.0 million revolving credit facility, providing for borrowings through October 31, 2000. Borrowings under the credit facility may be either floating rate loans with interest at the lenders' reference rate (the "Reference Rate") plus applicable margin, or eurodollar rate loans with interest at the eurodollar rate plus applicable margin. In addition, a commitment fee of .50% of the average daily unused portion of the loan is required. The credit facility contains covenants that, among other things, restrict other borrowings, prohibit cash dividends and require maintaining certain minimum average weekly net sales levels and to comply with ratios of system cash flow to senior indebtedness and pro forma fixed charges. The credit facility is collateralized by substantially all of the assets of the Company. As of December 27, 1998, $24.0 million was outstanding under the term loan facility, bearing an interest rate of 7.75%. The term loan facility requires principal payments of $1.5 million on March 1, June 1, September 1 and December 1 of each year, continuing through October 2000, at which time the outstanding balance is due. As of December 27, 1998, the Company had $25.0 million available from its revolving credit facility of which $5.6 million was outstanding.

In May 1997, the Company issued $125.0 million of 7 1/4% convertible subordinated debentures due June 1, 2004. Interest is payable semi-annually on June 1 and December 1 of each year. The debentures are convertible at any time prior to maturity into shares of the Company's common stock at a conversion rate of $21.25 per share, subject to adjustment under certain conditions. After June 1, 2000, the debentures may be redeemed at the option of the Company initially at 104.14% of their principal amount and at declining prices thereafter, plus accrued interest. In addition, the Company is required, as of 40 business days after the occurrence of a Change in Control (as defined in the indenture related to the debentures), to purchase all or any part of any debenture at the option of the debenture holder.

7. Income Taxes

As of December 27, 1998, the Company had cumulative federal and state tax operating loss carryforwards available to reduce future taxable income of approximately $63.9 million that begin to expire in 2010.

The primary components of deferred tax assets and liabilities are as follows (in thousands of dollars):

	December 28, 1997	December 27, 1998
Deferred tax assets:		
Accounts payable and accrued expenses..................................	$ 3,180	$ 1,440
Other noncurrent liabilities...	-	3,154
Property and equipment...	-	75,097
Intangible assets..	4,950	-
Net operating loss carryforwards.......................................	2,410	25,009
Other..	862	14,972
Total deferred tax assets..	11,402	119,672
Deferred tax liabilities:		
Property and equipment...	(280)	-
Intangible assets..	-	(30,242)
Other assets...	(1,318)	(1,318)
Total deferred tax liabilities...	(1,598)	(31,560)

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Net deferred tax assets	9,804	88,112
Valuation allowance	(9,804)	(88,112)
Net deferred tax assets	$ -	$ -

Income tax expense consists of the following (in thousands of dollars):

	Fiscal Year Ended	
	December 28, 1997	December 27, 1998
Current:		
Federal	$ 4,208	$ -
State	765	221
	4,973	221
Deferred:		
Federal	$ -	$ -
State	-	-
	$ 4,973	$ 221

</TABLE>

For the year ended December 28, 1997, the Company recognized income tax benefits pertaining to the exercise of stock options of $1.6 million, which was accounted for as a direct increase in additional paid-in capital and did not reduce reported income tax expense. For the year ended December 27, 1998, the Company did not have any tax benefit from the exercise of stock options. As a result of the utilization of deferred tax assets, during 1996 and 1997, the Company recognized $0.8 million and $2.9 million, respectively, of the change in the valuation allowance as a reduction of goodwill from prior acquisitions. The Company did not utilize any such deferred tax assets during 1998.

The increase in the valuation allowance of $39.7 million from December 28, 1997 to December 27, 1998 is due to net operating losses created during 1998, which may not be realizable. The decrease in the valuation allowance of $0.5 million from December 29, 1996 to December 28, 1997 is due to the utilization of a portion of the Company's operating loss carryforwards offset by allowances on deferred tax assets added during 1997. The difference between the Company's actual tax provision and the tax provision that would result from applying the statutory federal income tax rate to income before income taxes is attributable to the following (in thousands of dollars):

<TABLE>
<CAPTION>

	Fiscal Year Ended		
	December 29, 1996	December 28, 1997	December 27, 1998
<S>	<C>	<C>	<C>
Income tax expense (benefit) at statutory rate	$ 1,997	$ (163)	$(87,438)
State tax expense (benefit), net of federal benefit	228	(38)	(9,858)
Permanent difference related to goodwill	1,138	1,138	1,124
Other permanent differences	-	57	100
Tax attributes of minority interest in losses of subsidiary	-	1,574	17,985
Change of valuation allowance	(3,363)	2,405	78,308
Provision for income taxes	$ -	$4,973	$ 221

</TABLE>

8. National and Local Advertising Funds

Prior to the Company's acquisition of its area developers in December 1997 (see Note 4), the Company administered a National Advertising Fund and Local Advertising Funds (the "Funds") that provided comprehensive advertising and sales promotion support for stores. Contributions were made by all stores. Consistent with SFAS No. 45, such funds were accounted for separately and were not included in the financial statements of the Company because the Company acted only as an agent for its franchisees in placing orders for advertising and

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paying related invoices out of such accounts. Since the Company converted its loans to its area developers, the Company no longer maintains the Funds.

9. Commitments and Contingencies

The Company leases sites for its stores, commissaries and office space. Lease terms are generally five to ten years with two or three five-year renewal options. Most of the leases contain escalation clauses and common area maintenance charges. The Company leases certain equipment to a vendor of frozen bagel dough pursuant to an operating lease.

The following is a schedule of future minimum rental payments that are required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 27, 1998 (in thousands of dollars):

	Minimum Rental Payments	Sublease Proceeds	Net Minimum Rental Payments
1999........	$ 27,349	$ 846	$ 26,503
2000........	26,422	659	25,763
2001........	23,654	534	23,120
2002........	19,751	432	19,319
2003........	17,083	375	16,708
Thereafter..	54,465	1,186	53,279
	$168,724	$4,032	$164,692

Rental expense, net of sublease income, under operating leases was approximately $1.6 million, $3.7 million and $28.8 million for fiscal 1996, 1997 and 1998, respectively.

The Company has entered into agreements with certain vendors which provide for minimum purchases over specified terms. Such agreements call for retroactive rate adjustments or cash settlement in the event of purchase shortfalls. Management believes that the ultimate settlement of such commitments will not have a material impact on the consolidated financial position or results of operations of the Company.

Bagel Store Development Funding, L.L.C. ("Bagel Funding") has invested a total of approximately $89.6 million, representing an approximately 21% equity interest, in Bagel Partners. The Company is the manager of Bagel Funding. Bagel Funding has the right to require Bagel Partners or the Company to redeem Bagel Funding's equity interest in Bagel Partners at a pre-determined formula price based on store level cash flow of Bagel Partners in the event that, at any time after December 5, 1999 and prior to June 5, 2001, the Company does not consent to a public offering of such equity interests or the termination of certain rights and obligations under franchise and license agreements between the Company and Bagel Partners. Such right becomes exercisable prior to December 5, 1999 if there is a Change in Control (as defined in the Bagel Partners partnership agreement) of the Company. The Company or Bagel Partners may pay the purchase price for such equity interests in cash, shares of the Company's common stock or any combination thereof.

The Company has become subject to various lawsuits, claims and other legal matters in the course of conducting its business. The Company does not believe that any such matters of which it is aware are material to the Company individually or in the aggregate, but matters may arise which could adversely affect the Company or its business operations.

The Company and certain of its current and former officers and directors have entered into an agreement to settle a class action lawsuit brought against them in the United States District Court for the District of Colorado and in state court in Jefferson County, Colorado. The complaints allege, among other things, that the Company and the other defendants violated Sections 11, 12(2) and 15 of the Securities Act of 1933, as amended, and Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-5 thereunder, as well as certain similar provisions of Colorado state law. The settlement does not include the claims pending in the lawsuit against the underwriters in the Company's public offerings of common stock in August 1996 and November 1996 (the "Underwriters") and against the Company's independent public accountants.

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The settlement of the litigation is being funded with proceeds of director and officer liability insurance policies and is subject to certain customary conditions, including final approval of the United States District Court for the District of Colorado where the lawsuit is pending. As also required by the settlement agreement, the United States Bankruptcy Court for the District of Arizona which has jurisdiction over the Chapter 11 bankruptcy case of Boston Chicken has granted relief from the automatic stay in effect in the Boston Chicken bankruptcy case to permit the settlement to be funded with proceeds of the insurance policies, which cover directors and officers of both Boston Chicken and the Company.

The Underwriters have requested that the Company indemnify them against any damages, costs and expenses they may incur in the litigation (including amounts paid in settlement thereof). The Company's director and officer liability insurance policies do not cover any amounts the Company may be obligated to pay in connection with the indemnification claim. Although the Company cannot predict the outcome of the lawsuits against the Underwriters and the independent public accountants, the Company believes that the complaints are without merit.

10. Area Developer Financing

Prior to the conversion of its loans to its area developers, the Company offered partial financing to its area developers for use in expansion of their operations. Area developers were required to expend at least 75% of their contributed capital toward developing stores prior to drawing on the revolving loan facilities provided by the Company, up to a predetermined maximum amount generally equal to four times the amount of the area developer's equity capital. Interest on the area developer loans was set at the Reference Rate from time to time (an average of 8.27% for 1996 and 8.44% for 1997, until consummation of the loan conversions) plus 1%, and was payable each four-week period. The area developer loans were secured by a pledge of substantially all of the assets of the area developer.

The following table summarizes area developer financing activity of the Company during 1997 (in thousands of dollars):
<TABLE>
<CAPTION>

<S>	<C> Fiscal Year Ended December 28, 1997
Area developer loan balances, beginning of year..	$ 140,754
Loan advances..................................	359,218
Loan repayments................................	(169,171)
Loan conversions...............................	(330,801)
Area developer loan balances, end of year........	$ -

</TABLE>

The majority of the loan advance and repayment activity reflects the revolving nature of the loans, that is, amounts are drawn and repaid on a regular basis to optimize cash management.

11. Stockholders' Equity

Common Stock. On July 8, 1996, the Company effected a 225-for-one split of the Company's common stock in the form of a stock dividend. Per share amounts, the number of common shares and capital accounts have been restated to give retroactive effect to the stock split.

The Company issued 3,536,361 shares of common stock at the time of its formation, which provided net proceeds of approximately $20.8 million.

In June 1996, Boston Chicken converted its $120.0 million loan to the Company into 15,307,421 shares of common stock.

In August 1996, the Company completed an underwritten initial public offering of 3,105,000 shares of its common stock, a concurrent non-underwritten

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public offering of 425,000 shares of its common stock and a concurrent private placement of 2,000,000 shares of its common stock to Boston Chicken raising aggregate net proceeds of approximately $86.0 million.

In December 1996, the Company completed an additional underwritten public offering of 2,640,000 shares of its common stock and a concurrent non-underwritten public offering of 500,000 shares to Boston Chicken. The aggregate net proceeds of these offerings were approximately $88.6 million.

In February 1997, the Company sold 231,023 shares of common stock to one of its area developers for an aggregate purchase price of $5,599,998.

In April 1998, the Company sold 750,000 shares of common stock to Bagel Partners for an aggregate purchase price of $2,924,500. Such shares were delivered by Bagel Partners to a third party in satisfaction of an obligation incurred by a former area developer of the Company and predecessor of Bagel Partners in connection with an acquisition by such entity.

Preferred Stock. In connection with the acquisition of the net assets of Baltimore Bagel, Inc. in 1995, the Company issued 6,250 shares of Series A preferred stock. The Series A preferred stock had a liquidation preference of $1,000 per share, paid annual dividends of $60 per share, and was automatically convertible into common stock of the Company upon closing of its initial public offering, with the number of shares of common stock received being equal to $1,000 plus accrued and unpaid dividends divided by 80% of the gross offering price per share to the public. The total number of shares of common stock issued on conversion was 465,829.

Warrants. In 1996, the Company sold warrants to purchase 1,012,500 shares of common stock of the Company to Bagel Funding. The warrants have an exercise price of $6.47 per share and expire in 2000. The Company has issued 345,300 shares of common stock in connection with the exercise of such warrants. Also in 1996, the Company sold or issued warrants to purchase an aggregate of 1,252,425 shares of common stock of the Company to other third parties at exercise prices ranging from $6.47 to $11.58 per share. The warrants expire at various dates through 2001. The Company has issued 1,237,050 shares of common stock in connection with the exercise of such warrants, all of which were exercised at a price of $6.47 per share.

In 1997, the Company issued warrants to purchase an aggregate of 100,000 shares of common stock of the Company to third parties at an exercise price of $9.47 per share. Such warrants expire on November 21, 2000.

Stock Option Plans. The Company has an amended and restated 1995 stock option plan (the "1995 Plan"), under which options to purchase up to 3,650,000 shares of common stock may be granted to certain employees and officers of, and consultants to, the Company and its subsidiaries. The option price is equal to the fair market value of the stock on the date of the grant and each option has a term of ten years. Options granted under the 1995 Plan generally vest at a rate of 10% at the end of the first year, an additional 20% at the end of the second year, an additional 30% at the end of the third year, and the balance vesting at the end of the fourth year from the date of the grant.

In addition, the Company has an amended and restated 1997 stock option plan (the "1997 Plan"), under which options to purchase up to 7,350,000 shares of common stock may be granted to employees and officers of,

and consultants to, the Company and its subsidiaries and affiliated companies. The administrators of the 1997 Plan, consisting of certain members of the board of directors (or, in the case of grants to "reporting persons" under Section 16(a) of the Exchange Act, the entire board of directors), have discretion with respect to the terms of options granted under the 1997 Plan, including price, term and vesting.

The Company also maintains a restated 1997 ENBP stock option plan (the "ENBP Plan"), under which options to purchase up to 813,146 shares of common stock of the Company may be granted to employees and officers of, and consultants to, the Company and its subsidiaries and affiliated companies. The shares subject to the ENBP Plan are shares of common stock previously issued and sold by the Company to its area developers. Pursuant to the loan conversions, the Company assumed the obligations of the area developers with respect to options granted on such shares and the shares are reflected as treasury stock in the Company's consolidated financial statements. The terms and provisions of the ENBP Plan are substantially the same as those of the 1997 Plan.

The Company also has a non-employee directors stock option plan (the "Directors Plan"), under which options to purchase up to 100,000 shares of the common stock of the Company may be granted to directors of the Company who are not officers or employees of the Company. Under the terms of the Directors

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Plan, the Company automatically grants to each such director, upon election or re-election as a director of the Company, options to purchase shares having a fair market value of $50,000 at the date of the grant (but in no event more than 15,000 shares). Options are granted at a price equal to the fair market value of the stock on the date of grant, become exercisable after the end of one year from the date of grant and have a term of ten years from the date of grant. The options are subject to termination should the optionee's service as a director of the Company terminate. At December 27, 1998, 29,224 shares had been granted under the Directors Plan at a weighted average exercise price of $6.84 per share.

The Company has adopted the disclosure-only provisions of SFAS No. 123. Accordingly, no employee compensation expense has been recognized for the Company's stock option plans. Had employee compensation expense for the Company's plans been determined based on the fair value at the grant date for awards in 1996, 1997 and 1998 consistent with the provisions of SFAS No. 123, the Company's net income (loss) and basic and diluted earnings (loss) per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	Fiscal Year Ended		
	December 29, 1996	December 28, 1997	December 27, 1998
Net income (loss) - as reported	$5,707	$(1,402)	$(203,927)
Net income (loss) - pro forma	3,188	(5,161)	(208,825)
Basic earnings (loss) per share - as reported	0.29	(0.04)	(6.18)
Basic earnings (loss) per share - pro forma	0.16	(0.16)	(7.28)
Diluted earnings (loss) per share - as reported	0.27	(0.04)	(6.18)
Diluted earnings (loss) per share - pro forma	0.15	(0.16)	(7.28)

The fair value of each option grant is estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Fiscal Year Ended		
	December 29, 1996	December 28, 1997	December 27, 1998
Expected volatility	37.1%	45.0%	75.0%
Risk-free interest rate	6.3%	6.2%	5.6%
Expected lives	5 years	5 years	5 years
Dividend yield	0	0	0

Activity under the option plans through December 27, 1998 was as follows:

	Number of Shares	Weighted Average Option Price Per Share
Outstanding as of December 31, 1995	2,073,470	$ 5.93
Granted	1,959,165	7.94
Exercised	(353,096)	6.03
Canceled	(201,464)	7.27
Outstanding as of December 29, 1996	3,478,075	6.87
Granted	2,327,327	11.48
Exercised	(269,904)	6.20
Canceled or Forfeited	(579,611)	11.44
Outstanding as of December 28, 1997	4,955,887	8.58
Granted	3,616,159	3.69
Exercised	(435)	5.88
Canceled or Forfeited	(3,671,651)	8.77

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Outstanding as of December 27, 1998	4,899,960	$ 4.82
Exercisable as of December 27, 1998	1,037,219	$ 6.49

In May 1998, the Stock Option Committee of the board of directors authorized a stock option exchange program to provide employees the opportunity to exchange existing options for new options priced at fair market value on the date of exchange. Approximately 2.4 million vested and unvested outstanding options with original exercise prices ranging from $4.56 to $33.13 per share were cancelled in exchange for the grant of the same number of new options with an exercise price of $3.65 per share. New options issued upon cancellation of options originally granted in 1995 vest 50% on each of November 11, 1999 and May 11, 2000. New options issued upon cancellation of options originally granted after 1995 vest 33-1/3% on each of November 11, 1999, May 11, 2000 and May 11, 2001.

Information on options outstanding at December 27, 1998 is as follows:

Range of Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Options Exercisable: Number of Options	Options Exercisable: Weighted Average Exercise Price
$0.01 - $3.00	75,000	9.93	$ 2.00	-	$ -
$3.01 - $6.00	3,952,369	7.16	4.25	657,129	5.65
$6.01 - $9.00	691,015	3.05	6.58	276,498	6.58
$9.01 - $12.00	170,453	3.43	10.83	98,377	10.89
$18.01 - $21.00	2,684	8.38	18.63	2,684	18.63
$27.01 - $30.00	8,439	7.96	29.63	2,531	29.63
Total	4,899,960	6.49	$ 4.82	1,037,219	$ 6.49

Boston Chicken Option. The Company has granted to Boston Chicken an option (the "BCI Option") to purchase such number of shares of the Company's common stock as will permit Boston Chicken to maintain ownership of shares of common stock having up to 52% of the voting power of all of the outstanding shares of the capital stock of the Company having the power generally to vote in the election of directors. The terms of the BCI Option provide that certain shares of the Company's common stock owned by Boston Chicken are excluded in determining the percentage ownership of the voting stock of the Company owned by Boston Chicken for purposes of the BCI Option. As of December 27, 1998, Boston Chicken had the right under the BCI Option to purchase 2,124,579 shares of the Company's common stock at a weighted average price of $18.61.

As of December 27, 1998, the Company had 14,196,865 shares of common stock reserved for issuance upon exercise of options and warrants.

12. Related Party Transactions

Boston Chicken is the majority stockholder of the Company. Boston Chicken charged the Company amounts aggregating approximately $10.2 million, $4.2 million and $6.9 million in fiscal 1996, 1997 and 1998, respectively, for software license, software maintenance, real estate, financial advisory and accounting fees, and interest.

Pursuant to Statement of Financial Accounting Standards No. 57, "Related Party Disclosures," all of the Company's former area developers may have been deemed to be related parties as a result of the parties' lending and franchise relationships. In addition, certain directors and officers and members of their families had a direct or indirect equity interest in the Company's area developers. Total royalties and franchise-related fees earned from all area developers were $19.9 million and $28.3 million in 1996 and 1997, respectively. Total interest income earned from all area developers was $6.0 million and $21.6 million in 1996 and 1997, respectively. The Company also sold to these entities, stores, inventory, equipment and other miscellaneous net assets for which it received approximately $49.9 million and $3.6 million in fiscal 1996 and 1997, respectively.

Certain officers and directors of the Company are investors in Bagel Funding and had invested an aggregate of approximately $1.7 million in Bagel

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Funding at December 27, 1998. The Company is the manager of Bagel Funding but has no equity interest in Bagel Funding. Bagel Funding paid $0.5 million during 1996 to the Company in its capacity as manager.

Certain directors and officers of the Company and members of their families acquired equity interests in the Company's area developers in exchange for promissory notes. These equity interests were converted into equity interests in Bagel Partners in December 1997 and were redeemed in exchange for cancellation of such promissory notes (having an aggregate principal amount of approximately $2.1 million) in January 1998.

The Company holds notes receivable from a stockholder of $3.4 million. The notes receivable bear interest at the applicable Reference Rate plus 1%. Principal and interest are due April 2001. The notes are collateralized by various assets. The notes, which were carried on the Company's books at $3.4 million as of December 28, 1997, were written off in the second quarter of 1998.

During fiscal 1996, the Company paid approximately $98,000 to Bowana Aviation, Inc. ("Bowana") for the Company's use of aircraft owned by Bowana. A former director and a member of his family own Bowana. The Company believes that the amounts charged by Bowana were at rates at least comparable to those charged by unaffiliated third parties.

13. Impairment of Long-Lived Assets

In 1997, the Company recognized an impairment loss on various long-lived assets of $10.8 million, resulting primarily from the closure of a bagel dough production facility and the conversion to a Company-controlled system. The assets subject to the impairment loss had a net book value of $11.6 million before the impairment loss.

In 1998, as part of the Company's ongoing evaluation, management made an assessment of the recoverability of certain long-lived assets. The assessment was made after the Company had operated and controlled the Einstein Bros. Bagels and Noah's New York Bagels stores for a period of one year. Based primarily upon the assessment of realized operating results, which were below those anticipated upon the acquisition of the Company's area developers in December 1997, and current revenue growth and cash flow projections, the Company determined that certain of its long-lived assets may be impaired.

The assessment of possible impairment of long-lived assets, including goodwill, allocable to individual stores took into account current and anticipated store cash flow of the Company's Einstein Bros. Bagels and Noah's New York Bagels stores. For those store-level assets that were deemed to be impaired, the long-lived assets were written down to estimated fair value. Fair value of the long-lived assets was based upon the net present value of the estimated future cash flows from the Einstein Bros. Bagels and Noah's New York Bagels stores.

Long-lived intangible assets that are not allocable to individual stores were also assessed for possible impairment. Such assessment took into account current and anticipated cash flow generated by the Einstein Bros. Bagels and Noah's New York Bagels concepts. Based upon the limited growth expectations for the Noah's New York Bagels concept, the cash flow generated by the Noah's New York Bagels stores, the limited potential royalty income, and estimated current market value of the Noah's New York Bagels concept, the unamortized intangible long-lived assets allocable to the Noah's New York Bagels concept were written off. Based on a similar assessment, the long-lived intangible assets allocable to the Einstein Bros. Bagels concept were not deemed to be impaired.

As a result of the Company's assessment, the Company recorded an impairment of intangible assets and identifiable long-lived assets aggregating $212.4 million in fiscal year 1998, consisting of the following amounts: $125.5 million - goodwill, $20.4 million - trademarks and copyrights, $3.7 million - capitalized recipes and $62.8 million - property and equipment. Of these amounts, $138.8 million of impairment of long-lived assets, including

goodwill, is attributable to the store level assessment. The remaining $73.6 million of impairment is attributable to the goodwill and other intangibles allocable to the Noah's New York Bagels concept.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Einstein/Noah Bagel Corp.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of Einstein/Noah Bagel Corp. and subsidiaries as of December 29, 1996, December 28, 1997 and December 27, 1998, and for the fiscal years ended December 29, 1996, December 28, 1997 and December 27, 1998 included in this Form 10-K, and have issued our report thereon dated February 17, 1999. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in Part IV, Item 14 of this Form 10-K is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Denver, Colorado
February 17, 1999

SCHEDULE II

EINSTEIN/NOAH BAGEL CORP. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

Classifications	Balance at beginning of period	Additions charged to costs and expenses	Deductions for accounts written-off	Balance at end of period
<S>	<C>	<C>	<C>	<C>
Fiscal year ended December 27, 1998:				
Allowance for Doubtful Accounts........	$810,000	$	$(27,535)	$782,465
Fiscal year ended December 28, 1997:				
Allowance for Doubtful Accounts........		810,000*	-	810,000
Fiscal year ended December 29, 1996:				
Allowance for Doubtful Accounts........	81,000	-	(81,000)	-

</TABLE>

*Of such amount, $0.8 million was charged to goodwill as the result of acquisitions made by the Company.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Part III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors. The information appearing under the caption "Election of Directors" in the Company's Proxy Statement dated April 1999 (the "Proxy Statement") is incorporated herein by reference.

Executive Officers. Information with respect to executive officers of the Company is set forth under the caption "Executive Officers" in Item 1 of this report.

Compliance with Section 16(a) of the Exchange Act. The information appearing under the caption "Principal Stockholders and Securities Ownership of Management - Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

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The information appearing under the caption "Executive Compensation" in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information appearing under the caption "Principal Stockholders and Securities Ownership of Management" in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing under the captions "Certain Transactions" and "Relationship with Boston Chicken" in the Proxy Statement is incorporated herein by reference. The Company believes that all related party transactions discussed under the heading "Certain Transactions" in the Proxy Statement are no less favorable to the Company than could have been reached with unaffiliated third parties.

Part IV

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

(a) Financial Statements, Schedules and Exhibits

1. The Company's Consolidated Financial Statements are set forth in Part II, Item 8.

   A. Report of Independent Public Accountants (Arthur Andersen LLP);
   B. Consolidated Balance Sheets at December 28, 1997 and December 27, 1998;
   C. Consolidated Statements of Operations for the fiscal years ended December 29, 1996, December 28, 1997 and December 27, 1998;
   D. Consolidated Statements of Stockholders' Equity for the fiscal years ended December 29, 1996, December 28, 1997 and December 27, 1998;
   E. Consolidated Statements of Cash Flows for the fiscal years ended December 29, 1996, December 28, 1997 and December 27, 1998; and
   F. Notes to Consolidated Financial Statements.

2. The following schedules are set forth in Part II, Item 8.

   A. Report of Independent Public Accountants (Arthur Andersen LLP); and
   B. Schedule II - Valuation and Qualifying Accounts.

3. Exhibits

The exhibits to this report are listed in the Exhibit Index included elsewhere herein. Included in the exhibits listed therein are the following exhibits which constitute management contracts or compensatory plans or arrangements:

(i) The Company's Amended and Restated 1995 Stock Option Plan.
(ii) The Company's 1996 Stock Option Plan for Non-Employee Directors.
(iii) The Company's Amended and Restated 1997 Stock Option Plan.
(iv) The Company's Restated 1997 ENBP Stock Option Plan.
(v) Letter Agreement dated March 25, 1998 between the Company and David G. Stanchak.
(vi) Termination Agreement dated as of May 1, 1998 between the Company and Jeffrey L. Butler.
(vii) Employment Agreement dated September 11, 1998 between the Company and Robert M. Hartnett (the "Hartnett Agreement").
(viii) Amendment to Hartnett Agreement dated January 14, 1999.
(ix) Severance Agreement dated May 8, 1998 between the Company and Paul J.B. Murphy III.
(x) Severance Agreement dated May 8, 1998 between the Company and W. Eric Carlborg.
(xi) Severance Agreement dated May 8, 1998 between the Company and Gail A. Lozoff.
(xii) 1998 Staff Bonus Plan.

(b) Reports on Form 8-K

During the fourth quarter of fiscal 1998, the Company filed three reports on Form 8-K dated October 5, 1998, October 13, 1998 and December 2, 1998.

The report on Form 8-K dated October 5, 1998 reported under Item 5. (Other Events) Boston Chicken's filing for protection under Chapter 11 of the federal bankruptcy laws and Boston Chicken's termination of its engagement with Morgan Stanley & Co., who had previously been engaged by Boston Chicken to advise and assist Boston Chicken in connection with the sale of all or a portion of the shares of common stock of the Company owned by Boston Chicken.

The report on Form 8-K dated October 13, 1998 reported under Item 5. (Other

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Events) that the Company had been notified by the Nasdaq Stock Market that it had determined that the Company was not in compliance with certain requirements for continued listing of its common stock on the Nasdaq National Market.

The report on Form 8-K dated December 2, 1998 reported under Item 5. (Other Events) that the Company had entered into a memorandum of understanding setting forth an agreement in principle to settle certain outstanding securities litigation pending against the Company.

SIGNATURES

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

Date: March 26, 1999

EINSTEIN/NOAH BAGEL CORP.

By: /s/ Robert M. Hartnett

Robert M. Hartnett
Chairman of the Board,
Chief Executive Officer and President
(Principal Executive Officer)

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 on March 26, 1999.

Signature	Title
/s/ Robert M. Hartnett Robert M. Hartnett	Chairman of the Board, Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ W. Eric Carlborg W. Eric Carlborg	Chief Financial Officer (Principal Financial Officer)
/s/ Paula E. Manley Paula E. Manley	Vice President - Operations Finance and Controller (Principal Accounting Officer)
/s/ Gail A. Lozoff Gail A. Lozoff	Chief Marketing Officer and Director
/s/ J. Michael Jenkins J. Michael Jenkins	Director
/s/ John H. Muehlstein, Jr. John H. Muehlstein, Jr.	Director
/s/ David G. Stanchak David G. Stanchak	Director

EXHIBITS

Exhibit No.	Description of Exhibit +
3.1	Restated Certificate of Incorporation of the Company ("Certificate of Incorporation") (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 6, 1996).
3.2	Amended and Restated Bylaws of the Company ("Bylaws") (incorporated by

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	reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (Registration No. 333-28941)).
4.1	Certificate of Incorporation (included in Exhibit 3.1).
4.2	Bylaws (included in Exhibit 3.2).
4.3	Certificate representing Common Stock (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1 (Registration No. 333-04725)).
4.4	Amended and Restated Registration Rights Agreement dated February 1, 1996 by and among the Company and certain stockholders of the Company (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-1 (Registration No. 333-04725)).
4.5	Concurrent Private Placement Agreement dated August 1, 1996 between Boston Chicken, Inc. ("Boston Chicken") and the Company (incorporated by reference to Exhibit 10.3 to Boston Chicken's quarterly report on Form 10-Q for the quarter ended July 14, 1996).
4.6	Registration Agreement dated August 1, 1996 between Boston Chicken and the Company (incorporated by reference to Exhibit 10.3 to Boston Chicken's quarterly report on Form 10-Q for the quarter ended July 14, 1996).
4.7	Concurrent Offering Purchase Agreement dated November 26, 1996 between Boston Chicken and the Company ("Concurrent Offering Purchase Agreement") (incorporated by reference to Exhibit 10.41 to Boston Chicken's 1996 annual report on Form 10-K).
4.9	Indenture dated as of May 29, 1997 by and between the Company and Bankers Trust Company, as Trustee, which includes as Exhibits the forms of Debenture for the Company's 7-1/4% Convertible Subordinated Debentures due 2004 (the "Debenture Indenture") (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 22, 1997).
4.10	Registration Rights Agreement dated May 22, 1997 by and between the Company and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Alex Brown & Sons Incorporated, and Morgan Stanley & Co. Incorporated (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 22, 1997).

</TABLE>

+ In the case of incorporation by reference to documents filed by the Company under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company's file number under that Act is 0-21097. In the case of incorporation by reference to documents filed by Boston Chicken, Inc. ("Boston Chicken") under the Exchange Act, Boston Chicken's file number under that Act is 0-22802.

<TABLE>
<CAPTION>

Exhibit No.	Description of Exhibit +
10.1(a)	Amended and Restated Secured Credit Agreement ("Secured Credit Agreement") dated as of November 21, 1997 among the Company, Bank of America National Trust and Savings Association ("Bank of America"), as Agent and Issuing Lender, General Electric Capital Corporation, as Co-Agent and the Lenders named therein (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated November 21, 1997).
10.1(b)	First Amendment and Waiver dated March 27, 1998 to Secured Credit Agreement (incorporated by reference to Exhibit 10.4 (b) to the Company's 1997 Annual Report on Form 10-K.)
10.1(c)	Second Amendment and Waiver dated October 4, 1998 to Secured Credit Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 4, 1998).
10.1(d)	Third Amendment and Waiver dated January 29, 1999 to Secured Credit Agreement.
10.2	Amended and Restated 1995 Stock Option Plan of the Company.
10.3	The Company's 1996 Stock Option Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (Registration No. 333-04725)).
10.4	Amended and Restated 1997 Stock Option Plan of the Company.
10.5	Restated 1997 ENBP Stock Option Plan of the Company (incorporated by reference to Exhibit 4.12 to the Company's Registration Statement on Form

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S-8 (Reg. No. 333-44353)).

Exhibit No.	Description of Exhibit +
10.6(a)	Amended and Restated Accounting and Administration Services Agreement dated as of May 28, 1996 between Boston Chicken and the Company (incorporated by reference to Exhibit 10.12(a) to the Company's Registration Statement on Form S-1 (Registration No. 333-04725)).
10.6(b)	First Amendment to Amended and Restated Accounting and Administration Services Agreement dated as of June 17, 1996 between Boston Chicken and the Company (incorporated by reference to Exhibit 10.12(b) to the Company's Registration Statement on Form S-1 (Registration No. 333-04725)).
10.6(c)	Second Amendment dated June 25, 1998 to Amended and Restated Accounting and Administrative Services Agreement between Boston Chicken and the Company (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 12, 1998).

</TABLE>

+ In the case of incorporation by reference to documents filed by the Company under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company's file number under that Act is 0-21097. In the case of incorporation by reference to documents filed by Boston Chicken, Inc. ("Boston Chicken") under the Exchange Act, Boston Chicken's file number under that Act is 0-22802.

<TABLE>
<CAPTION>

Exhibit No.	Description of Exhibit +
<S>	<C>
10.7(a)	Amended and Restated Computer and Communications Systems Services Agreement dated as of June 17, 1996 between Boston Chicken and the Company (incorporated by reference to Exhibit 10.15(a) to the Company's Registration Statement on Form S-1 (Registration No. 333-04725)).
10.7(b)	First Amendment to the Amended and Restated Computer and Communications Systems Services Agreement dated as of June 17, 1996 between Boston Chicken and the Company (incorporated by reference to Exhibit 10.15(b) to the Company's Registration Statement on Form S-1 (Registration No. 333-04725)).
10.7(c)	Second Amendment to the Amended and Restated Computer and Communications Systems Services Agreement between Boston Chicken and the Company (incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q for the quarter ended July 12, 1998).
10.8++	Amended and Restated Project and Approved Supplier Agreement dated May 1, 1998 among the Company, Harlan Bagel Supply Company, L.L.C. ("Harlan Bagel Supply"), Harlan Bakeries, Inc. ("Harlan Bakeries") and Hal P. Harlan, Hugh P. Harlan and Doug H. Harlan (the "Harlans") (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 12, 1998).
10.9	Amended and Restated Option Agreement dated May 1, 1998 among Harlan Bagel Supply, the Harlans and the Company (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 12, 1998).
10.10	Amended and Restated Right of First Refusal Agreement dated May 1, 1998 among Harlan Bakeries, the Harlans and the Company (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 12, 1998).
10.11	Sixth Amended and Restated Limited Liability Company Agreement of Bagel Store Development Funding, L.L.C. ("Bagel Funding") dated as of December 5, 1997 (incorporated by reference to Exhibit 10.16 to the Company's 1997 Annual Report on Form 10-K).
10.12(a)	Limited Partnership Agreement of Bagel Partners (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated November 21, 1997).
10.12(b)	First Amendment dated March 25,1998 to Limited Partnership Agreement of Bagel Partners (incorporated by reference to Exhibit 10.18(b) to the Company's 1997 Annual Report on Form 10-K).

</TABLE>

+ In the case of incorporation by reference to documents filed by the Company under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company's file number under that Act is 0-21097. In the case of incorporation by reference to documents filed by Boston Chicken, Inc. ("Boston Chicken") under the Exchange Act, Boston Chicken's file number under that Act is 0-22802.

++ Confidential treatment granted.

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Exhibit-3

Exhibit No.	Description of Exhibit +
10.13	Loan Agreement dated December 5, 1997 by and between the Company and Bagel Partners (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated November 21, 1997).
10.14	Amended and Restated Development Agreement dated December 5, 1997 by and between the Company and Bagel Partners ("Development Agreement") (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated November 21, 1997).
10.15	Addendum No. 2 to Development Agreement dated July 25, 1998.
10.16	Addendum No. 3 to Development Agreement dated February 3, 1989.
10.17	Services Agreement dated as of December 15, 1997 by and between the Company and Bagel Partners (incorporated by reference to Boston Chicken's Current Report on Form 8-K dated December 5, 1997).
10.18	Office Sublease dated as of December 20, 1996 between the Company and Boston Chicken (incorporated by reference to Exhibit 10.23 to the Company's 1997 Annual Report on Form 10-K).
10.19	First Amendment to Office Sublease effective as of May 1, 1998 between the Company and Boston Chicken (incorporated by reference to Exhibit 10.7 of the Company's Quarterly Report on Form 10-K for the quarter ended July 12, 1998).
10.20	Letter Agreement dated March 25, 1998 between the Company and David G. Stanchak (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 19, 1998.)
10.21	Termination Agreement dated as of May 1, 1998 between the Company and Jeffrey L. Butler (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 19, 1998).
10.22(a)	Employment Agreement dated September 11, 1998 between the Company and Robert M. Hartnett ("Hartnett Agreement") (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 4, 1998).
10.22(b)	Amendment to Hartnett Agreement dated January 14, 1999.
10.23	Severance Agreement dated May 8, 1998 between the Company and Paul J.B. Murphy III.
10.24	Severance Agreement dated May 8, 1998 between the Company and W. Eric Carlborg (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 12, 1998).

+ In the case of incorporation by reference to documents filed by the Company under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company's file number under that Act is 0-21097. In the case of incorporation by reference to documents filed by Boston Chicken, Inc. ("Boston Chicken") under the Exchange Act, Boston Chicken's file number under that Act is 0-22802.

Exhibit-4

Exhibit No.	Description of Exhibit +
10.25	Severance Agreement dated May 8, 1998 between the Company and Gail A. Lozoff (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended July 12, 1998).
10.26	Concurrent Offering Purchase Agreement (included in Exhibit 4.7).
10.27	1999 Staff Bonus Plan.
12	Statement regarding Computation of Ratios.
21	Subsidiaries of the Company.
23.1	Consent of Arthur Andersen LLP with respect to the Audited Consolidated Financial Statements of the Company and the Supplemental Schedules Contained in Part IV.

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27.1 Financial Data Schedule for Fiscal Year Ended December 27, 1998.
</TABLE>

+ In the case of incorporation by reference to documents filed by the Company under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company's file number under that Act is 0-21097. In the case of incorporation by reference to documents filed by Boston Chicken, Inc. ("Boston Chicken") under the Exchange Act, Boston Chicken's file number under that Act is 0-22802.

Exhibit-5

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Exhibit 10.1(D)

THIRD AMENDMENT AND WAIVER
TO
AMENDED AND RESTATED CREDIT AGREEMENT

THIS THIRD AMENDMENT AND WAIVER (this "Amendment") dated as of January 29, 1999 is entered into by and among Einstein/Noah Bagel Corp., a Delaware corporation (the "Borrower"), the lenders who are party to the Credit Agreement referred to below (the "Lenders"), General Electric Capital Corporation, as Co-Agent (herein, in such capacity, the "Co-Agent"), and Bank of America National Trust and Savings Association, as Agent for the Lenders (herein, in such capacity, the "Agent").

W I T N E S E T H:

WHEREAS, the Borrower, the Lenders, the Co-Agent and the Agent are parties to a certain Amended and Restated Secured Credit Agreement dated as of November 21, 1997 (as heretofore amended, called the "Credit Agreement"; terms used but not otherwise defined herein are used herein as defined in the Credit Agreement);

WHEREAS, the Borrower desires to amend the Credit Agreement in certain respects and to waive certain covenant compliance; and

WHEREAS, subject to the terms and conditions set forth herein the Agent, the Co-Agent and the Lenders are willing to amend the Credit Agreement in certain respects and to waive certain covenant compliance;

NOW, THEREFORE, in consideration of the premises, and intending to be legally bound hereby, the Borrower, the Agent, the Co-Agent and the Lenders hereby agree as follows:

Section 1. Amendment.

Upon satisfaction of the conditions precedent set forth in Section 3 below and in reliance on the Borrower's warranties set forth in Section 4 below, as of the date hereof Article IV of the Credit Agreement is hereby amended by adding at the end of such Article a new Section 4.22 which shall read in its entirety as follows:

"SECTION 4.22 Year 2000. On the basis of a comprehensive review and assessment of the Borrower's and its Subsidiaries' systems and equipment

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and inquiry made of the Borrower's and its Subsidiaries' material suppliers, vendors and customers, as more fully described in Borrower's quarterly report on Form 10-Q for the third fiscal quarter of 1998 previously furnished to Lenders, the Borrower reasonably believes that the "Year 2000 problem" (that is, the inability of computers, as well as embedded microchips in non-computing devices, to perform properly date-sensitive functions with respect to certain dates prior to and after December 31, 1999), including costs of remediation, will not result in a

Material Adverse Change. The Borrower and its Subsidiaries have developed feasible contingency plans which are adequate to ensure uninterrupted and unimpaired business operation in the event of failure of their own or a third party's systems or equipment due to the Year 2000 problem, including those vendors, customers, and suppliers, as well as a general failure of or interruption in its communications and delivery infrastructure."

Section 2. Waiver.

Upon satisfaction of the conditions precedent set forth in Section 3 below and in reliance on the Borrower's warranties set forth in Section 4 below, the Lenders, the Co-Agent and the Agent hereby waive the Borrower's compliance with the provisions of Section 7.1 of the Credit Agreement for the Borrower's first (1st) Retail Period, 1999, provided, that the average weekly net revenue (i.e. gross revenue net of customer coupons and discounts) during such Retail Period per Store for all Stores (whether operated by the Borrower or a Franchisee) shall not be less than $11,500.

Section 3. Conditions Precedent.

This Amendment shall become effective upon receipt by the Agent of duly executed counterpart signature pages from the Borrower and the Required Lenders.

Section 4. Warranties.

To induce the Agent, the Co-Agent and the Lenders to enter into this Amendment, the Borrower warrants to the Agent, the Co-Agent and the Lenders as of the date hereof that:

(a) The representations and warranties contained in the Credit Agreement and Loan Documents are true and correct in all material respects on and as of the date hereof (except to the extent such representations and warranties expressly refer to an earlier date); and

(b) No Default or Event of Default has occurred and is continuing.

Section 5. General.

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(a) As hereby modified, the Credit Agreement shall remain in full force and effect and is hereby ratified, approved and confirmed in all respects.

(b) This Amendment shall be binding upon and shall inure to the benefit of the Borrower, the Lenders, the Co-Agent and the Agent and respective successors and assigns of the Lenders, the Co-Agent and the Agent.

(c) This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment.

Delivered at Chicago, Illinois, as of the date and year first above written.

EINSTEIN/NOAH BAGEL CORP.

By: /s/ Paul A. Strasen

Title: Senior Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Agent

By: /s/ David A. Johanson

Title: David A. Johanson

Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Lender

By: /s/ Marcia Clausen

Title: Senior Vice President

GENERAL ELECTRIC CAPITAL CORPORATION, as Co-agent and Lender

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By: Fred Maurice

Title: Risk Manager

LASALLE NATIONAL BANK

By: /s/ John C. Thurston

Title: ASSISTANT VICE PRESIDENT

The undersigned hereby acknowledge the foregoing amendments and reaffirm their respective duties and obligations arising under the Loan Documents to which each is a party.

EINSTEIN NOAH BAGEL PARTNERS, INC.

By: /s/ Paul A. Stragen

Title: Vice President

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EXHIBIT 10.2

EINSTEIN/NOAH BAGEL CORP.

AMENDED AND RESTATED
1995 STOCK OPTION PLAN

(as of May 5, 1998)

1. Statement of Purpose. The purpose of this Amended and Restated 1995 Stock Option Plan (the "Plan") is to benefit Einstein/Noah Bagel Corp., Inc. (the "Company") by offering certain present and future employees, officers, and consultants of the Company and its subsidiaries, if any, a favorable opportunity to become holders of the common stock of the Company ("Common Stock") over a period of years, thereby giving them a long-term stake in the growth and prosperity of the Company and encouraging the continuance of their involvement with the Company.

2. Administration. The Plan shall be administered (i) with respect to individuals who receive options under the Plan and who are or become subject to the reporting requirements and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act") (hereinafter referred to as "Reporting Persons"), by the entire Board of Directors of the Company (the "Board"), and (ii) with respect to all individuals who receive options under the Plan and who are not Reporting Persons, by a committee which shall consist of at least two members of the Board (the "Stock Option Committee"). For purposes of this Plan, references to the "Committee" shall mean, in the case of grants under the Plan to Reporting Persons, the entire Board of Directors and, in the case of grants under the Plan to individuals other than Reporting Persons, the Stock Option Committee.

3. Eligibility. Options may be granted to employees of the Company and its subsidiaries, if any, who are employed on a full time basis, and to officers and consultants of the Company and its subsidiaries, if any. The Committee may grant options to eligible employees, officers and consultants of the Company and its subsidiaries selected initially and from time to time thereafter by the Committee based on the importance of their services; provided, however, that notwithstanding any other provision of the Plan, the maximum number of shares subject to all options granted to an individual in any calendar year shall in no event exceed 300,000 (the "Individual Cap"), subject to adjustment as provided in Section 11. Eligible individuals may be selected individually or by groups or categories, as determined by the Committee in its discretion. No non-employee director of the Company shall receive an award under the Plan.

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4. Granting of Options. Options may be granted under which up to a total of not in excess of 3,650,000 shares of the Common Stock may be purchased from the Company, subject to adjustment as provided in Section 11. No option shall be granted under the Plan subsequent to February 1, 2005. Options granted under the Plan are intended not to be treated as incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

In the event that an option expires or is terminated or canceled unexercised as to any shares, such released shares may again be optioned (including a grant in substitution for a canceled option). Shares subject to options may be made available from unissued or reacquired shares of Common Stock.

Nothing contained in the Plan or in any option granted pursuant thereto shall confer upon any optionee any right to be continued in the employment of the Company, or interfere in any way with the right of the Company to terminate his or her employment at any time.

5. Option Price. The options shall be granted at an exercise price, subject to the provisions of Section 11 hereof, equal to the fair market value at the time the option is granted, of the shares of Common Stock subject to the option.

6. Duration of Options, Increments, and Extensions. Subject to the provisions of Section 9 hereof, each option shall be for a term of ten years. Each option shall become exercisable with respect to 10% of the total number of shares subject to the option on the first anniversary of the date of grant, an additional 20% on the second anniversary of the date of grant, an additional 30% on the third anniversary of the date of grant, and the balance on the fourth anniversary of the date of grant (the "Vesting Schedule"). Notwithstanding the foregoing, the Committee may in its discretion accelerate the exercisability of any option subject to such terms and conditions as the Committee deems necessary and appropriate to effectuate the purpose of the Plan including, without limitation, a requirement that the optionee grant to the Company an option to repurchase all or a portion of the number of shares acquired upon exercise of the accelerated option for their fair market value on the date of grant. Subject to the foregoing, all or any part of the shares to which the right to purchase has accrued may be purchased at the time of such accrual or at any time or times thereafter during the option period.

7. Right of Company to Repurchase Shares Issued as a Result of Accelerated, Exercised Options. Notwithstanding any other provision in the Plan to the contrary:

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(a) in the event that (i) the Committee, in its sole discretion, determines that all or some portion of the vesting of an option granted pursuant to the Plan shall be accelerated so that all or some portion of such option may be exercised prior to the date on which it would have been exercised pursuant to the Vesting Schedule described in Section 6 hereof, and (ii) such option is exercised for some or all of the shares of Common Stock subject to such option, then that portion of shares under such option (the "Excess Shares") equal to the total number of shares under such option less the number of shares which would have been issued if the option had been exercised pursuant to the Vesting Schedule may not, except as provided in paragraph (b) of this Section 7, be sold or otherwise transferred to any third party until such date as the option for any portion of the Excess Shares would have been exercisable if the option had been exercised pursuant to the Vesting Schedule; and

(b) in the event the employment of the optionee (or former optionee) with the Company is terminated for any reason other than death, permanent disability or retirement, the Company shall have the right to purchase from the optionee, at the option

price paid by him, the Excess Shares acquired upon the exercise of an option granted under the Plan; provided, however, that the Company shall not make any such purchase if such purchase would give rise to short-swing profit liability as described in Section 16 of the Exchange Act when matched with a bona fide market transaction. If not sooner exercised, the Company's right to repurchase shall expire with respect to any portion of the Excess Shares on the date that the option for any such portion of the Excess Shares would have become exercisable pursuant to the Vesting Schedule.

8. Exercise of Option. As a condition to the exercise of any option, the fair market value of the Common Stock on the date of exercise must equal or exceed the option price referred to in Section 5 hereof. An option may be exercised by giving written notice to the Company, attention of the Secretary, specifying the number of shares to be purchased, accompanied by the full purchase price for the shares to be purchased either in cash, by check, by a promissory note in a form specified by the Committee and payable to the Company no later than 15 business days after the date of exercise of the option, or, if so approved by the Committee, by shares of the Common Stock of the Company, or by a combination of these methods of payment. For this purpose, the per share value of Common Stock of the Company shall be the fair market value on the date of exercise. The Committee may in its discretion permit an optionee to deliver a promissory note in a form specified by the Committee and payable to the Company no later than the fifteenth day of April in the year following the year of exercise of any option in payment of any withholding tax requirements of the Company with respect to such exercise.

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9. Termination of Relationship -- Exercise Thereafter.

(a) In the event the relationship between the Company and an officer or employee who is an optionee is terminated for any reason other than death, permanent disability, or retirement, such optionee's option shall expire and all rights to purchase shares pursuant thereto shall terminate on the date of termination of employment, except that, to the extent the option is exercisable on the date of termination, such option may be exercised for a period of fifteen days after termination of employment (or until the scheduled termination of the option, if earlier); provided, however, that with respect to all or any portion of any option held by such optionee, the Committee may, in its sole discretion, accelerate exercisability, permit vesting to continue in accordance with the Vesting Schedule, or permit such option to remain exercisable for a term after the fifteen-day period specified above (but in no event beyond its specified term), subject to such terms and conditions, if any, as determined by the Committee in its sole discretion. Temporary absence from employment because of illness, vacation, and approved leaves of absence and transfer among the Company and its subsidiaries shall not be considered to terminate employment or to interrupt continuous employment.

(b) In the event of termination of said relationship because of death or permanent disability (as that term is defined in Section 22(e)(3) of the Code, as now in effect or as subsequently amended), the option may be exercised in full (to the extent not previously exercised) without regard to the Vesting Schedule, by the optionee or, if he or

she is not living, by his or her heirs, legatees, or legal representative, as the case may be, during its specified term prior to two years after the date of death or permanent disability. In the event of termination of employment because of early, normal or deferred retirement under an approved retirement program of the Company (or such other plan or arrangement as may be approved by the Committee, in its discretion, for this purpose), the option may be exercised by the optionee (or, if he or she dies after such retirement, by his or her heirs, legatees, or legal representative, as the case may be), to the extent that any portion thereof would be exercisable on the date of such retirement (or with respect to such greater portion as determined by the Committee), at any time during its specified term prior to one year after the date of such retirement.

(c) Except as otherwise determined by the Committee, upon the termination of a relationship between the Company or any subsidiary and a consultant who is an optionee, such optionee's option shall expire and all rights to purchase shares pursuant thereto shall terminate.

10. Non-Transferability of Options. During the lifetime of the optionee,

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options shall be exercisable only by the optionee, and options shall not be assignable or transferable by the optionee otherwise than by will or by the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by (a) the Code or (b) Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the rules or regulations thereunder. The Committee, in its discretion, may permit the assignment or transfer of an option on such terms and subject to such conditions as the Committee may deem necessary or appropriate or as otherwise may be required by applicable law or regulation.

11. Adjustment. The number of shares subject to the Plan and to options granted under the Plan (and the Individual Cap) shall be adjusted as follows: (a) in the event that the outstanding shares of Common Stock of the Company are changed by any stock dividend, stock split or combination of shares, the number of shares subject to the Plan and to options granted thereunder and the Individual Cap shall be proportionately adjusted; (b) in the event of any merger, consolidation or reorganization of the Company with any other corporation or corporations, there shall be substituted, on an equitable basis as determined by the Committee, for each share of Common Stock then subject to the Plan, whether or not at the time subject to outstanding options, and for each share of Common Stock included in the Individual Cap the number and kind of shares of stock or other securities to which the holders of shares of Common Stock of the Company will be entitled pursuant to the transaction; and (c) in the event of any other relevant change in the capitalization of the Company, the Board shall provide for an equitable adjustment in the number of shares of Common Stock then subject to the Plan, whether or not then subject to outstanding options, and in the Individual Cap. In the event of any such adjustment the purchase price per share shall be proportionately adjusted.

12. Amendment of Plan. The Board may amend or discontinue the Plan at any time; provided, however, that:

(a) no amendment or discontinuance shall change or impair any options previously granted without the consent of the optionee; and

(b) no amendment shall, without the affirmative vote of the holders of a majority of the outstanding shares of all of the classes of stock of the Company voting in person or by proxy, and entitled to vote at a duly held stockholders meeting, or without the written consent of the holders of a majority of the outstanding shares of all of the classes of stock entitled to vote, (i) materially increase the benefits accruing to participants under the Plan, (ii) materially increase the number of securities which may be issued under the Plan, or (iii) materially modify the requirements as to eligibility for participation in the Plan.

13. Exchange Act Compliance. With respect to Reporting Persons,

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transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Reporting Persons Committee fails to so comply, it may be deemed null and void to the extent permitted by law and deemed advisable by the Reporting Persons Committee.

14. Employment and Consulting Agreements. Anything contained in the Plan to the contrary notwithstanding, in the event that an employment agreement or consulting agreement entered into by the Company or a subsidiary of the Company provides that options shall be granted under the Plan to an employee or consultant on terms and conditions that differ from the terms and conditions set forth herein, the terms and conditions set forth in such employment or consulting agreement shall control.

15. Effective Date. The Plan was amended and restated by the Board to be effective on August 15, 1996.

16. Miscellaneous Provisions.

(a) No employee or other person shall have any claim or right to be granted an option under the Plan. Determinations made by the Committee under the Plan need not be uniform and may be made selectively among eligible individuals under the Plan, whether or not such eligible individuals are similarly situated.

(b) No participant or other person shall have any right with respect to the Plan, the Common Stock reserved for issuance under the Plan or any option, contingent or otherwise, until all the terms, conditions and provisions of the Plan and the option applicable to such recipient (and each person claiming under or through him) have been met.

(c) No shares of Common Stock shall be issued hereunder with respect to any option unless counsel for the Company shall be satisfied that such issuance will be in compliance with

applicable federal, state, local and foreign legal, securities exchange and other applicable requirements.

(d) With respect to Reporting Persons, it is the intent of the Company that the Plan comply in all respects with Rule 16b-3 under the Exchange Act and that any ambiguities or inconsistencies in construction of the Plan be interpreted to give effect to such intention and that if any provision of the Plan is found not to be in compliance with Rule 16b-3, such provision shall be deemed null and void to the extent required to permit the Plan to comply with Rule 16b-3.

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(e) The Company shall have the right to deduct from any payment made under the Plan any federal, state, local or foreign income or other taxes required by law to be withheld with respect to such payment. It shall be a condition to the obligation of the Company to issue Common Stock, other securities or property, or other forms of payment, or any combination thereof, upon exercise, settlement or payment of any option under the Plan, that the participant (or any beneficiary or person entitled to act) pay to the Company, upon its demand, such amount as may be required by the Company for the purpose of satisfying any liability to withhold federal, state, local or foreign income or other taxes. If the amount requested is not paid, the Company may refuse to issue Common Stock, other securities or property, or other forms of payment, or any combination thereof. Notwithstanding anything in the Plan to the contrary, the Committee may, in its discretion, permit an eligible participant (or any beneficiary or person entitled to act) to elect to pay a portion or all of the amount requested by the Company for such taxes with respect to such option, at such time and in such manner as the Committee shall deem to be appropriate (including, but not limited to, by authorizing the Company to withhold, or agreeing to surrender to the Company on or about the date such tax liability is determinable, Common Stock, other securities or property, or other forms of payment, or any combination thereof, owned by such person or a portion of such forms of payment that would otherwise be distributed, or have been distributed, as the case may be, pursuant to such option to such person, having a fair market value equal to the amount of such taxes).

(f) The expense of the Plan shall be borne by the Company.

(g) By accepting any option or other benefit under the Plan, each participant and each person claiming under or through such person shall be conclusively deemed to have indicated his acceptance and ratification of, and consent to, any action taken under the Plan by the Company or the Committee.

(h) Unless otherwise determined by the Committee in its sole discretion, options granted prior to May 7, 1996 shall be governed by the Plan as in effect prior to such date and options granted from May 7, 1996 through August 14, 1996 shall be governed by the Plan as in effect during such period.

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EXHIBIT 10.4

EINSTEIN/NOAH BAGEL CORP.

AMENDED AND RESTATED 1997 STOCK OPTION PLAN

(as of May 5, 1998)

1. Statement of Purpose. The purpose of this 1997 Stock Option Plan (the "Plan") is to benefit Einstein/Noah Bagel Corp. (the "Company") by offering certain present and future employees and officers of, and consultants to, the Company and its subsidiaries and affiliated companies a favorable opportunity to become holders of the common stock of the Company ("Common Stock") over a period of years, thereby giving them a long-term stake in the growth and prosperity of the Company and encouraging the continuance of their involvement with the Company.

2. Administration. The Plan shall be administered (i) with respect to individuals who receive options under the Plan and who are or become subject to the reporting requirements and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") ("Reporting Persons"), by the entire a Board of Directors of the Company (the "Board"), and (ii) with respect to all individuals who receive options under the Plan and who are not Reporting Persons, by a committee which shall consist of at least two members of the Board (the "Stock Option Committee"). For purposes of this Plan, references to the "Committee" shall mean, in the case of grants under the Plan to Reporting Persons, the entire Board of Directors and, in the case of grants under the Plan to individuals other than Reporting Persons, the Stock Option Committee.

Subject to the provisions of the Plan, the Committee shall have full and final authority, in its absolute discretion, (a) to determine the persons to be granted options under the Plan, (b) to determine the number of shares subject to each option, (c) to determine the time or times at which options will be granted, (d) to determine the option price of the shares subject to each option, (e) to determine the time or times when each option becomes exercisable and the duration of the exercise period, (f) to prescribe the form or forms of the agreements or other instruments evidencing any options granted under the Plan, (g) to adopt, amend and rescind such rules and regulations as, in the Committee's opinion, may be advisable in the administration of the Plan, and (h) to construe and interpret the Plan, the rules and regulations and the agreements evidencing options granted under the Plan and to make all other determinations deemed necessary or advisable for the administration of the Plan. Any decision made or action taken in good faith by the Committee in connection with the administration, interpretation, and implementation of the Plan and of its rules and regulations shall, to the extent permitted by law, be conclusive and binding

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upon all optionees under the Plan and upon any person claiming under or through such an optionee, and no director of the Company shall be liable for any such decision made or action taken by the Committee. The Committee may obtain such advice or assistance as it deems appropriate from persons not serving on the Committee.

3. Eligibility. Options may be granted to employees of the Company and its subsidiaries and affiliated companies who are employed on a full time basis, and to officers of, and consultants to, the Company and its subsidiaries and affiliated companies ("Eligible Persons"). The Committee may grant options to Eligible Persons selected from time to time by the Committee. Eligible Persons may be selected individually or by groups or categories, as determined by the Committee in its discretion. No non-employee director of the Company shall receive an award under the Plan.

4. Granting of Options. Subject to Section 10 hereof, the maximum number of shares of Common Stock which may be issued upon exercise of options granted under the Plan shall be 7,350,000. No option shall be granted under the Plan subsequent to October 2, 2007. Options granted under the Plan are intended not to be treated as incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

In the event that an option expires or is terminated or canceled unexercised as to any shares, such released shares may again be optioned (including a grant in substitution for a canceled option). Shares subject to options may be made available from unissued or reacquired shares of Common Stock.

Nothing contained in the Plan or in any option granted pursuant thereto shall confer upon any optionee any right to be continued in the employment of the Company, or interfere in any way with the right of the Company to terminate his or her employment at any time.

5. Option Price. The options shall be granted at an exercise price determined by the Committee at the date of grant.

6. Duration of Options, Increments, and Extensions. Subject to the provisions of Section 8, each option shall be for such term of not more than ten years as shall be determined by the Committee at the date of the grant. Each option shall become exercisable in such installments, at such time or times, and may be subject to such conditions, including conditions based upon the performance of the Company, as the Committee may in its discretion determine at the date of grant.

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The Committee may in its discretion (i) accelerate the exercisability of any option or (ii) at any time before the expiration or termination of an option previously granted, extend the term of such option (including options held by officers) for such additional period as the Committee, in its discretion, shall determine, except that the aggregate option period with respect to any option, including the original term of the option and any extensions thereof, shall never exceed ten years.

7. Exercise of Option. As a condition to the exercise of any option, the fair market value of the Common Stock on the date of exercise must equal or exceed the option price of such option. An option may be exercised by giving written notice to the Company, attention of the Secretary or such other person or persons as the Company may from time to time designate for this purpose by notice to the holders of outstanding options under the Plan, specifying the number of shares to be purchased, accompanied by the full purchase price for the shares to be

purchased either in cash, by check, by a promissory note in a form specified by the Committee and payable to the Company no later than 15 business days after the date of exercise of the option, or, if so approved by the Committee, by shares of the Common Stock of the Company, or by a combination of these methods of payment. For this purpose, the per share value of Common Stock of the Company shall be the fair market value on the date of exercise. The Committee may in its discretion permit an optionee to deliver a promissory note in a form specified by the Committee and payable to the Company no later than the fifteenth day of April in the year following the year of exercise of any option in payment of any withholding tax requirements of the Company with respect to such exercise.

8. Termination of Relationship -- Exercise Thereafter.

(a) Subject to the other provisions of this Section 8, in the event the employment relationship of an optionee with the Company or any of its subsidiaries or affiliated companies is terminated for any reason other than death, permanent disability, or retirement, such optionee's option shall expire and all rights to purchase shares pursuant thereto shall terminate on the date of termination of employment, except that, to the extent the option is exercisable on the date of termination, such option may be exercised for a period of fifteen days after termination of employment (or until the scheduled termination of the option, if earlier); provided, however, that with respect to all or any portion of any option held by such optionee, the Committee may, in its sole discretion, accelerate exercisability, permit vesting to continue in accordance with the vesting schedule applicable to such option, or (subject to Section 6) permit such option to remain exercisable for a term after the fifteen-day period specified above, subject to such terms and conditions, if any, as may be determined by the Committee in its sole discretion. Temporary

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absence from employment because of illness, vacation, approved leaves of absence or transfer among the Company and/or any of its subsidiaries or affiliated companies shall not be considered to terminate employment or to interrupt continuous employment.

(b) In the event of termination of said employment relationship because of death or permanent disability (as that term is defined in Section 22(e)(3) of the Code, as now in effect or as subsequently amended), the option may be exercised in full (to the extent not previously exercised) without regard to the vesting schedule applicable to such option, by the optionee or, if he or she is not living, by his or her heirs, legatees, or legal representative, as the case may be, during its specified term prior to two years after the date of death or permanent disability. In the event of termination of employment because of early, normal or deferred retirement under an approved retirement program of the Company or any of its subsidiaries or affiliated companies (or such other plan or arrangement as may be approved by the Committee, in its discretion, for this purpose), the option may be exercised by the optionee (or, if he or she dies after such retirement, by his or her heirs, legatees, or legal representative, as the case may be), to the extent that any portion thereof would be exercisable on the date of such retirement (or with respect to such greater portion as determined by the Committee), at any time during its specified term prior to one year after the date of such retirement.

(c) Except as otherwise determined by the Committee, upon the termination of the relationship between the Company or one of its subsidiaries or affiliated companies and an optionee who is a consultant thereto, such optionee's options shall expire and all rights to purchase shares pursuant thereto shall terminate.

(d) Notwithstanding the foregoing provisions of this Section 8, the Committee may in the grant of any option make other and different provisions with respect to its exercise after the optionee's termination of relationship with the Company or any of its subsidiaries or affiliated companies (as applicable) and in the event of any difference between the terms of a written agreement with an Optionee and the provisions of this Plan, the written agreement shall control.

9. Non-Transferability of Options. During the lifetime of the optionee, options shall be exercisable only by the optionee, and options shall not be assignable or transferable by the optionee otherwise than by will or by the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by (a) the Code or (b) Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the rules or regulations thereunder. In addition, the Committee, in its discretion, may permit the assignment or transfer of an option on such other terms and subject to such other conditions as the Committee may deem necessary or appropriate or as

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otherwise may be required by applicable law or regulation.

10. Adjustment. The number of shares subject to the Plan and to options granted under the Plan shall be adjusted as follows: (a) in the event that the outstanding shares of Common Stock of the Company are changed by any stock dividend, stock split or combination of shares, the number of shares subject to the Plan and to options granted thereunder shall be proportionately adjusted; (b) in the event of any merger or consolidation of the Company with any other corporation or corporations or any reorganization, liquidation or dissolution of the Company, there shall be substituted, on an equitable basis as determined by the Committee, for each share of Common Stock then subject to the Plan, whether or not at the time subject to outstanding options, the number and kind of shares of stock or other securities or property to which the holders of shares of Common Stock of the Company will be entitled pursuant to the transaction; and (c) in the event of any other relevant change in the capitalization of the Company, the Board shall provide for an equitable adjustment in the number of shares of Common Stock then subject to the Plan, whether or not then subject to outstanding options. In the event of any such adjustment the purchase price per share payable upon exercise of outstanding options shall be proportionately adjusted.

11. Amendment of Plan. The Board or any authorized committee thereof may at any time and from time to time terminate or modify or amend the Plan in any respect. The termination or modification or amendment of the Plan shall not, without the consent of the Optionee, impair any option previously granted.

12. Exchange Act Compliance. The intent of this Plan is for transactions hereunder involving Reporting Persons to qualify for the exemption from the short-swing profit rules under (S)16(b) of the Exchange Act for transactions approved by a committee of non-employee directors

under Rule 16b-3(d)(1) under the Exchange Act. To that end, (i) any ambiguities or inconsistencies in the construction of the Plan shall be interpreted to give effect to such intention, (ii) if any provision of the Plan is found not to be in compliance with such rules, such provision shall be deemed null and void to the extent required to permit the Plan and transactions thereunder to comply with such rules, and (iii) if any provision of this Plan does not comply with the requirements of such rules, or in the event that such rules are revised or replaced, the Reporting Persons Committee may modify this Plan in any respect necessary to satisfy the requirements of such exemption.

13. Effective Date. The Plan was adopted by the Board to be effective on

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October 2, 1997.

14. Miscellaneous Provisions.

(a) No employee or other person shall have any claim or right to be granted an option under the Plan. Determinations made by the Committee under the Plan need not be uniform and may be made selectively among eligible individuals under the Plan, whether or not such eligible individuals are similarly situated.

(b) No participant or other person shall have any right with respect to the Plan, the Common Stock reserved for issuance under the Plan or any option, contingent or otherwise, until all the terms, conditions and provisions of the Plan and the option applicable to such recipient (and each person claiming under or through him) have been met.

(c) No shares of Common Stock shall be issued hereunder with respect to any option unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable federal, state, local and foreign legal, securities exchange and other applicable requirements.

(d) The Company shall have the right to deduct from any payment made under the Plan any federal, state, local or foreign income or other taxes required by law to be withheld with respect to such payment. It shall be a condition to the obligation of the Company to issue Common Stock, other securities or property, or other forms of payment, or any combination thereof, upon exercise, settlement or payment of any option under the Plan, that the participant (or any beneficiary or person entitled to act) pay to the Company, upon its demand, such amount as may be required by the Company for the purpose of satisfying any liability to withhold federal, state, local or foreign income or other taxes. If the amount requested is not paid, the Company may refuse to issue Common Stock, other securities or property, or other forms of payment, or any combination thereof. Notwithstanding anything in the Plan to the contrary, the Committee may, in its discretion, permit an eligible participant (or any beneficiary or person entitled to act) to elect to pay a portion or all of the amount requested by the Company for such taxes with respect to such option, at such time and in such manner as the Committee shall deem to be appropriate (including, but not limited to, by authorizing the Company to withhold, or agreeing to surrender to the Company on or about the date

such tax liability is determinable, Common Stock, other securities or property, or other forms of payment, or any combination thereof, owned by such person or a portion of such forms of payment that would otherwise be distributed, or have been distributed, as the case may be, pursuant to such option to such person, having a fair market value equal to the amount of such taxes).

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(e) The expenses of administering the Plan shall be borne by the Company.

(f) By accepting any option or other benefit under the Plan, each participant and each person claiming under or through such person shall be conclusively deemed to have indicated his acceptance and ratification of, and consent to, any action taken under the Plan by the Company or the Committee.

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Exhibit 10.15

ADDENDUM NO. 2 TO
AREA DEVELOPMENT AGREEMENT

THIS ADDENDUM No. 2, dated 7-25-98, is to the Area Development Agreement, dated as of December 5, 1997, and as amended by Addendum No. 1 dated of even date therewith, (as previously amended, the "Agreement"), by and between EINSTEIN/NOAH BAGEL CORP., a Delaware corporation ("COMPANY"), and EINSTEIN/NOAH BAGEL PARTNERS, L.P., a Delaware limited partnership ("DEVELOPER").

The following shall amend and be incorporated into the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, then the terms of this Addendum shall control. All capitalized terms not defined in this Addendum shall have the respective meanings set forth in the Agreement.

1. Exhibit E to the Agreement is hereby deleted and replaced, in its entirety, with the Revised Exhibit E attached hereto as Schedule 1.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Addendum in duplicate as of the date written below.

COMPANY:

EINSTEIN/NOAH BAGEL CORP.

By: /s/ Susan E. Daggett

Susan E. Daggett
Its: Vice President

DEVELOPER:

EINSTEIN/NOAH BAGEL PARTNERS, L.P..

By: Einstein/Noah Bagel Partners, Inc.
Its: General Partner

By: /s/ Paul A. Strasen

Paul A. Strasen
Its: Vice President

SCHEDULE 1 TO
ADDENDUM NO. 2 TO THE AREA DEVELOPMENT AGREEMENT
BY AND BETWEEN EINSTEIN/NOAH BAGEL CORP.
AND
EINSTEIN/NOAH BAGEL PARTNERS, L.P.

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DATED 7-25-98

REVISED EXHIBIT E

DEVELOPMENT SCHEDULE

DEVELOPMENT SCHEDULE

1. Store Development. DEVELOPER agrees to develop a total of Eight Hundred Eighty-three (883) Stores in accordance with the terms of this Agreement.

2. Development Obligations. DEVELOPER agrees to have the number of Stores specified below open during each specified "Quarter" shown below and to have open and in operation in each Quarter indicated, the cumulative numbers of Stores shown below:

Quarter	Development Quota/ Quarter	Development Quota/ Cumulative
12/01/97 - 12/28/97	20	20
12/29/97 - 12/27/98	20	40
12/28/98 - 04/18/99	40	80
04/19/99 - 07/11/99	45	125
07/12/99 - 10/03/99	45	170
10/04/99 - 12/26/99	45	215
12/27/99 - 04/16/00	40	255
04/17/00 - 07/09/00	45	300
07/10/00 - 10/01/00	45	345
10/02/00 - 12/31/00	45	390

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01/01/01 - 04/22/01	40	430
04/23/01 - 07/15/01	45	475
07/16/01 - 10/07/01	45	520
10/08/01 - 12/30/01	45	565

12/31/01 - 04/21/02	40	605
04/22/02 - 07/14/02	40	645
07/15/02 - 10/06/02	40	685
10/07/02 - 12/29/02	43	728
12/30/02 - 04/20/03	39	767
04/21/03 - 07/13/03	39	806
07/14/03 - 10/05/03	39	845
10/06/03 - 12/28/03	38	883

Total Development Quota for the Development Area (the "Total Development Quota"):

883

INITIALS:

COMPANY: SD

DEVELOPER: PS

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Exhibit 10.16

ADDENDUM NO. 3 TO AREA DEVELOPMENT AGREEMENT

THIS ADDENDUM No. 3, dated February 3, 1999, is to the Area Development Agreement, dated as of December 5, 1997, and as amended by Addendum No. 1 dated of even date therewith, (as previously amended, the "Agreement"), by and between EINSTEIN/NOAH BAGEL CORP., a Delaware corporation ("COMPANY"), and EINSTEIN/NOAH BAGEL PARTNERS, L.P., a Delaware limited partnership ("DEVELOPER").

The following shall amend and be incorporated into the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, then the terms of this Addendum shall control. All capitalized terms not defined in this Addendum shall have the respective meanings set forth in the Agreement.

1. Exhibit E to the Agreement is hereby deleted and replaced, in its entirety, with the Revised Exhibit E attached hereto as Schedule 1.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Addendum in duplicate as of the date written below.

COMPANY:

EINSTEIN/NOAH BAGEL CORP.

By: /s/ Paula E. Manley

Paula E. Manley
Its: Vice President

DEVELOPER:

EINSTEIN/NOAH BAGEL PARTNERS, L.P..

By: Einstein/Noah Bagel Partners, Inc.
Its: General Partner

By: /s/ Paul A. Strasen

Paul A. Strasen
Its: Vice President

SCHEDULE 1 TO
ADDENDUM NO. 3 TO THE AREA DEVELOPMENT AGREEMENT
BY AND BETWEEN EINSTEIN/NOAH BAGEL CORP.
AND
EINSTEIN/NOAH BAGEL PARTNERS, L.P.

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DATED FEBRUARY 3, 1999

REVISED EXHIBIT E

DEVELOPMENT SCHEDULE

DEVELOPMENT SCHEDULE

1. Store Development. DEVELOPER agrees to develop a total of Eight Hundred Eighty-three (883) Stores in accordance with the terms of this Agreement.

2. Development Obligations. DEVELOPER agrees to have the number of Stores specified below open during each specified "Quarter" shown below and to have open and in operation in each Quarter indicated, the cumulative numbers of Stores shown below:

Quarter	Development Quota/ Quarter	Development Quota/ Cumulative
12/01/97 - 12/28/97	20	20
12/29/97 - 12/27/98	15	35
12/28/98 - 12/26/99	10	45
12/27/99 - 04/16/00	40	85
04/17/00 - 07/09/00	45	130
07/10/00 - 10/01/00	45	175
10/02/00 - 12/31/00	45	220
01/01/01 - 04/22/01	40	260
04/23/01 - 07/15/01	45	305
07/16/01 - 10/07/01	45	350

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10/08/01 - 12/30/01	45	395
12/31/01 - 04/21/02	40	435
04/22/02 - 07/14/02	40	475
07/15/02 - 10/06/02	40	515

10/07/02 - 12/29/02	43	558
12/30/02 - 04/20/03	39	597
04/21/03 - 07/13/03	39	636
07/14/03 - 10/05/03	39	675
10/06/03 - 12/28/03	38	713
12/29/03 - 04/18/04	40	753
04/19/04 - 07/11/04	45	798
07/12/04 - 10/03/04	40	838
10/04/04 - 12/26/04	45	883

Total Development Quota for the Development Area (the "Total Development Quota"):

883

INITIALS:

COMPANY: PEM

DEVELOPER: PS

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Exhibit 10.22(B)

AMENDMENT TO
EXECUTIVE EMPLOYMENT AGREEMENT

This amendment to executive employment agreement (the "Amendment") is made as of the 14th day of January, 1999, by and between Einstein/Noah Bagel Corp., a Delaware corporation (the "Company"), and Robert M. Hartnett (the "Executive").

RECITALS

WHEREAS, Executive and the Company are parties to an executive employment agreement dated September 11, 1998 (the "Employment Agreement"); and

WHEREAS, Executive and the Company desire to amend the Employment Agreement to modify the term thereof.

COVENANTS

NOW, THEREFORE, in consideration of the premises and the mutual covenants, terms and conditions hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are specifically acknowledged, the parties hereto hereby agree as follows:

1. Section 1 of the Employment Agreement is hereby modified to read in its entirety as follows:

> SECTION 1. EMPLOYMENT. The Company hereby employs the Executive as Chairman, Chief Executive Officer and President for a term commencing on the date this Agreement was originally entered into and continuing until January 14, 2001, such term to be extended by one additional year on each anniversary of the amendment of this Agreement dated January 14, 1999 (the "Term" or "Employment Period"), unless the Term is earlier terminated pursuant to the provisions hereof. Executive hereby accepts employment from the Company.

2. Section 5(a) of the Employment Agreement is hereby modified to read in its entirety as follows:

> (a) The Executive's employment shall be for the Term (as defined in Section 1), unless terminated at an earlier date pursuant to this Section 5.

3. As hereby modified, the Employment Agreement shall remain in full force and effect and is hereby ratified, approved and confirmed in all respects.

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EINSTEIN/NOAH BAGEL CORP.

By /s/ Paul A. Strasen

Senior Vice Pres.

/s/ Robert M. Hartnett

Robert M. Hartnett

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Exhibit 10.23

SEVERANCE AGREEMENT

THIS AGREEMENT, dated May 8, 1998, is made by and between Einstein/Noah Bagel Corp., a Delaware corporation (the "Company"), and Paul Murphy (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continued employment of key management personnel; and

WHEREAS, the Company recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last Section hereof.

2. Term of Agreement. The Term of this Agreement shall commence on the date hereof and shall continue in effect through May 8, 2000; provided, however, that commencing on May 8, 2000 and each May 8 thereafter, the Term shall automatically be extended for one additional year unless, not later than December 31 of the preceding year, the Company or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall have occurred during the Term, the Term shall expire twenty-four (24) months beyond the month in which such Change in Control occurred.

3. Company's Covenants Summarized. In order to induce the Executive

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to remain in the employ of the Company and in consideration of the Executive's covenants set forth in Section 4 hereof, the Company agrees, under the conditions described herein, to pay the Executive the Severance Payments and the other payments and benefits described herein. Except as provided in Section 9.1 hereof, no Severance Payments shall be payable under this Agreement unless there shall have been (or, under the terms of the second sentence of Section 6.1 hereof, there shall be deemed to have been) a termination of the Executive's employment with the Company following a Change in Control and during the Term. This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

4. The Executive's Covenants. The Executive agrees that, subject to
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the terms and conditions of this Agreement, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Company until the earliest of (i) a date which is three (3) months from the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's employment for Good Reason or by reason of death, Disability or Retirement, or (iv) the termination by the Company of the Executive's employment for any reason.

5. Compensation Other Than Severance Payments. If the Executive's
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employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay the Executive's full salary to the Executive during the period through the Date of Termination at the rate in effect immediately prior to the Date of Termination or, if higher, the rate in effect immediately prior to the

first occurrence of an event or circumstance constituting Good Reason, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of the Company's compensation and benefit plans, programs or arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

6. Severance Payments.

6.1 If the Executive's employment is terminated following a Change in Control and during the Term, other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason, then the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in this Section 6.1 ("Severance Payments"), in addition to

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any payments and benefits to which the Executive is entitled under Section 5 hereof. For purposes of this Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Company without Cause or by the Executive with Good Reason, if (i) the Executive's employment is terminated by the Company without Cause prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, (ii) the Executive terminates his employment for Good Reason prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person, or (iii) the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). For purposes of any determination regarding the applicability of the immediately preceding sentence, any position taken by the Executive shall be presumed to be correct unless the Company establishes to the Board by clear and

convincing evidence that such position is not correct.

(A) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to the sum of (i) 6 months' base salary, based on the Executive's salary rate as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, (ii) the amount of the Executive's bonus for any completed fiscal year or other completed measuring period preceding the Date of Termination which has not yet been paid, assuming the achievement of all individual performance goals (including any subjective performance goals), and (iii) a pro rata portion of the Executive's bonus for the fiscal year or other measuring period in which the Date of Termination occurs, obtained by multiplying 90% of the Executive's target bonus for such period by the fraction obtained by dividing the number of full months and any fractional portion of a month during such period through the Date of Termination by the total number of months contained in such period.

(B) For the 6 month period immediately following the Date of Termination, the Company shall arrange to provide the Executive and his dependents life, disability, accident and health insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the Date of Termination or, if more favorable to the Executive, those provided to the Executive and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater cost to the Executive than the cost to the Executive

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immediately prior to such date or occurrence; provided, however, that,
unless the Executive consents to a different method, such health insurance benefits shall be provided through a third-party insurer.

Benefits otherwise receivable by the Executive pursuant to this Section 6.1 (B) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the 6 month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the cost of such benefits to the Executive over such cost immediately prior to the Date of Termination or, if more favorable to the Executive, the first occurrence of an event or circumstance constituting Good Reason.

(C) Each option to purchase shares of common stock of the Company outstanding at the Date of Termination shall become fully vested and exercisable on the Date of Termination and shall remain exercisable during the term of such option.

(D) The Company shall provide the Executive with outplacement services suitable to the Executive's position for a period of 6 months or, if earlier, until the first acceptance by the Executive of an offer of employment.

6.2 The payments provided in subsection (A) of Section 6.1 hereof shall be made not later than the fifth day following the Date of Termination; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at the reference rate announced from time to time by Bank of America National Trust and Savings Association) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Date of Termination. In the event that the amount of the estimated payments ex

ceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth (5th) business day after demand by the Company (together with interest at the reference rate announced from time to time by Bank of America National Trust and Savings Association). At the time that payments are made under this Agreement,

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the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations.

6.3 The Company also shall pay to the Executive all legal fees and expenses incurred by the Executive in disputing in good faith any issue hereunder relating to the termination of the Executive's employment, or in seeking in good faith to obtain or enforce any benefit or right provided by this Agreement. Such payments shall be made within five (5) business days after delivery of the Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

7. Termination Procedures and Compensation During Dispute.

7.1 Notice of Termination. After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 10 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of a majority of the entire membership of the Board at a meeting of the Board (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty

of conduct set forth in the definition of Cause herein, and specifying the particulars thereof in detail.

7.2 Date of Termination. "Date of Termination," with respect to any purported termination of the Executive's employment after a Change in Control and during the Term, shall mean (i) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).

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7.3 Dispute Concerning Termination. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 7.3), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the earlier of (i) the date on which the Term ends or (ii) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

7.4 Compensation During Dispute. If a purported termination occurs following a Change in Control and during the Term and the Date of Termination is extended in accordance with Section 7.3 here

of, the Company shall continue to pay the Executive the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the notice giving rise to the dispute was given, until the Date of Termination, as determined in accordance with Section 7.3 hereof. Amounts paid under this Section 7.4 are in addition to all other amounts due under this Agreement (other than those due under Section 5.2 hereof) and shall not be offset against or reduce any other amounts due under this Agreement.

8. No Mitigation. The Company agrees that, if the Executive's employment with the Company terminates during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 6 hereof or Section 7.4 hereof. Further, the amount of any payment or benefit provided for in this Agreement (other than Section 6.1(B) hereof) shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

9. Successors; Binding Agreement.

9.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or

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substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change

in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

9.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

10. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, if to the Executive, to the address inserted below the Executive's signature on the final page hereof and, if to the Company, to the address set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:

Einstein/Noah Bagel Corp.
14103 Denver West Parkway
Golden, CO 80401

Attention: General Counsel

11. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any

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breach by the other party hereto of, or of any

lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party; provided, however, that this Agreement shall supersede any agreement setting forth the terms and conditions of the Executive's employment with the Company only in the event that the Executive's employment with the Company is terminated on or following a Change in Control that has occurred or is deemed to have occurred pursuant to Section 6.1 hereof, by the Company other than for Cause or by the Executive other than for Good Reason. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Colorado. All references to sections of the Exchange Act shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 6 and 7 hereof) shall survive such expiration.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

14. Settlement of Disputes; Arbitration. 14.1 All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement

shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Board a decision of the Board within sixty (60) days after

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notification by the Board that the Executive's claim has been denied.

14.2 Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Denver, Colorado in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding any provision of this Agreement to the contrary, the Executive shall be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

15. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(A) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(B) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(C) "Board" shall mean the Board of Directors of the Company.

(D) "Cause" for termination by the Company of the Executive's employment shall mean (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for

Good Reason by the Executive pursuant to Section 7.1 hereof) after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, (ii) the misappropriation of funds or other property of the Company, (iii) the commission of an felony or any crime involving moral turpitude, (iv) the commission of fraud or theft, or (v) the material breach by the Executive of any obligation of the Executive under any written confidentiality or non-compete agreement between the Executive and the Company. For purposes of this definition, (x) no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's act, or failure to act, was in the best interest of the Company and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Company establishes to the Board by clear and convincing evidence

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that Cause exists.

(E) A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) any Person (other than Boston Chicken, Inc.) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities; or

(II) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into

voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person (other than Boston Chicken, Inc.) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates other than in connection with the acquisition by the Company or its Affiliates of a business) representing 40% or more of the combined voting power of the Company's then outstanding securities; or

(III) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale; or

(IV) the individuals who, as of the date of any Change in Control of Boston Chicken (as hereinafter defined) are members of the Board, cease for any reason to constitute a majority of

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the Board. For purposes of paragraph (IV), above a "Change in

Control of Boston Chicken" shall mean (i) the acquisition by any Person of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of transactions, of shares of capital stock or other voting securities of Boston Chicken, Inc. entitling such person to exercise more than 30% of the combined voting power of the outstanding securities of Boston Chicken, Inc., (ii) a sale of all or substantially all of the assets of Boston Chicken, Inc. to any purchaser (a "BCI Purchaser") if any Person is the beneficial owner of shares of capital stock or other voting securities of the BCI Purchaser entitling such person to exercise more than 30% of the combined voting power of the outstanding securities of such BCI Purchaser, or (iii) the individuals who, as of the date of this letter agreement, are members of the board of directors of Boston Chicken, Inc. (the "Incumbent Board") cease for any reason to constitute at least a majority of the board of directors of Boston Chicken, Inc., provided, however, that if either the election of any new director of the nomination for election of any new director by Boston Chicken, Inc.'s stockholders was approved by a vote of at least a majority of the Incumbent Board, such new director shall be considered a member of the Incumbent Board.

(F) "Company" shall mean Einstein/Noah Bagel Corp. and, except in determining under Section 15(E) hereof whether or not any Change in Control of the Company has occurred, shall include any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(G) "Date of Termination" shall have the meaning set forth in Section 7.2 hereof.

(H) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties with the Company for a period of six (6) consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

(I) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

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(J) "Executive" shall mean the individual named in the first paragraph of this Agreement.

(K) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control, or prior to a Change in Control under the circumstances described in clauses (ii) and (iii) of the second sentence of Section 6.1 hereof (treating all references in paragraphs (I) through (VII) below to a "Change in Control" as references to a "Potential Change in Control"), of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraph (I), (V), (VI) or (VII) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(I) a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control;

(II) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time;

(III) the relocation of the Executive's principal place of employment to a location more than 60 miles from the Executive's principal place of employment immediately prior to the Change in Control or the Company's requiring the Executive to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company's business to an extent substantially consistent with the Executive's present business travel obligations;

(IV) the failure by the Company to pay to the Executive any portion of the Executive's current compensation, within seven (7) days of the date such compensation is due;

(V) the failure by the Company to continue in effect any compensation plan in which the Executive participates immediately prior to the Change in Control which is material to the Executive's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to the Change in Control;

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(VI) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control (except for across the board changes similarly affecting all executives of the Company and all

executives of any Person in control of the Company), the taking of any other action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(VII) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 7.1 hereof; for purposes of this Agreement, no such purported termination shall be effective.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

For purposes of any determination regarding the existence of Good Reason, any claim by the Executive that Good Reason exists shall be presumed to be correct unless the Company establishes to the Board by clear and convincing evidence that Good Reason does not exist.

(L) "Notice of Termination" shall have the meaning set forth in Section 7.1 hereof.

(M) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities

pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

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(N) "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(II) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control; or

(III) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(O) "Severance Payments" shall have the meaning set forth in Section 6.1 hereof.

(P) "Term" shall mean the period of time described in Section 2 hereof (including any extension, continuation or termination described therein).

EINSTEIN/NOAH BAGEL CORP.

By: Robert M. Hartnett

Name: Robert M. Hartnett
Title:

/s/ Paul Murphy

Paul Murphy

Address:

2476 Westminster Terrace

Ouiedo, Florida

32765

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Exhibit 10.27

[LOGO] 1999 STAFF OFFICER BONUS PLAN

I. PURPOSE

The purpose of the Plan is to establish a program of incentive compensation for designated corporate officers of the Company that is directly related to the performance results of the Company. The Plan provides an annual incentive, contingent upon continued employment and the achievement of certain corporate goals, to certain corporate officers who make substantial contributions to the Company.

II. DEFINITIONS

BONUS AWARD means the award, as determined by the Committee, to be granted to a Participant under the Plan.

COMMITTEE refers to the Compensation Committee of the Board of Directors of the Company.

COMPANY means Einstein/Noah Bagel Corp.

CORPORATE STAFF OFFICER refers to a corporate officer of the Company who holds any of the positions of President, Chief Executive Officer, Executive VP of Operations, Chief Financial Officer, Chief Information Officer, Chief Marketing Officer, SrVP & General Counsel, SrVP of Human Resources, VP of Finance/Controller, VP of Supply Chain, VP of Operational/Technical Services and any other corporate officer of the Company so designated at the sole discretion of the Committee.

DESIGNATED BENEFICIARY means the beneficiary or beneficiaries designated in accordance with Article X hereof to receive the amount, if any, payable under the Plan upon the Participant's death.

FISCAL YEAR refers to the period of time between the dates of December 28, 1998 and December 26, 1999.

LONG-TERM DISABILITY means the inability of the Participant to substantially perform his or her duties to the Company by reason of physical or mental disability, as determined by the Committee in its reasonable discretion.

PARTICIPANT means any officer designated by the Committee to participate in the Plan who has received written notice of his or her designation as a Participant.

PLAN means the ENBC 1999 Staff Officer Bonus Plan

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III. ELIGIBILITY

Participants in the Plan shall be selected by the Committee for the 1999 Fiscal Year from those Corporate Staff Officers whose efforts contribute materially to the annual success of the Company. No employee shall be a Participant unless he or she is chosen by the Committee, in its sole discretion, and receives notice of such choice. No employee shall at any time have the right to be selected as a Participant, nor, having been selected as a Participant for the 1999 Fiscal Year, to be selected as a participant in any other year.

IV. ADMINISTRATION

The Committee, in its sole discretion, will determine eligibility for participation, establish the target payout levels for each Participant, establish corporate performance goals, calculate and determine the level of attainment of such goals, and calculate the Bonus Award for each Participant under the Plan. The Committee will also determine the time at which Bonus Awards will be paid, and any restrictions on payment.

V. BONUS AWARDS

The Committee, with the input of management of the Company, will establish a target payout level for each Participant and communicate such target payout level to each Participant prior to or during the Fiscal Year for which such award may be made. The Committee shall also establish the following corporate performance for the Fiscal Year: (a) a system net revenue target, and (b) a system target for earnings before interest, taxes, depreciation and amortization (EBITDA), and communicate such corporate performance goals to each Participant prior to or during the Fiscal Year for which such awards may be made. For this purpose EBITDA will be deemed to be equivalent to "System EBITDAL" as defined in the agreement governing the Company's bank debt as in effect on the date hereof. Bonus Awards will be earned by each Participant based upon the level of attainment of corporate goals during the Fiscal Year, as determined by the Committee in its sole discretion; for this purpose, Bonus Awards shall be weighted 30% to attainment of the system net revenue target and 70% to the system EBITDA target. As soon as practicable after the end of the Fiscal Year the Committee shall determine the level of attainment of the corporate goals and the Bonus Award to be made to each Participant.

VI. TERMINATION OF EMPLOYMENT

In the event of termination of a Participant's employment with the Company by reason of death or long-term disability before the payment of any Bonus Award, such Participant shall be eligible for a pro rata portion of the Bonus Award that would have been paid in respect of the Fiscal Year in which the termination occurred (provided a Bonus Award would otherwise have been earned). Any such Bonus Award shall be paid as soon as practicable after the end of the fiscal year in which such termination occurs. In the event of a Participant's' death, such pro rata payment shall be made to the Participant's Designated Beneficiary, or if

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there is none living, to the estate of the Participant.

In the event of a Participant's voluntary termination of employment with the Company for any reason, or termination by the Company for cause (as defined in the Participant's Change of Control Agreement) before payment of a Bonus Award is made, the Participant shall be ineligible for such payment unless the Committee specifically determines that such Bonus Award is to be paid.

VII. NON-TRANSFERABILITY OF BENEFITS

A Participant may not assign, sell, encumber, transfer or otherwise dispose of any rights or interests under the Plan except by will of the laws of descent and distribution. Any attempted disposition not permitted by the preceding sentence shall be null and void.

VIII. NO CLAIM OF RIGHT UNDER THE PLAN

Other than as may be provided in an employment agreement as approved by the Committee, no employee or other person shall have any claim or right to be selected as a Participant under the Plan. Neither the Plan nor any action taken pursuant to the Plan shall be construed as giving any employee any right to be retained in the employ of the Company.

IX. TAXES

The Company shall deduct from all amounts paid under the Plan all federal, state, local and other taxes required by law to be withheld with respect to such payments.

X. DESIGNATION AND CHANGE OF BENEFICIARY

Each Participant may indicate upon notice to him or her by the Committee of his or her right to receive a Bonus Award a designation of one or more persons as the Designated Beneficiary who shall be entitled to receive the amount, if any, payable under the Plan upon the death of the Participant. Such designation shall be in writing to the Committee. A Participant may, from time to time, revoke or change his or her Designated Beneficiary without the consent of any prior Designated Beneficiary by filing a written designation with the Committee. The last such designation received by the Committee shall be controlling, provided however that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt.

XI. PAYMENTS TO PERSONS OTHER THAN THE PARTICIPANT

If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or has died, then any payment due to such person or his or her estate (unless a prior claim therefore has been made by a duly appointed legal representative) may, if the Committee so directs, be paid

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to his or her spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee, in its sole discretion, to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Company therefor.

XII. NO LIABILITY OF COMMITTEE MEMBERS; INDEMNIFICATION

No member of the Committee shall be personally liable by reason of any contract or other instrument related to the Plan executed by such member or on his or her behalf in his or her capacity as a member of the Committee, nor for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless each employee, officer or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such member in connection with any action, suit or proceeding arising out of or relating to the Plan if such member acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Company. Any determination as to whether indemnification shall be provided hereunder shall be made by the Board of Directors of the Company.

XIII. TERMINATION OR AMENDMENT OF THE BONUS PLAN

The Committee may amend, suspend or terminate the Plan at any time, in its sole discretion.

XIV. UNFUNDED PLAN

Participants shall have no right, title, or interest whatsoever in or to any investments that the Company may make to aid it in meeting its obligations under the Plan. Notwithstanding anything contained herein to the contrary, to the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company.

The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). To the extent the Plan is determined to be so subject, it is intended to constitute a "plan which is unfunded and is maintained by the employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees," as such phrased is used in ERISA, and the terms of the Plan shall be interpreted consistent with such intent.

XV. GOVERNING LAW

The terms of the Plan and all rights thereunder shall be governed by and construed in accordance with the laws of the State of Colorado, without reference to principles of conflict of laws.

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XVI. EFFECTIVE DATE

The effective date of the Plan is January 14, 1999.

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Exhibit 12

Einstein/Noah Bagel Corp.
Computation of Ratio of Earnings to Fixed Charges

(in thousands)
(unaudited)

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	Fiscal Year or Period Ended			
	December 31, 1995	December 29, 1996	December 28, 1997	December 27, 1998
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Earnings (loss) before income taxes......	$(43,716)	$ 5,707	$ 3,571	$(203,706)
Add: Total fixed charges deducted from earnings (loss).................	2,064	7,478	7,403	22,393
Earnings (loss) available for payment of fixed charges.....................	$(41,652)	$13,185	$10,974	$(181,313)
Fixed Charges:				
Interest expense.....................	$ 1,434	$ 6,950	$ 6,098	$ 11,811
Portion of operating lease payments deemed to be interest............	630	528	1,305	10,582
Total fixed charges......................	$ 2,064	$ 7,478	$ 7,403	$ 22,393
Ratio of earnings to fixed charges.......	-	1.76	1.48	-
Deficiency of earnings available to cover fixed charges...............	$(43,716)			$(203,706)

</TABLE>

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Exhibit 21

Einstein/Noah Bagel Corp.
Subsidiaries of the Company

Einstein/Noah Bagel Partners, Inc.,
a California corporation

Einstein/Noah Bagel Partners, L.P.,
a Delaware limited partnership

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Exhibit 23.1

Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the incorporation of our reports dated February 17, 1998 on our audit of the consolidated financial statements, and the related schedule, of Einstein/Noah Bagel Corp. (the "Company") included in this Form 10-K, into the Company's previously filed Registration Statement File Nos. 333-28941, 333-44339 and 333-44353.

ARTHUR ANDERSEN LLP

Denver, Colorado
March 26, 1999

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