FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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COSI INC

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 1, 2013

OR

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

For the transition period from to

Commission File No. 000-50052

COSÌ, INC.

(Exact name of registrant as specified in its charter)

Delaware	**06-1393745**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1751 Lake Cook Road
Deerfield, Illinois 60015
(Address of principal executive offices) (Zip Code)

(847) 597-8800
(Registrant' s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-Accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of Common Stock, $.01 par value, outstanding at May 10, 2013: 18,303,467

Table of Contents

COSI, INC.

Index to Form 10-Q
For the three-month period ended April 1, 2013

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Cosi, Inc.
Consolidated Balance Sheets
As of April 1, 2013 and December 31, 2012
(dollars in thousands, except share and per share data)

	April 1, 2013 (Unaudited)	December 31, 2012 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 12,136	$ 15,417
Accounts receivable, net	1,002	1,235
Notes receivable, current portion	606	462
Inventories	861	893
Prepaid expenses and other current assets	1,247	1,620
Total current assets	15,852	19,627
Furniture and fixtures, equipment and leasehold improvements, net	9,078	9,900
Notes receivable, net of current portion	421	573
Other assets	1,088	1,093
Total assets	$ 26,439	$ 31,193
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,721	$ 2,886
Accrued expenses	7,597	9,447
Deferred franchise revenue	61	61
Current portion of other long-term liabilities	142	140
Total current liabilities	10,521	12,534

Deferred franchise revenue	1,923	1,923
Other long-term liabilities, net of current portion	2,597	2,701
Total liabilities	15,041	17,158
Commitments and contingencies		
Stockholders' equity:		
Common stock - $.01 par value; 25,000,000 shares authorized, 18,303,467 and 18,278,192 shares issued, respectively	183	183
Additional paid-in capital	297,155	297,051
Treasury stock, 59,886 shares at cost	(1,198)	(1,198)
Accumulated deficit	(284,742)	(282,001)
Total stockholders' equity	11,398	14,035
Total liabilities and stockholders' equity	$ 26,439	$ 31,193

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

Table of Contents

Cosi, Inc.

Consolidated Statements of Operations and Comprehensive Loss

For the Three Month Periods Ended April 1, 2013 and April 2, 2012

(dollars in thousands, except share and per share data)

	Three Months Ended	
	April 1, 2013	April 2, 2012
	(Unaudited)	(Unaudited)
Revenues:		
Restaurant net sales	$ 20,854	$ 23,921
Franchise fees and royalties	707	752
Total revenues	21,561	24,673
Costs and expenses:		
Cost of food and beverage	5,202	5,566
Restaurant labor and related benefits	8,110	8,815
Occupancy and other restaurant operating expenses	7,146	7,686
	20,458	22,067
General and administrative expenses	2,757	2,779
Provision for losses on asset impairments and disposals	339	–
Depreciation and amortization	748	994
Closed store costs	17	–
Lease termination expense (income)	4	(28)
Total costs and expenses	24,323	25,812
Operating loss	(2,762)	(1,139)

Other income	21	11
Net loss and comprehensive loss	$ (2,741)	$ (1,128)
Per Share Data:		
Loss per share, basic and diluted	$ (0.15)	$ (0.09)
Weighted average shares outstanding:	17,949,772	12,864,211

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

Table of Contents

Cosi, Inc.
Consolidated Statement of Stockholders' Equity
For the Three Months Ended April 1, 2013
(unaudited)
(dollars in thousands, except share data)

	Common Stock			Treasury Stock			
	Number of Shares	Amount	Additional Paid In Capital	Number of Shares	Amount	Accumulated Deficit	Total
Balance, December 31, 2012	18,278,192	183	297,051	59,886	(1,198)	(282,001)	14,035
Issuance of restricted stock net of forfeitures	25,275	–	–				–
Stock-based compensation	–		104				104
Net loss						(2,741)	(2,741)
Balance, April 1, 2013	18,303,467	$ 183	$ 297,155	59,886	$ (1,198)	$ (284,742)	$ 11,398

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

Table of Contents

Cosi, Inc.
Consolidated Statements of Cash Flows
For the Three Month Periods Ended April 1, 2013 and April 2, 2012
(dollars in thousands)

	April 1,	April 2,

	2013	2012
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net loss	$ (2,741)	$ (1,128)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	748	994
Non-cash portion of asset impairments and disposals	339	–
Provision for bad debts	14	14
Stock-based compensation expense	104	106
Changes in operating assets and liabilities:		
Accounts receivable	219	(46)
Notes receivable	8	89
Inventories	32	(16)
Prepaid expenses and other current assets	373	129
Other assets	6	10
Accounts payable and accrued expenses	(2,018)	(2,205)
Deferred franchise revenue	–	75
Lease termination reserve	4	(28)
Other long-term liabilities	(104)	(156)
Net cash used in operating activities	(3,016)	(2,162)
Cash flows from investing activities:		
Capital expenditures	(265)	(247)
Net cash used in investing activities	(265)	(247)
Net decrease in cash and cash equivalents	(3,281)	(2,409)
Cash and cash equivalents, beginning of period	15,417	7,222
Cash and cash equivalents, end of period	$ 12,136	$ 4,813
Supplemental disclosure of cash flow information:		
Cash paid for:		
Corporate franchise and income taxes	$ 32	$ 5

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

COSI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 - Basis of Presentation

We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with the requirements of Form 10-Q and, therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In our opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results of operations for the periods shown. All such adjustments are of a normal recurring nature. In preparing financial statements in conformity with U.S. GAAP, we must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

As used in this quarterly report on Form 10-Q, unless the context requires otherwise, the terms "we," "our," "Company" or "Cosi" refer to Cosi, Inc. and its consolidated subsidiaries.

The balance sheet at December 31, 2012 has been derived from audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

The results for the three-month periods ended April 1, 2013 and April 2, 2012 are not indicative of the results for the full fiscal year.

Certain amounts in the December 31, 2012 consolidated balance sheet and the consolidated statement of stockholder' s equity, as well as the April 2, 2012 consolidated statement of operations have been reclassified to conform to the April 1, 2013 presentation as a result of the reverse stock split that the Company filed on May 8, 2013 (see Note 8).

This Report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, as filed with the Securities and Exchange Commission ("SEC").

There have been no material changes to our significant accounting policies and estimates from the information provided in Note 1 of our consolidated financial statements included in our Form 10-K for the fiscal year ended December 31, 2012.

Note 2 − Stock-Based Compensation Expense

A summary of non-cash, stock-based compensation expense is as follows:

	For the Three Months Ended (in thousands)	
	April 1, 2013	**April 2, 2012**
Restricted stock compensation expense, net of forfeitures	98	106
Stock option compensation expense	6	–
Total non-cash, stock-based compensation expense, net of forfeitures	$ 104	$ 106

As of April 1, 2013, the unrecognized compensation expense related to stock options and restricted shares of stock granted under the Cosi, Inc. 2005 Omnibus Long-Term Incentive Plan (the "2005 Plan") was approximately $0.7 million and will be recognized on a straight-line basis over the remaining vesting period

Table of Contents

through fiscal 2017.

Pursuant to the 2005 Plan and in accordance with the terms and conditions prescribed by the Compensation Committee of our Board of Directors, we granted and issued 30,000 shares of restricted stock and 25,000 options to purchase common stock to key employees during the first quarter of fiscal 2013. The vesting of 5,000 of these shares and all options occurs as follows: (i) 20% of the grant vested on the grant date, and (ii) an additional 20% vests on each anniversary of the grant date, provided that at each such date the employee continues to be employed by the Company. The remaining 25,000 shares of restricted stock vest at a rate of 6,250 at the end of every calendar quarter in 2013. The value of the shares and the options for the grants made during the quarter, based on the closing price of our common stock on the date of the grants, was approximately $0.2 million. We did not grant any shares of restricted stock or options to purchase common stock to employees during the first quarter of fiscal 2012.

Stock-based compensation expense, net of forfeitures, relating to grants for restricted share of stock and options to purchase common stock of approximately $0.1 million is included in the accompanying consolidated statements of operations for each of the quarters ended April 1, 2013 and April 2, 2012.

During the first quarter of fiscal 2013 and 2012, 4,725 and 50 shares, respectively, of previously issued restricted common stock were forfeited. The value of the forfeited shares, based on the closing price of our common stock on the date of the grants, was immaterial. The amount of the reversal of the previously amortized costs related to the forfeited shares reflected in the accompanying consolidated statements of operations for the three-month periods ended April 1, 2013 and April 2, 2012 was also immaterial.

Note 3 − Earnings Per Share

Basic and diluted loss per common share is calculated by dividing the net loss by the weighted average common shares outstanding during the period. As of April 1, 2013, there were, 282,075 unvested restricted shares of common stock and 25,000 in-the-money and 38,196 out-of-the-money stock options outstanding. As of April 2, 2012, there were 301,987 unvested restricted shares of common stock and 40,427 out-of-the-money stock options outstanding. There were no in-the-money stock options at the end of first quarter of fiscal 2012. The unvested restricted shares and the outstanding stock options meet the requirements for participating securities but were not included in the computation of basic and diluted earnings per share because we incurred a net loss in all periods presented and, hence, the impact would be anti-dilutive.

Note 4 − Asset Impairments

In accordance with FASB Accounting Standards Codification Topic 360 (ASC Topic 360), *Property, Plant & Equipment,* we evaluate possible impairments at the individual restaurant level periodically and record an impairment loss whenever we determine impairment factors are present. We consider a history of poor financial operating performance to be the primary indicator of potential impairment for individual restaurant locations. We determine whether a restaurant location is impaired based on expected undiscounted cash flows, generally for the remainder of the lease term, and then determine the impairment charge based on discounted cash flows for the same period.

Restaurants are not considered for impairment during the period before they enter the comparable restaurant base, unless specific circumstances warrant otherwise.

We recorded an asset impairment charge of approximately $0.3 million during the first quarter of fiscal 2013 relating to three underperforming restaurants. We did not record any asset impairment charges during the first quarter of fiscal 2012.

Note 5 - Lease Termination Costs

Future store closings, if any, resulting from our decision to close underperforming locations prior to their

Table of Contents

scheduled lease expiration dates may result in additional lease termination charges. For all exit activities, we estimate our likely liability under contractual leases for restaurants that have been closed. Such estimates have affected the amount and timing of charges to operating results and are impacted by management' s judgments about the time it may take to find a suitable subtenant or assignee, or the terms under which a termination of the lease agreement may be negotiated with the landlord. We recognize costs associated with exit or disposal activities when they are incurred, rather than at the date of a commitment to an exit or disposal plan.

The lease termination reserve adjustment that we recorded during the first quarters of fiscal years 2013 and 2012 were immaterial.

Note 6 - Contingencies

From time to time, we are a defendant in litigation arising in the ordinary course of our business. As of the date of this report, there are no legal proceedings that would require accrual or disclosure under ASC 450.

Note 7 − Income Taxes

We have recorded a full valuation allowance to reduce our deferred tax assets related primarily to net operating loss carryforwards. Our determination of the valuation allowance is based on an evaluation of whether it is more likely than not that we will be able to utilize the net operating loss carryforwards, based on the Company' s operating results. A positive adjustment to income will be recorded in future years if we determine that we could realize these deferred tax assets.

As of December 31, 2012, we had net operating loss ("NOL") carryforwards of approximately $212.9 million for U.S. federal income tax purposes. Under the Internal Revenue Code, an "ownership change" with respect to a corporation can significantly limit the amount of pre-ownership change NOLs and certain other tax assets that the corporation may utilize after the ownership change to offset future taxable income, possibly reducing the amount of cash available to the corporation to satisfy its obligations. An ownership change generally would occur if the aggregate stock ownership of holders of at least 5% of our stock increases by more than 50 percentage points over the preceding three year period. We do not believe that the rights offering and the related private placement of common stock that we completed in fiscal 2010 have triggered an ownership change. The purchase of shares of our common stock pursuant to the rights offering and private placement of common stock that we completed during the third quarter of fiscal 2012 may trigger an ownership change with respect to our common stock. In addition, a limitation would not have an impact on our consolidated financial statements as we have recorded a valuation allowance for the entire amount of our deferred tax assets.

We adopted ASC 740-10, Income Taxes, which prescribes a comprehensive financial statement model of how a company should recognize, measure, present and disclose uncertain tax positions that the company has taken or expects to take in its income tax returns. The standard requires that only income tax benefits that meet the "more likely than not" recognition threshold be recognized or continue to be recognized on the effective date. Initial recognition amounts would have been reported as a cumulative effect of a change in accounting principle.

Should the Company need to accrue interest or penalties on uncertain tax positions, it would recognize the interest as interest expense and the penalties as a general and administrative expense.

Due to our unexpired NOLs, Cosi could be subject to IRS income tax examination for the tax year 1996 and all subsequent years. We could also be subject to state income tax examinations in certain states where we have unexpired NOLs.

Note 8 − Reverse Common Stock Split

On May 8, 2013, the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation to implement a one-for-four reverse split of its common stock, par value $0.01 per share, as approved by the Company' s stockholders at the Annual Meeting of Stockholders on May 8, 2013. The reverse split was effective as of 8:00 a.m. (Eastern Time) on May 9, 2013, and the Company' s common stock began trading on the NASDAQ Global Market on a post-split basis on May 9, 2013.

Item 2: MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations for the fiscal quarters ended April 1, 2013 and April 2, 2012 should be read in conjunction with "Selected Consolidated Financial Data" and our audited consolidated financial statements and the notes to those statements that are in our 2012 Annual Report on Form 10-K. Our discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under "Cautionary Note Regarding Forward-Looking Statements" below and elsewhere in this Quarterly Report.

OVERVIEW

System wide restaurants:

	For the Three Months Ended					
	April 1, 2013			April 2, 2012		
	Company-Owned	Franchise	Total	Company-Owned	Franchise	Total
Restaurants at beginning of period	75	50	125	80	56	136
New restaurants opened	–	–	–	–	–	–
Restaurants permanently closed	1	–	1	–	1	1
Restaurants at end of period	**74**	**50**	**124**	**80**	**55**	**135**

As of April 1, 2013, there were 74 Company-owned and 50 franchised restaurants operating in 16 states, the District of Columbia, the United Arab Emirates (UAE), and Costa Rica. During the first quarter of fiscal 2013, we closed one Company-owned restaurant in Ohio at the expiration of its lease. During the first quarter of fiscal 2012, one franchised restaurant in New Jersey closed due to the termination of its lease.

Our restaurants offer innovative, savory, made-to-order products featuring our authentic hearth-baked crackly crust signature Cosi® bread and fresh distinctive ingredients. We maintain a pipeline of new menu offerings that are introduced seasonally through limited time offerings to keep our products relevant to our target customers. Our menu features high-quality, made-to-order hot and cold sandwiches, hand-tossed salads, bowls, breakfast wraps, Cosi® Squagels®, hot melts, flatbread pizzas, S' mores and other desserts, and a variety of coffees along with other soft drink beverages, bottled beverages including premium still and sparkling water, teas, alcoholic beverages, and other specialty coffees and beverages. Our restaurants offer lunch and afternoon coffee in a counter-service format, with most offering breakfast and/or dinner and dessert menus as well.

We are currently eligible to offer franchises in 46 states and the District of Columbia. We offer franchises to area developers and individual franchise operators. The initial franchise fee, payable to us, for both an area developer and an individual franchise operator, is $40,000 for the first restaurant and $35,000 for each additional restaurant.

We believe that offering Cosi® franchised restaurants to area developers and individual franchisees offers the prospects of strong financial returns. By franchising, we believe we will be able to increase the presence of our restaurants in various markets throughout the country and generate additional revenue without the large upfront capital commitments and risk associated with opening Company-owned restaurants.

We believe that incorporating a franchising and area developer model into our strategy will position us to maximize the market potential for the Cosi® brand and concept consistent with our available capital, and we expect that Company-owned restaurants (restaurants that we own as opposed to franchised restaurants) will

always be an important part of our new restaurant growth.

We also continue to explore strategic opportunities with our Cosi Pronto® (our grab-and-go concept) and full-service concepts in educational establishments, airports, train stations and other public venues that meet our operating and financial criteria.

Recent Development

On May 8, 2013, the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation to implement a one-for-four reverse split of its common stock, par value $0.01 per share, as approved by the Company' s stockholders at the Annual Meeting of Stockholders on May 8, 2013. The reverse split was effective as of 8:00 a.m. (Eastern Time) on May 9, 2013, and the Company' s common stock began trading on the NASDAQ Global Market on a post-split basis on May 9, 2013.

Critical Accounting Policies

Our discussion and analysis of our consolidated financial condition and results of operations is based upon the consolidated financial statements and notes to the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of the consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and 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.

We believe the application of our accounting policies, and the estimates inherently required therein, are reasonable and generally accepted for companies in the restaurant industry. We believe that the following addresses the more critical accounting policies used in the preparation of our consolidated financial statements and requires management' s most difficult and subjective judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. There have been no material changes in the application of our most critical accounting policies and estimates, judgments and assumptions during the first quarter of fiscal 2013.

Long Lived Assets: ASC 360-10-35 Property, Plant, & Equipment requires management judgments regarding the future operating and disposition plans for marginally-performing assets, and estimates of expected realizable values for assets to be sold. The application of this standard has affected the amount and timing of charges to operating results that have been significant in recent years. We evaluate possible impairment at the individual restaurant level periodically and record an impairment loss whenever we determine impairment factors are present. We consider a history of poor financial operating performance to be the primary indicator of potential impairment for individual restaurant locations. We determine whether a restaurant location is impaired based on expected undiscounted cash flows, generally for the remainder of the lease term, and then determine the impairment charge based on discounted cash flows for the same period. Restaurants are not considered for impairment during the "ramp-up" period before they enter the comparable restaurant base, unless specific circumstances warrant otherwise.

Lease Termination Charges: ASC 420-10-30 Exit or Disposal Cost Obligations requires companies to recognize a liability for the costs associated with an exit or disposal activity when the liability is incurred, rather than at the time of a commitment to an exit or disposal plan. For all exit activities, we estimate our likely liability under contractual leases for restaurants that have been closed. Such estimates have affected the amount and timing of charges to operating results and are impacted by management' s judgments about the time it may take to find a suitable subtenant or assignee, or the terms under which a termination of the lease agreement may be negotiated with the landlord.

Accounting for Lease Obligations: In accordance with ASC 840-10-25 Leases, we recognize rent expense on a straight-line basis over the lease term commencing on the date we take possession. We include any rent escalations, rent abatements during the construction period and any other rent holidays in our straight-line rent expense calculation.

Table of Contents

Landlord Allowances: In accordance with ASC 840-10-25 Leases, we record landlord allowances as deferred rent in other long-term liabilities on the consolidated balance sheets and amortize them on a straight-line basis over the term of the related leases.

Stock-Based Compensation Expense: In accordance with ASC 718-10-25 Compensation − Stock Compensation we recognize stock-based compensation expense according to the fair value recognition provision, which generally requires, among other things, that all employee share-based compensation be measured using a fair value method and that all the resulting compensation expense be recognized in the financial statements.

We measure the estimated fair value of our granted stock options using a Black-Scholes pricing model and of our restricted stock based on the fair market value of a share of registered stock on the date of grant. The weighted average fair values of the stock options granted through 2013, were determined using the Black-Scholes option-pricing model.

Income Taxes: We have recorded a full valuation allowance to reduce our deferred tax assets that relate primarily to net operating loss carry-forwards. Our determination of the valuation allowance is based on an evaluation of whether it is more likely than not that we will be able to utilize the net operating loss carry-forwards based on the Company' s operating results. A positive adjustment to income will be recorded in future years if we determine that we could realize these deferred tax assets.

Revenue

Restaurant Net Sales: Our Company-owned restaurant sales are composed almost entirely of food and beverage sales. We record revenue at the time of the purchase of our products by our customers.

Franchise Fees and Royalties: Franchise fees and royalties includes fees earned from franchise agreements entered into with area developers and franchise operators, as well as royalties received based on sales generated at franchised restaurants. We recognize the franchise fee in the period in which a franchise location opens or when fees are forfeited as a result of a termination of an area developer agreement. We recognize franchise royalties in the period in which sales are made by our franchise operators.

Gift Card Sales: We offer our customers the opportunity to purchase gift cards at our restaurants and through our website. Customers can purchase these cards at varying dollar amounts. At the time of purchase by the customer, we record a gift card liability for the face value of the card purchased. We recognize the revenue and reduce the gift card liability when the gift card is redeemed. We do not reduce our recorded liability for potential non-use of purchased gift cards.

Comparable Restaurant Sales

In calculating comparable restaurant sales, we include a restaurant in the comparable restaurant base after it has been in operation for 15 full months. We remove from the comparable restaurant base for the period any restaurant that is temporarily shut down for remodeling during that period. At April 1, 2013 and April 2, 2012, there were 74 and 80 restaurants in our comparable restaurant base, respectively.

Costs and Expenses

Cost of Food and Beverage. Cost of food and beverage is composed of food and beverage costs. Food and beverage costs are variable and fluctuate with sales volume.

Restaurant Labor and Related Benefits. The costs of restaurant labor and related benefits include direct hourly and management wages, bonuses, payroll taxes, health insurance and all other fringe benefits.

Table of Contents

Occupancy and Other Restaurant Operating Expenses. Occupancy and other restaurant operating expenses include direct restaurant-level operating expenses, including the cost of paper and packaging, supplies, repairs and maintenance, utilities, rent and related occupancy costs.

General and Administrative Expenses. General and administrative expenses include all corporate and administrative functions that support our restaurants and provide an infrastructure to operate our business. Components of these expenses include executive management costs; supervisory and staff salaries; non-field stock-based compensation expense; non-field bonuses and related taxes and employee benefits; travel; information systems; training; support center rent and related occupancy costs; and professional and consulting fees. The salaries, bonuses and employee benefits costs included as general and administrative expenses are generally more fixed in nature and do not vary directly with the number of restaurants we operate. Stock-based compensation expense includes the charges related to recognizing the fair value of stock options and restricted stock as compensation for awards to certain key employees and non-employee directors, except the costs related to stock-based compensation for restaurant employees which are included in restaurant labor and related benefits.

Depreciation and Amortization. Depreciation and amortization principally relates to restaurant assets.

RESULTS OF OPERATIONS

Our operating results for the three-month periods ended April 1, 2013 and April 2, 2012, expressed as a percentage of total revenues (except where otherwise noted), were as follows:

	Three Months Ended	
	April 1, 2013	**April 2, 2012**
Revenues:		
Restaurant net sales	**96.7%**	97.0%
Franchise fees and royalties	**3.3**	3.0

Total revenues	**100.0**	100.0
Cost and expenses:		
Cost of food and beverage (1)	**24.9**	23.3
Restaurant labor and related benefits (1)	**38.9**	36.8
Occupancy and other restaurant operating expenses (1)	**34.3**	32.1
	98.1	92.2
General and administrative expenses	**12.8**	11.3
Provision for lossess on asset impairments and disposals	**1.6**	–
Depreciation and amortization	**3.5**	4.0
Closed store costs	**0.1**	–
Lease termination expense (income)	–	(0.1)
Total costs and expenses	**112.8**	104.6
Operating loss	**(12.8)**	(4.6)
Other income	**0.1**	–
Net loss and comprehensive loss	**(12.7)%**	(4.6)%

(1) Expressed as a percentage of restaurant net sales versus all other items expressed as a percentage of total revenues.

Table of Contents

Restaurant Net Sales

	Restaurant net sales (in thousands)	Restaurant net sales as a % of total revenues
Quarter ended April 1, 2013	$ 20,854	96.7%
Quarter ended April 2, 2012	$ 23,921	97.0%

Restaurant net sales. Restaurant net sales decreased 12.8%, or approximately $3.1 million, during the first quarter of fiscal 2013 due primarily to a decrease in net sales of approximately $1.6 million related to restaurants closed during and subsequent to the first quarter of fiscal 2012, as well as a decrease in net sales in our comparable restaurant base of 6.6%, or approximately $1.5 million. The decrease in comparable restaurant net sales was comprised of 8.5% decrease in traffic, offset by 1.9% increase in average check.

Franchise Fees and Royalties

	Franchise fees and royalties (in thousands)	Franchise fees and royalties as a % of total revenues
Quarter ended April 1, 2013	$ 707	3.3%
Quarter ended April 2, 2012	$ 752	3.0%

Franchise fees and royalties. Franchise fees and royalties decreased 6.0%, or approximately $0.05 million, due primarily to lower royalties related to franchised stores closed during and after the first quarter of fiscal 2012, as well as the decrease in comparable franchised restaurant net sales in the quarter.

Costs and Expenses

	Cost of food and beverage		
	(in thousands)		as a % of restaurant net sales
Quarter ended April 1, 2013	$	5,202	24.9%
Quarter ended April 2, 2012	$	5,566	23.3%

Cost of food and beverage. The increase in cost of food and beverage, as a percentage of restaurant net sales, is largely due to higher costs of certain commodities, primarily poultry and produce, the latter of which was adversely impacted by unseasonably cold weather in the Southwestern United States earlier this year as well as a switch to utilizing more fresh vegetables in our sandwiches, salads and new bowl products. Also driving the increase in the cost of food and beverage, as a percentage of restaurant net sales, was the introduction of bowls during the last quarter of fiscal 2012 which, as a category, carry a higher cost of goods as a percentage of net sales. These increases were partially offset by the favorable impact of menu price increases.

	Restaurant labor and related benefits		
	(in thousands)		as a % of restaurant net sales
Quarter ended April 1, 2013	$	8,110	38.9%
Quarter ended April 2, 2012	$	8,815	36.8%

Restaurant labor and related benefits. The increase in restaurant labor and related benefits, as a percentage of restaurant net sales, is due primarily to the unfavorable impact on labor of the decrease in comparable net restaurant sales, primarily the impact on the fixed-portion of manager labor, as well as higher costs related to

healthcare benefits.

	Occupancy and other restaurant operating expenses		
	(in thousands)		as a % of restaurant net sales
Quarter ended April 1, 2013	$	7,144	34.3%
Quarter ended April 2, 2012	$	7,686	32.1%

Occupancy and other restaurant operating expenses. The increase in occupancy and other restaurant operating expenses, as a percentage of restaurant net sales, is due primarily to the unfavorable effect on fixed occupancy-related costs of the decrease in comparable net restaurant sales, as well as the increase in paper and packaging costs resulting from both a year-over-year increase in catering sales and the higher costs for resin-based packaging, as well as higher credit card fees resulting from greater usage and an increase in interchange rates, partially offset by lower costs for repairs and maintenance of existing Company-owned restaurants and lower local store marketing expenditures.

	General and administrative expenses		
	(in thousands)		as a % of total revenues
Quarter ended April 1, 2013	$	2,757	12.8%

Quarter ended April 2, 2012	$	2,779	11.3%

General and administrative expenses. The slight decrease in general and administrative expenses in the quarter is due primarily to lower third-party professional fees, including lower legal fees, partially offset by costs related to the design of our new store prototype.

	Provision for losses on asset impairments and disposals		
	(in thousands)		as a % of total revenues
Quarter ended April 1, 2013	$	339	1.6%
Quarter ended April 2, 2012	$	–	–

Provision for losses on asset impairments and disposals: The provision for losses on asset impairments and disposals during the first quarter of fiscal 2013 relates to three underperforming restaurants.

	Depreciation and amortization		
	(in thousands)		as a % of total revenues
Quarter ended April 1, 2013	$	748	3.5%
Quarter ended April 2, 2012	$	994	4.0%

Table of Contents

Depreciation and amortization. The lower depreciation and amortization expense during the first quarter of fiscal 2013 is due primarily to the impact of impairments recorded during and subsequent to the first quarter of fiscal 2012 as well as the impact on depreciation of assets in our restaurant base that have become fully depreciated in the last year.

	Closed store costs		
	(in thousands)		as a % of total revenues
Quarter ended April 1, 2013	$	17	0.1%
Quarter ended April 2, 2012	$	–	–

Closed store costs. The closed store costs incurred during the first quarter of fiscal 2013 are related to the closing of one Company-owned restaurant at the expiration of its lease. We did not incur any closed store costs during the first quarter of fiscal 2012.

	Lease termination expense (income)		
	(in thousands)		as a % of total revenues
Quarter ended April 1, 2013	$	4	–
Quarter ended April 2, 2012	$	(28)	(0.1)%

Lease termination expense. The lease termination expense adjustment in the first quarter of fiscal 2013 was immaterial. The lease termination benefit adjustment during the first quarter of fiscal 2012 is related to the reversal of a previously recorded subtenant lease expense.

	Other income	
	(in thousands)	as a % of total revenues
Quarter ended April 1, 2013	$ 21	0.1%
Quarter ended April 2, 2012	$ 11	0.0%

Other income: Other income was immaterial and included adjustments related to the discounting of the long-term portion of a note receivable in each of the first quarters of fiscal 2013 and 2012.

	Net loss	
	(in thousands)	as a % of total revenues
Quarter ended April 1, 2013	$ (2,741)	(12.7)%
Quarter ended April 2, 2012	$ (1,128)	(4.6)%

Net loss: The increase in net loss in the quarter is due primarily to the unfavorable effect of the decrease in comparable restaurant net sales on the fixed-portion of manager labor and occupancy-related costs, the increase in food and beverage and paper and packaging costs, and the net impact of locations closed during and subsequent to the first quarter of fiscal 2012, partially offset by the lower depreciation expense.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were approximately $12.1 million on April 1, 2013, compared with $15.4 million on December 31, 2013. We had positive working capital of approximately $5.3 million on April 1, 2013, compared with positive working capital of approximately $7.1 million in December 31, 2012. The decrease in working capital in the first quarter of fiscal 2013 was a result of funding our operating loss, net of depreciation and other non-cash expenses as well as payments made for capital expenditures. Our principal requirements for cash in 2013 will be for working capital needs, new restaurant openings, if any, and routine maintenance of our existing restaurants.

Net cash used in operating activities during the first quarter of 2013 was approximately $3.0 million, compared with $2.2 million in the first quarter of 2012. The increase was primarily due to the higher operating loss, net

of depreciation and other non-cash expenses, the unfavorable timing difference in the payment of current payroll obligations related to our bi-weekly calendar, as well as the timing of payments on certain vendor obligations, partially offset by the receipt of payments on fiscal 2012 outstanding receivables.

Cash used in investing activities was approximately $0.3 and $0.2 million in the first quarters of fiscal 2013 and 2012, respectively, and was the result of capital expenditures for existing company-owned restaurants.

No cash was used in or provided by financing activities during the first quarters of fiscal 2013 and 2012.

During the first quarter of fiscal 2013, as well as the last two quarters of fiscal 2012, a total of three payments of $62,500 each were not received as scheduled in accordance with the terms of the Subordinated Secured Promissory Note associated with the sale of restaurants to a franchisee in 2010. The Company and franchisee expect payments to resume beginning with the third quarter of fiscal 2013.

We are actively searching out and assessing opportunities to develop new Company-owned locations in existing markets and expect to relocate one existing restaurant to a new site during the second quarter of fiscal 2013. We also expect to incur capital costs associated with the maintenance of existing Company-owned restaurants during the remainder of fiscal 2013. As we currently have no credit facility or available line of credit, we expect to fund any required restaurant capital maintenance costs on existing Company-owned restaurants or capital needs to open new restaurants from cash and cash equivalents on hand, expected cash flows generated by existing Company-owned restaurants, and expected franchise fees and royalties.

We believe that our current cash and cash equivalents and the expected cash flows from Company-owned restaurant operations and expected franchise fees and royalties will be sufficient to fund our cash requirements for working capital needs and capital improvements and maintenance of existing restaurants for the next twelve months and for new Company-owned restaurant development, if any. Our conclusion is based on our projected financial performance for 2013 and includes a sensitivity analysis that projects varying levels of decline in consumer demand. The range of levels selected was based on our reasonable expectation of demand given the seasonality of our historical performance and the potential impact the current economic environment may have on consumer spending. In analyzing our capital cash outlays during the first quarters of fiscal 2013 and 2012, 92.4% and 92.7%, respectively, of our capital expenditures were spent on improvements and repairs and maintenance associated with existing Company-owned locations. The balance of the capital cash outlays was spent on information technology related projects.

If our Company-owned restaurants do not generate the cash flow levels that we expect, if new franchised restaurants do not open according to our expectations, if we do not generate the franchise fees and royalties that we currently expect, if we incur significant unanticipated cash requirements beyond our normal liquidity needs, or if we experience other unforeseen circumstances then, in order to fund our cash requirements, we may have to effect further labor reductions in general and administrative support functions, seek to sell certain Company-owned locations to franchisees and/or other third parties, seek other sources of financing or take other actions necessitated by the impact of such unanticipated circumstances.

There can be no assurance that we will be able to obtain such financing or sell Company-owned locations to franchisees or other third parties or that we will be able to do so in a timely manner and on acceptable terms to meet our requirements. Given the continued instability in the credit and financial markets, it may be difficult for the Company to obtain additional financing and for franchisees to obtain the financing necessary to open restaurants or to acquire Company-owned locations. An inability to access additional sources of liquidity to fund our cash needs could materially adversely affect our financial condition and results of operations.

If internally generated cash flow from our restaurants does not meet our expectations, our business, results of operations and financial condition could be materially adversely affected.

Our cash resources, and therefore our liquidity, are highly dependent upon the level of internally generated cash from operations and upon future financing transactions. Although we believe that we have sufficient liquidity to fund our working capital requirements for the next twelve months, if cash flows from our existing

Table of Contents

restaurants or cash flows from new restaurants that we open or from franchise fees and royalties do not meet our expectations or are otherwise insufficient to satisfy our cash needs, we may have to seek additional financing from external sources to continue funding our operations or reduce or cease our plans to open or franchise new restaurants. We cannot predict whether such financing will be available on terms acceptable to us, or at all.

We may need additional capital in the future and it may not be available on acceptable terms.

Our business has in the past required, and may continue to require, significant additional capital to, among other things, fund our operations, increase the number of Company-owned or franchised restaurants, expand the range of services we offer and finance future acquisitions and investments. There is no assurance that financing will be available on terms acceptable to us, or at all. Our ability to obtain additional financing will be subject to a number of factors, including market conditions, our operating performance and investor sentiment. These factors may make the timing, amount, terms and conditions of additional financings unattractive to us. If we are unable to raise additional capital, our business, results of operations and financial condition could be materially adversely affected.

We have entered into agreements that create contractual obligations. These obligations will have an impact on future liquidity and capital resources. The table below presents a summary of these obligations as of April 2, 2012:

	Payments Due by Period (in thousands)				
Description	**Total Obligations**	**Due Fiscal 2013**	**Due Fiscal 2014 to Fiscal 2015**	**Due Fiscal 2016 to Fiscal 2017**	**Due After Fiscal 2017**
Operating leases (1)	**46,102**	9,524	20,616	9,820	6,142
Other long-term liabilities (2)	**219**	15	204	–	–
Total contractual cash obligations	**$ 46,321**	$ 9,539	$ 20,820	$ 9,820	$ 6,142

(1) Amounts shown are net of an aggregate $0.6 million of sub-lease rental income due under non-cancelable subleases and include accrued contractual lease increases of approximately $2.1 million, which are included in other long-term liabilities in the attached consolidated balance sheets.

(2) These obligations are related to contractual obligations for lease termination agreements and for two obligations related to legal settlements. These obligations are non-interest bearing and are included in other long-term liabilities in the attached consolidated balance sheets.

We are obligated under non-cancelable operating leases for our restaurants and our administrative offices. Lease terms are generally ten years with renewal options and generally require us to pay a proportionate share of real estate taxes, insurance and common area and other operating costs. Some restaurant leases provide for contingent rental payments which are not included in the above table.

Certain of our lease agreements provide for scheduled rent increases during the lease term or for rental payments to commence at a date other than the date of initial occupancy. Rent expense is recognized on a straight-line basis over the term of the respective lease from the date we take possession. Our obligation with respect to these scheduled rent increases has been presented as a long-term liability in other liabilities in the accompanying consolidated balance sheets and totaled approximately $2.1 million and $2.5 million as of the end of the first quarter of fiscal 2013 and 2012, respectively.

Certain of our leases also provide for landlord contributions to offset a portion of the cost of our leasehold improvements. These allowances are recorded as deferred liabilities and amortized on a straight-line basis as a reduction to rent expense over the term of the related leases. Included in other liabilities in the accompanying consolidated balance sheets for the first quarter of fiscal years 2013 and 2012 are landlord allowances of approximately $0.5 million and $0.6 million, respectively.

Table of Contents

As of April 1, 2013, the Company had outstanding approximately $0.2 million in standby letters of credit, which were provided as security deposits for certain of the lease obligations. The letters of credit are fully secured by cash deposits or marketable securities held in accounts at the issuing banks and are not available for withdrawal by the Company. These amounts are included as a component of “Other Assets” in the accompanying consolidated balance sheets.

Purchase Commitments

We have agreements with some of the nation’ s largest food, paper, and beverage manufacturers in the industry. This enables us to provide our restaurants with high quality proprietary food products and non-food items at competitive prices. We source and negotiate prices directly with these suppliers and distribute these products to our restaurants primarily through a national network that consists of some of the nation’ s largest independent distributors. These primary suppliers and independent distributors have parallel facilities and systems to minimize the risk of any disruption of our supply chain. We do not utilize a commissary system. Our inventory control system allows each restaurant to place orders electronically with our master distributor and then transmits the invoices electronically to our accounts payable system.

We have an agreement with Distribution Market Advantage, Inc. (“Distribution Marketing Advantage”) that provides us access to a national network of independent distributors. Under this agreement the independent distributors supply us with approximately 80% of our food and paper products, primarily under pricing agreements that we negotiate directly with the suppliers. This agreement was renegotiated and has been extended through December 2013.

We have a long-term beverage marketing agreement with the Coca-Cola Company. We received a marketing allowance under this agreement, which is being recognized as a reduction to expense ratably based on actual products purchased. Effective January 1, 2011, the beverage marketing agreement with the Coca-Cola Company was amended to provide for additional products as well as higher marketing allowances based on purchases.

In October 2010, we entered into an agreement to purchase all contracted coffee products through a single supplier, Royal Cup Coffee, Inc. This agreement expires in October 2015.

Self-Insurance

We have a self-insured group health insurance plan. We are responsible for all covered claims to a maximum limit of $100,000 per participant and an additional aggregating maximum limit of $50,000 for the plan year. Benefits paid in excess of these limits are reimbursed to the plan under our stop-loss policy. In addition, we have an aggregate stop-loss policy whereby our liability for total claims submitted cannot exceed a pre-determined dollar factor based upon, among other things, past years’ claims experience, actual claims paid, the number of plan participants and monthly accumulated aggregate deductibles. During fiscal years 2012 and 2011, we did not exceed this pre-determined maximum. For our 2013 plan year, this pre-determined dollar amount is $1.8 million. The balance in the self-insurance reserve account as of April 1, 2013 was approximately $0.1 million.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

We caution that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained or incorporated by reference in this Form 10-K and Annual Report or made by our management involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Any such forward-looking statements are subject to risks and uncertainties, including, without limitation, those described in Item 1A of this Report. If any of these risks or uncertainties actually occurs, our business, financial condition or operating results could be materially and adversely affected, and the trading price of our common stock could decline. We do not undertake to publicly update or revise our forward-looking statements even if our future changes make it clear that any projected results expressed or implied therein will not be realized.

Listed below are just some of the factors that would impact our forward looking statements:

- the cost of our principal food products and supply and delivery shortages or interruptions;
- labor shortages or increased labor costs;
- changes in demographic trends and consumer tastes and preferences, including changes resulting from concerns over nutritional or safety aspects of beef, poultry, produce or other foods or the effects of food-borne illnesses, such as E.coli, “mad cow disease” and avian influenza or “bird flu;”
- competition in our markets, both in our existing business and locating suitable restaurant sites;
- our operation and execution in new and existing markets;
- expansion into new markets, including foreign countries;
- our ability to attract and retain qualified franchisees and our frachisees’ ability to open restaurants on a timely basis;
- our ability to locate suitable restaurant sites in new and existing markets and negotiate acceptable lease terms;
- the rate of our internal growth, and our ability to generate increased revenue from our new and existing restaurants;
- our ability to generate positive cash flow from existing and new restaurants;
- fluctuations in our quarterly results due to seasonality;
- increased government regulation and our ability to secure required governmental approvals and permits;
- our ability to create customer awareness of our restaurants in new markets;
- the reliability of our customer and market studies;
- cost effective and timely planning, design and build-out of new restaurants;
- our ability to recruit, train and retain qualified corporate and restaurant personnel and management;
- market saturation due to new restaurant openings;
- inadequate protection of our intellectual property;
- our ability to obtain additional capital and financing;

- adverse weather conditions, which impact customer traffic at our restaurants; and

- adverse economic conditions.

The words "believe," "may," "will," "should," "anticipate," "estimate," "expect," "intend," "objective," "seek," "plan," "strive," "project" or similar words, or the negatives of these words, identify forward-looking statements. We qualify any forward-looking statements entirely by these cautionary factors.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Our market risk exposures are related to our cash and cash equivalents and interest that we may pay on debt. We have no derivative financial commodity instruments. We invest our excess cash in investment grade, highly liquid, short-term investments. These investments are not held for trading or other speculative purposes. Changes in interest rates affect the investment income we earn on our investments and, therefore, impact our cash flows and results of operations. During the first quarter of fiscal 2013, we held no short-term investments and, as a result, a hypothetical one percentage point interest change from those in effect would not have resulted in a fluctuation of interest income. In the first quarters of fiscal 2013 and 2012, interest income was immaterial.

Commodity Risk

We are exposed to commodity price risks. Many of the ingredients we use to prepare our food, as well as our packaging materials, are commodities or ingredients that are affected by the price of other commodities, exchange rates, foreign demand, weather, seasonality, production, availability, and other factors outside our control. Some of these commodities are purchased under agreements in effect for periods ranging from one month to one year, usually at fixed prices. As a result, we are subject to commodity risk that current market prices may be below our contractual prices. We also purchase certain ingredients at spot prices, as well as prices that are based on specific formulas related to key components within the commodity category, which could adversely affect our operating result in periods of rising commodity or ingredient prices if we choose, for competitive or other reasons, not to increase menu prices at the same rate at which ingredient costs increase, or if menu price increases result in customer resistance. During the first quarters of fiscal 2013 and 2012, we did not utilize derivative instruments in managing commodity risk.

Foreign Currency Risk

As of first quarter of fiscal 2013, all of our transactions are conducted, and our accounts denominated, in U.S. dollars. Accordingly, we are not exposed to foreign currency risk.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our "disclosure controls and procedures" as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the fiscal year covered by this report. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective (i) to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC' s rules and forms and (ii) to ensure that information required to be disclosed by us in the reports that we submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the first fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Part II. OTHER INFORMATION

Item 1: LEGAL PROCEEDINGS

From time to time, we are a defendant in litigation arising in the ordinary course of our business. As of the date of this report, there are no legal proceedings pending which, at this time, are expected to have a material adverse effect if decided against the Company.

Item 1A: RISK FACTORS

In addition to the other information set forth in this report, the factors discussed in “Part I. Item 1A. Risk Factors” in our Annual Report on Form 10-K for our 2011 fiscal year could materially affect the Company’ s business, financial condition or operating results. There have been no material changes in our risk factors since our Annual Report on Form 10-K for the year ended January 2, 2012.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 6: EXHIBITS

(a) **Exhibits**:

Exhibit Number	Description
Exhibit 31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheet as of April 1, 2013 and December 31, 2012, (ii) Consolidated Statements of Operations and Comprehensive Loss for the three months ended April 1, 2013 and April 2, 2012, (iii) Consolidated Statements of Cash Flows for the three months ended April 1, 2013 and April 2, 2012, and (iv) Notes to Consolidated Financial Statements. In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be “furnished” and not “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

COSI, INC.

Date: May 16, 2013	By: /s/ CARIN L. STUTZ Carin L. Stutz President, Chief Executive Officer, and Director
Date: May 16, 2013	By: /s/ WILLIAM KOZIEL William Koziel Chief Financial Officer (chief accounting officer) Treasurer and Secretary

Table of Contents

EXHIBIT INDEX

Exhibit 31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Carin L. Stutz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cosi, Inc;

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

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

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: May 16, 2013

/s/ CARIN L. STUTZ

Carin L. Stutz
President, Chief Executive Officer, and Director

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, William Koziel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cosi, Inc;

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

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

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: May 16, 2013

/s/ WILLIAM KOZIEL
William Koziel
Chief Financial Officer (chief accounting officer)
Treasurer and Secretary

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION.1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cosi, Inc. (the "Company") on Form 10-Q for the three-month period ended April 1, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carin L. Stutz, Chief Executive Officer, President and Director of the Company, and I, William Koziel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 16, 2013	/s/ CARIN L. STUTZ
	Carin L. Stutz President, Chief Executive Officer, and Director
Date: May 16, 2013	/s/ WILLIAM KOZIEL
	William Koziel Chief Financial Officer (chief accounting officer) Treasurer and Secretary

A signed original of this written statement required by Section 906 has been provided to Cosi, Inc. and will be retained by Cosi, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Earnings Per Share	3 Months Ended Apr. 01, 2013
Earnings Per Share	
Earnings Per Share	**Note 3 — Earnings Per Share** Basic and diluted loss per common share is calculated by dividing the net loss by the weighted average common shares outstanding during the period. As of April 1, 2013, there were, 282,075 unvested restricted shares of common stock and 25,000 in-the-money and 38,196 out-of-the-money stock options outstanding. As of April 2, 2012, there were 301,987 unvested restricted shares of common stock and 40,427 out-of-the-money stock options outstanding. There were no in-the-money stock options at the end of first quarter of fiscal 2012. The unvested restricted shares and the outstanding stock options meet the requirements for participating securities but were not included in the computation of basic and diluted earnings per share because we incurred a net loss in all periods presented and, hence, the impact would be anti-dilutive.

Stock-Based Compensation Expense	3 Months Ended Apr. 01, 2013
Stock-Based Compensation Expense	
Stock-Based Compensation Expense	**Note 2 — Stock-Based Compensation Expense**

A summary of non-cash, stock-based compensation expense is as follows:

	For the Three Months Ended (in thousands)	
	April 1, 2013	April 2, 2012
Restricted stock compensation expense, net of forfeitures	98	106
Stock option compensation expense	6	—
Total non-cash, stock-based compensation expense, net of forfeitures	$ 104	$ 106

As of April 1, 2013, the unrecognized compensation expense related to stock options and restricted shares of stock granted under the Cosi, Inc. 2005 Omnibus Long-Term Incentive Plan (the "2005 Plan") was approximately $0.7 million and will be recognized on a straight-line basis over the remaining vesting period through fiscal 2017.

Pursuant to the 2005 Plan and in accordance with the terms and conditions prescribed by the Compensation Committee of our Board of Directors, we granted and issued 30,000 shares of restricted stock and 25,000 options to purchase common stock to key employees during the first quarter of fiscal 2013. The vesting of 5,000 of these shares and all options occurs as follows: (i) 20% of the grant vested on the grant date, and (ii) an additional 20% vests on each anniversary of the grant date, provided that at each such date the employee continues to be employed by the Company. The remaining 25,000 shares of restricted stock vest at a rate of 6,250 at the end of every calendar quarter in 2013. The value of the shares and the options for the grants made during the quarter, based on the closing price of our common stock on the date of the grants, was approximately $0.2 million. We did not grant any shares of restricted stock or options to purchase common stock to employees during the first quarter of fiscal 2012.

Stock-based compensation expense, net of forfeitures, relating to grants for restricted share of stock and options to purchase common stock of approximately $0.1 million is included in the accompanying consolidated statements of operations for each of the quarters ended April 1, 2013 and April 2, 2012.

During the first quarter of fiscal 2013 and 2012, 4,725 and 50 shares, respectively, of previously issued restricted common stock were forfeited. The value of the forfeited shares, based on the closing price of our common stock on the date of the grants, was immaterial. The amount of the reversal of the previously amortized costs related to the forfeited shares reflected in the accompanying consolidated statements of operations for the three-month periods ended April 1, 2013 and April 2, 2012 was also immaterial.

Consolidated Balance Sheets (USD $) In Thousands, unless otherwise specified	Apr. 01, 2013	Dec. 31, 2012
Current assets:		
Cash and cash equivalents	$ 12,136	$ 15,417
Accounts receivable, net	1,002	1,235
Notes receivable, current portion	606	462
Inventories	861	893
Prepaid expenses and other current assets	1,247	1,620
Total current assets	15,852	19,627
Furniture and fixtures, equipment and leasehold improvements, net	9,078	9,900
Notes receivable, net of current portion	421	573
Other assets	1,088	1,093
Total assets	26,439	31,193
Current liabilities:		
Accounts payable	2,721	2,886
Accrued expenses	7,597	9,447
Deferred franchise revenue	61	61
Current portion of other long-term liabilities	142	140
Total current liabilities	10,521	12,534
Deferred franchise revenue	1,923	1,923
Other long-term liabilities, net of current portion	2,597	2,701
Total liabilities	15,041	17,158
Commitments and contingencies		
Stockholders' equity:		
Common stock - $.01 par value; 25,000,000 shares authorized, 18,303,467 and 18,278,192 shares issued, respectively	183	183
Additional paid-in capital	297,155	297,051
Treasury stock, 59,886 shares at cost	(1,198)	(1,198)
Accumulated deficit	(284,742)	(282,001)
Total stockholders' equity	11,398	14,035
Total liabilities and stockholders' equity	$ 26,439	$ 31,193

Consolidated Statements of Cash Flows (USD $) In Thousands, unless otherwise specified	3 Months Ended	
	Apr. 01, 2013	Apr. 02, 2012
Cash flows from operating activities:		
Net loss	$ (2,741)	$ (1,128)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	748	994
Non-cash portion of asset impairments and disposals	339	
Provision for bad debts	14	14
Stock-based compensation expense	104	106
Changes in operating assets and liabilities:		
Accounts receivable	219	(46)
Notes receivable	8	89
Inventories	32	(16)
Prepaid expenses and other current assets	373	129
Other assets	6	10
Accounts payable and accrued expenses	(2,018)	(2,205)
Deferred franchise revenue		75
Lease termination reserve	4	(28)
Other long-term liabilities	(104)	(156)
Net cash used in operating activities	(3,016)	(2,162)
Cash flows from investing activities:		
Capital expenditures	(265)	(247)
Net cash used in investing activities	(265)	(247)
Net decrease in cash and cash equivalents	(3,281)	(2,409)
Cash and cash equivalents, beginning of period	15,417	7,222
Cash and cash equivalents, end of period	12,136	4,813
Cash paid for:		
Corporate franchise and income taxes	$ 32	$ 5

Reverse Common Stock Split (Details) (USD $)	0 Months Ended		
	May 08, 2013	Apr. 01, 2013	Dec. 31, 2012
Reverse Common Stock Split			
Reverse stock spilt ratio	$ 4		
Common stock, par value (in dollars per share)	$ 0.01	$ 0.01	$ 0.01

Basis of Presentation	3 Months Ended Apr. 01, 2013
Basis of Presentation	
Basis of Presentation	**Note 1 - Basis of Presentation** We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with the requirements of Form 10-Q and, therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). In our opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results of operations for the periods shown. All such adjustments are of a normal recurring nature. In preparing financial statements in conformity with U.S. GAAP, we must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates. As used in this quarterly report on Form 10-Q, unless the context requires otherwise, the terms “we,” “our,” “Company” or “Cosi” refer to Cosi, Inc. and its consolidated subsidiaries. The balance sheet at December 31, 2012 has been derived from audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The results for the three-month periods ended April 1, 2013 and April 2, 2012 are not indicative of the results for the full fiscal year. Certain amounts in the December 31, 2012 consolidated balance sheet and the consolidated statement of stockholder’s equity, as well as the April 2, 2012 consolidated statement of operations have been reclassified to conform to the April 1, 2013 presentation as a result of the reverse stock split that the Company filed on May 8, 2013 (see Note 8). This Report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, as filed with the Securities and Exchange Commission (“SEC”). There have been no material changes to our significant accounting policies and estimates from the information provided in Note 1 of our consolidated financial statements included in our Form 10-K for the fiscal year ended December 31, 2012.

Consolidated Balance Sheets (Parenthetical) (USD $)	Apr. 01, 2013	Dec. 31, 2012
Consolidated Balance Sheets		
Common stock, par value (in dollars per share)	$ 0.01	$ 0.01
Common stock, shares authorized	25,000,000	25,000,000
Common stock, shares issued	18,303,467	18,278,192
Treasury stock, shares	59,886	59,886

Stock-Based Compensation Expense (Details 2) (USD $) In Millions, unless otherwise specified	Apr. 01, 2013
Stock options	
Stock-based compensation expense	
Total unrecognized compensation expense under the plan	$ 0.7
Restricted stock shares	
Stock-based compensation expense	
Total unrecognized compensation expense under the plan	$ 0.7

Document and Entity Information	3 Months Ended Apr. 01, 2013	May 10, 2013
Document and Entity Information		
Entity Registrant Name	COSI INC	
Entity Central Index Key	0001171014	
Document Type	10-Q	
Document Period End Date	Apr. 01, 2013	
Amendment Flag	false	
Current Fiscal Year End Date	--12-30	
Entity Current Reporting Status	Yes	
Entity Filer Category	Smaller Reporting Company	
Entity Common Stock, Shares Outstanding		18,303,467
Document Fiscal Year Focus	2013	
Document Fiscal Period Focus	Q1	

Stock-Based Compensation Expense (Details 3) (USD $) In Millions, except Share data, unless otherwise specified	3 Months Ended	
	Apr. 01, 2013	Apr. 02, 2012
Restricted stock shares		
Stock-based employee compensation		
Forfeitures (in shares)	4,725	50
Restricted stock shares | Key employees		
Stock-based employee compensation		
Granted and issued (in shares)	30,000	
Number of shares vested on percentage based vesting	5,000	
Vesting percentage on grant date	20.00%	
Additional vesting percentage on each anniversary of the grant date	20.00%	
Number of remaining shares that will vest on quarterly basis	25,000	
Number of shares that will vest on every calendar quarter	6,250	
Value of the shares and options for the grants made during the period	0.1	
Stock option | Key employees		
Stock-based employee compensation		
Granted and issued (in shares)	25,000	
Vesting percentage on grant date	20.00%	
Additional vesting percentage on each anniversary of the grant date	20.00%	
Value of the shares and options for the grants made during the period	0.2	

Consolidated Statements of Operations and Comprehensive Loss (USD $) In Thousands, except Share data, unless otherwise specified	3 Months Ended	
	Apr. 01, 2013	Apr. 02, 2012
Revenues:		
Restaurant net sales	$ 20,854	$ 23,921
Franchise fees and royalties	707	752
Total revenues	21,561	24,673
Costs and expenses:		
Cost of food and beverage	5,202	5,566
Restaurant labor and related benefits	8,110	8,815
Occupancy and other restaurant operating expenses	7,146	7,686
Total operating costs and expenses	20,458	22,067
General and administrative expenses	2,757	2,779
Provision for losses on asset impairments and disposals	339	
Depreciation and amortization	748	994
Closed store costs	17	
Lease termination expense (income)	4	(28)
Total costs and expenses	24,323	25,812
Operating loss	(2,762)	(1,139)
Other income	21	11
Net loss and comprehensive loss	$ (2,741)	$ (1,128)
Per Share Data:		
Loss per share, basic and diluted (in dollars per share)	$ (0.15)	$ (0.09)
Weighted average shares outstanding: (in shares)	17,949,772	12,864,211

Contingencies	3 Months Ended Apr. 01, 2013
Contingencies	
Contingencies	**Note 6 - Contingencies** From time to time, we are a defendant in litigation arising in the ordinary course of our business. As of the date of this report, there are no legal proceedings that would require accrual or disclosure under ASC 450.

Lease Termination Costs	3 Months Ended Apr. 01, 2013
Lease Termination Costs	
Lease Termination Costs	**Note 5 - Lease Termination Costs** Future store closings, if any, resulting from our decision to close underperforming locations prior to their scheduled lease expiration dates may result in additional lease termination charges. For all exit activities, we estimate our likely liability under contractual leases for restaurants that have been closed. Such estimates have affected the amount and timing of charges to operating results and are impacted by management’s judgments about the time it may take to find a suitable subtenant or assignee, or the terms under which a termination of the lease agreement may be negotiated with the landlord. We recognize costs associated with exit or disposal activities when they are incurred, rather than at the date of a commitment to an exit or disposal plan. The lease termination reserve adjustment that we recorded during the first quarters of fiscal years 2013 and 2012 were immaterial.

Earnings Per Share (Details)	3 Months Ended	
	Apr. 01, 2013	Apr. 02, 2012
Unvested restricted shares		
Anti-dilutive securities		
Anti-dilutive securities not included in the computation of basic and diluted earnings per share	282,075	301,987
In-the-money stock options		
Anti-dilutive securities		
Anti-dilutive securities not included in the computation of basic and diluted earnings per share	25,000	0
Out-of-the-money stock options		
Anti-dilutive securities		
Anti-dilutive securities not included in the computation of basic and diluted earnings per share	38,196	40,427

Stock-Based Compensation Expense (Tables)	3 Months Ended Apr. 01, 2013

Stock-Based Compensation Expense

Summary of non-cash, stock-based compensation expense

	For the Three Months Ended (in thousands)			
	April 1, 2013		April 2, 2012	
Restricted stock compensation expense, net of forfeitures		98		106
Stock option compensation expense		6		—
Total non-cash, stock-based compensation expense, net of forfeitures	$	104	$	106

Income Taxes	3 Months Ended Apr. 01, 2013
Income Taxes	
Income Taxes	**Note 7 — Income Taxes** We have recorded a full valuation allowance to reduce our deferred tax assets related primarily to net operating loss carryforwards. Our determination of the valuation allowance is based on an evaluation of whether it is more likely than not that we will be able to utilize the net operating loss carryforwards, based on the Company's operating results. A positive adjustment to income will be recorded in future years if we determine that we could realize these deferred tax assets. As of December 31, 2012, we had net operating loss ("NOL") carryforwards of approximately $212.9 million for U.S. federal income tax purposes. Under the Internal Revenue Code, an "ownership change" with respect to a corporation can significantly limit the amount of pre-ownership change NOLs and certain other tax assets that the corporation may utilize after the ownership change to offset future taxable income, possibly reducing the amount of cash available to the corporation to satisfy its obligations. An ownership change generally would occur if the aggregate stock ownership of holders of at least 5% of our stock increases by more than 50 percentage points over the preceding three year period. We do not believe that the rights offering and the related private placement of common stock that we completed in fiscal 2010 have triggered an ownership change. The purchase of shares of our common stock pursuant to the rights offering and private placement of common stock that we completed during the third quarter of fiscal 2012 may trigger an ownership change with respect to our common stock. In addition, a limitation would not have an impact on our consolidated financial statements as we have recorded a valuation allowance for the entire amount of our deferred tax assets. We adopted ASC 740-10, Income Taxes, which prescribes a comprehensive financial statement model of how a company should recognize, measure, present and disclose uncertain tax positions that the company has taken or expects to take in its income tax returns. The standard requires that only income tax benefits that meet the "more likely than not" recognition threshold be recognized or continue to be recognized on the effective date. Initial recognition amounts would have been reported as a cumulative effect of a change in accounting principle. Should the Company need to accrue interest or penalties on uncertain tax positions, it would recognize the interest as interest expense and the penalties as a general and administrative expense. Due to our unexpired NOLs, Cosi could be subject to IRS income tax examination for the tax year 1996 and all subsequent years. We could also be subject to state income tax examinations in certain states where we have unexpired NOLs.

Reverse Common Stock Split	3 Months Ended Apr. 01, 2013
Reverse Common Stock Split	
Reverse Common Stock Split	**Note 8 — Reverse Common Stock Split** On May 8, 2013, the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation to implement a one-for-four reverse split of its common stock, par value $0.01 per share, as approved by the Company's stockholders at the Annual Meeting of Stockholders on May 8, 2013. The reverse split was effective as of 8:00 a.m. (Eastern Time) on May 9, 2013, and the Company's common stock began trading on the NASDAQ Global Market on a post-split basis on May 9, 2013.

Stock-Based Compensation Expense (Details) (USD $) In Thousands, unless otherwise specified	3 Months Ended	
	Apr. 01, 2013	Apr. 02, 2012
Stock-based compensation expense		
Total non-cash, stock-based compensation expense, net of forfeitures	$ 104	$ 106
Restricted stock and restricted stock units		
Stock-based compensation expense		
Total non-cash, stock-based compensation expense, net of forfeitures	98	106
Stock option		
Stock-based compensation expense		
Total non-cash, stock-based compensation expense, net of forfeitures	$ 6	

Income Taxes (Details) (USD $) In Millions, unless otherwise specified	3 Months Ended Apr. 01, 2013	Dec. 31, 2012
Income Taxes		
Net operating loss carryforwards for U.S. federal income tax purposes		$ 212.9
Minimum percentage of stock ownership required to effect ownership change	5.00%	
Minimum percentage points by which aggregate stock ownership of holders of at least 5% of stock must increase to effect ownership change	50.00%	
Period over which aggregate stock ownership of holders of at least 5% of stock must increase to effect ownership change	3 years	

Consolidated Statement of Stockholders' Equity (USD $) In Thousands, except Share data, unless otherwise specified	Total	Common Stock	Additional Paid In Capital	Treasury Stock	Accumulated Deficit
Balance at Dec. 31, 2012	$ 14,035	$ 183	$ 297,051	$ (1,198)	$ (282,001)
Balance (in shares) at Dec. 31, 2012		18,278,192		59,886	
Increase (Decrease) in Stockholders' Equity					
Issuance of restricted stock net of forfeitures (in shares)		25,275			
Stock-based compensation	104		104		
Net loss	(2,741)				(2,741)
Balance at Apr. 01, 2013	$ 11,398	$ 183	$ 297,155	$ (1,198)	$ (284,742)
Balance (in shares) at Apr. 01, 2013		18,303,467		59,886	

Asset Impairments	3 Months Ended Apr. 01, 2013
Asset Impairments	
Asset Impairments	**Note 4 — Asset Impairments** In accordance with FASB Accounting Standards Codification Topic 360 (ASC Topic 360), *Property, Plant & Equipment,* we evaluate possible impairments at the individual restaurant level periodically and record an impairment loss whenever we determine impairment factors are present. We consider a history of poor financial operating performance to be the primary indicator of potential impairment for individual restaurant locations. We determine whether a restaurant location is impaired based on expected undiscounted cash flows, generally for the remainder of the lease term, and then determine the impairment charge based on discounted cash flows for the same period. Restaurants are not considered for impairment during the period before they enter the comparable restaurant base, unless specific circumstances warrant otherwise. We recorded an asset impairment charge of approximately $0.3 million during the first quarter of fiscal 2013 relating to three underperforming restaurants. We did not record any asset impairment charges during the first quarter of fiscal 2012.

Asset Impairments (Details) (USD $) In Millions, unless otherwise specified	3 Months Ended
	Apr. 01, 2013 item
Asset Impairments	
Asset impairment charges	$ 0.3
Number of underperforming restaurants	3