City of
ROCHESTER HILLS
1000 Rochester Hills Drive, Rochester Hills, Michigan 48309-3033

APPLICATION FOR LICENSE
TO SELL BEER AND WINE OR SPIRITS
FOR CONSUMPTION ON PREMISES

CHAPTER 6

DATE: July 7, 2004 ____ New Class C License

PHONE: (248) 540-7400 ____ Transfer of Class C License

____ Entertainment Permit

I(We) Kelly A. Allen, on behalf of Cosi, Inc. (Transfer private to public)
(Give Name of Individual or in Partnership or Corporation persons entitled to share in the profits thereof)

(If Corporation, the objects for which organized, the names and addresses of its officers and directors, names and addresses of its stockholders and name of the manager or agent who will be conducting the business on behalf of the applicant, if such is the case. If partnership, the same information for the partnership of each partner).

Cosi, Inc., a Delaware corporation was incorporated in 1998 for the purpose of owning and operating restaurants. The company achieved public status on November 22, 2003.

Give name, date of birth and age of individual or, in the case of a partnership or corporation, name, date of birth and age of each person named above.

See SEC (Form 10-Q) filing attached hereto at Page 11.

Provide statement of any other business in which applicant(s) is engaged:

None

Provide location and description of the premises or place of business which is to be operated under such license.

84 N. Adams, Rochester Hills, Michigan (Village of Rochester Hills)

Has applicant or any person identified above ever made application for a license to sell beer and wine or spirits other than described in this application and if so, the year in which said application was made, the location of the business and disposition of the application?

Cosi, Inc., has Michigan locations in Ann Arbor, East Lansing, Farmington Hills, and Rochester Hills. Cosi, Inc., has over 60 locations in the United States.

Has applicant or any of those persons listed above ever been convicted of a violation of any federal or state law concerning the manufacture, possession or sale of alcoholic beverages, or has ever had a license revoked by the Michigan Liquor Control Commission?

Not applicable

Name and address of the fee owner of the premises if applicant(s) is not the owner and the nature and term of the applicant's right to occupy the premises.

Meadowbrook Associates

Provide statement of the nature of other activities to be carried on at the premises, including but not limited to food sales, hotel/motel operations, recreational activities, contests involving patrons, entertainment of any nature.

Food & beverage sales, only.

Will any remodelling or new construction on the premises intended for the use of the license occur? If so, give description, when work will be started and completed.

No.

Attach financial statement of applicant(s). **(See SEC filing attached hereto)**

Attach building and/or site plans as provided in Section 6-35 (12)

Fee: ____________________

I (We) **Kelly A. Allen on behalf of Cosi, Inc.**

affirm I (We) will not violate any of the laws of the State of Michigan or of the United States or any ordinances of the City of Rochester Hills in the conduct of my (our) business, and acknowledge receipt of a copy of Chapter 6.

Signature Kelly A. Allen	July 7, 2004 Date
Signature	Date
Signature	Date
Signature	Date

Form 10-Q

COSI INC - COSI

Filed: May 12, 2004 (period: March 29, 2004)

Quarterly report which provides a continuing view of a company's financial position

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

(Mark one)

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

For the quarterly period ended March 29, 2004

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

For the transition period from to

Commission file number 000-50052

Cosi, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	06-1393745 (I.R.S. Employer Identification No.)
242 West 36th St, New York, NY (Address of principal executive offices)	10018 (Zip code)

(212) 653-1600
(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 [x] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12b-2 of the Exchange Act) Yes [ ]No [x]

As of May 7, 2004, 30,514,954 shares of the registrant's Common Stock, $.01 par value, were outstanding.

COSI, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

COSI, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands, except share information)

	MARCH 29, 2004	DECEMBER 29, 2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,151.7	$ 7,957.0
Accounts receivable, net of allowances of $294.5 and $393.1, respectively	506.3	608.4
Inventory	933.2	982.9
Prepaid expenses and other current assets	1,507.4	1,436.0
Total current assets	6,098.6	10,984.4
PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net	32,019.5	33,574.0
INTANGIBLES, SECURITY DEPOSITS AND OTHER ASSETS, net	1,914.7	1,943.9
Total assets	$ 40,032.8	$ 46,502.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 4,675.7	$ 6,933.6
Accrued liabilities	6,562.7	7,158.4
Current portion of other liabilities	489.1	484.5
Current portion of capital lease obligations	2.2	2.9
Current portion of long-term debt	151.2	160.7
Total current liabilities	11,880.9	14,740.0
OTHER LIABILITIES, net of current portion	5,411.2	6,525.5
LONG-TERM DEBT, net of current portion	240.1	227.6
Total liabilities	$ 17,532.2	$ 21,493.1
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock -- $.01 par value: 100,000,000 shares authorized, 26,964,954 and 26,259,109 shares issued and outstanding, respectively	269.6	262.6
Additional paid-in capital	206,613.9	203,075.4
Deferred stock compensation	(1,436.5)	(1,835.8)
Notes receivable from stockholders	(2,724.8)	(2,724.8)
Accumulated deficit	(180,221.6)	(173,768.2)
Total stockholders' equity	22,500.6	25,009.2
Total liabilities, and stockholders' equity	$ 40,032.8	$ 46,502.4

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

COSI, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share amounts)

	THREE MONTHS ENDED	
	MARCH 29, 2004	MARCH 31, 2003
NET SALES	$ 24,917.2	$ 25,654.4
COST OF SALES:		
Cost of goods sold	6,495.6	7,316.5
Restaurant operating expenses	16,112.8	16,801.2
TOTAL COST OF SALES	22,608.4	24,117.7
GENERAL AND ADMINISTRATIVE EXPENSE	4,263.5	7,925.2
STOCK COMPENSATION EXPENSES (1)	2,981.1	--
DEPRECIATION AND AMORTIZATION	1,701.3	1,958.6
RESTAURANT PRE-OPENING EXPENSES	59.4	349.1
PROVISION FOR LOSSES ON ASSET IMPAIRMENTS AND DISPOSALS	474.4	2,568.0
LEASE TERMINATION COSTS	(702.3)	257.1
Operating loss	(6,468.6)	(11,521.3)
INTEREST INCOME	14.7	25.2
INTEREST EXPENSE	(3.1)	(47.0)
OTHER INCOME (EXPENSE)	3.6	(25.0)
NET LOSS	$ (6,453.4)	$ (11,568.1)
PER SHARE DATA:		
Net Loss Per Share:		
Basic and diluted	$ (0.24)	$ (0.70)
Weighted Average Common Shares Outstanding: (in thousands)	26,949.2	16,573.8

(1) Allocation of stock compensation expenses:

	THREE MONTHS ENDED	
	MARCH 29, 2004	MARCH 31, 2003
RESTAURANT OPERATING EXPENSES	$ 334.1	$ --
GENERAL AND ADMINISTRATIVE EXPENSES	2,647.0	--
STOCK COMPENSATION EXPENSE	$ 2,981.1	$ --

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

COSI, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	THREE MONTHS ENDED MARCH 29, 2004	THREE MONTHS ENDED MARCH 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(6,453.4)	$(11,568.1)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,701.3	1,958.6
Amortization of deferred financing costs	--	25.0
Non-cash portion of asset impairments and disposals	360.5	2,051.9
(Recovery) Provision for bad debts	66.8	9.0
Stock compensation expense	2,981.1	--
Non-cash employee severance cost	--	43.1
Changes in operating assets and liabilities:		
Accounts receivable	169.0	21.0
Inventory	49.6	26.8
Other assets	29.4	(245.8)
Accounts payable	(2,257.9)	(2,535.3)
Accrued liabilities	(911.5)	3,692.1
Accrued contractual lease increases	113.5	123.4
Prepaid expenses and other current assets	(71.3)	279.7
Lease termination accrual	(895.0)	0.2
Net cash used in operating activities	(5,251.5)	(6,118.4)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, equipment and leasehold improvements	(507.3)	(3,172.4)
Return of security deposits	--	109.2
Net cash used in investing activities	(507.3)	(3,063.2)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	963.7	--
Principal payments on capital lease obligations	(0.7)	(55.4)
Principal payments on long-term debt	(9.5)	(184.4)
Net cash provided by (used in) financing activities	953.5	(239.8)
Net increase (decrease) in cash	(4,805.3)	(9,421.4)
CASH AND CASH EQUIVALENTS, beginning of year	7,957.0	13,032.3
CASH AND CASH EQUIVALENTS, end of period	$ 3,151.7	$ 3,610.9
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 14.5	$ 47.0
Corporate franchise and income taxes	128.1	40.8

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

COSI, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For Three Months Ended March 29, 2004
(unaudited)
(in thousands, except share information)

	Common Stock						
	Number of Shares	Amount	Additional Paid In Capital	Deferred Compensation	Notes Receivable from Stockholders	Accumulated Deficit	Total
BALANCE, December 29, 2003	26,259,109	$ 262.6	$203,075.4	$ (1,835.8)	$ (2,724.8)	$(173,768.2)	$ 25,009.2
Stock Compensation	--	--	2,581.8	399.3	--	--	2,981.1
Exercise of Warrants	1,083	--	--	--	--	--	--
Issuance of Common Stock	704,762	7.0	956.7	--	--	--	963.7
Net Loss	--	--	--	--	--	(6,453.4)	(6,453.4)
BALANCE, March 29, 2004	26,964,954	$ 269.6	$206,613.9	$ (1,436.5)	$ (2,724.8)	$(180,221.6)	$ 22,500.6

Notes to Consolidated Financial Statements (unaudited)

March 29, 2004

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Cosi, Inc. and its subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information, and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly they do not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the thirteen-week period ended March 29, 2004 are not necessarily indicative of the results that may be expected for the fiscal year ending January 3, 2005.

The balance sheet at December 29, 2003 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 29, 2003.

NOTE B -- STOCK-BASED COMPENSATION

The Company complies with the disclosure only provisions of SFAS No. 123, "Accounting for Stock Based Compensation". This statement establishes financial accounting and reporting standards for stock-based employee compensation plans. The provisions of SFAS 123 encourage entities to adopt a fair value based method of accounting for stock compensation plans; however, these provisions also permit the Company to continue to measure compensation costs under pre-existing accounting pronouncements. Pursuant to SFAS 123, the Company has elected to continue the accounting set forth in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and to provide the necessary pro forma disclosures.

The following table illustrates the effect on net loss attributable to common stock and net loss per common share as if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation.

(IN 000'S, EXCEPT PER SHARE DATA)	THREE MONTHS ENDED MARCH 29, 2004	THREE MONTHS ENDED MARCH 31, 2003
Net loss attributable to common stock - as reported	$ (6,453.4)	$(11,568.1)
Stock based compensation included in the determination of net loss, as reported	2,581.8	43.1
Stock based compensation determined under SFAS 123	(527.3)	(450.7)
Net loss attributable to common stock - Pro forma	$ (4,398.9)	$(11,975.7)
Net loss per common share -- Basic and Diluted:		
As reported	$ (0.24)	$ (0.70)
Pro forma	$ (0.16)	$ (0.72)

Pursuant to a stock option repricing approved by shareholders, on December 29, 2003, 1,246,164 options with exercise prices ranging from $2.37 to $12.25 were repriced at $2.26 per share. In accordance with ABP 25, the Company has recorded an expense in the amount of approximately $2.6 million resulting from repriced options as of March 29, 2004. This expense is the result of an increase in the Company's stock price from $2.26, as of the date of the repricing, to a stock price of $5.87, as of the close of business on March 29, 2004. The Company may be required to record additional charges in the future, which may be material, depending upon the movement of the Company's stock price.

NOTE C -- PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements consist of the following:

(IN 000'S)	MARCH 29, 2004	DECEMBER 29, 2003
Leasehold improvements	$33,064.8	$32,978.8
Furniture and fixtures	9,201.1	9,139.6
Restaurant equipment	13,048.8	13,172.9
Computer and telephone equipment	8,061.3	7,862.5
Construction in progress	50.7	126.1
	63,426.7	63,279.9
Less: accumulated depreciation and amortization	(31,407.2)	(29,705.8)
	$32,019.5	$33,574.0

RESTAURANT IMPAIRMENT CHARGES

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets." SFAS 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be disposed of", and APB Opinion No. 30, "Reporting Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS 144 retains the fundamental provisions of SFAS 121 for recognition and measurement of impairment, but amends the accounting and reporting standards for segments of a business to be disposed of. In accordance with SFAS 144 and previously under SFAS 121, impairment losses are recorded on long-lived assets on a restaurant by restaurant basis whenever impairment factors are determined to be present.
The Company considers a history of restaurant operating losses to be the primary indicator of potential impairment for individual restaurant locations. The Company determines whether a restaurant location is impaired based on expected undiscounted cash flows, generally for the remainder of the lease term, and then determines the impairment charge based on discounted cash flows for the same period. In the first quarter of 2004, the Company identified one unit that has been impaired and recorded a charge of approximately $0.4 million. In the first quarter of 2003, the Company recorded an asset impairment charge of approximately $0.7 million related to two restaurants. In addition, the company recorded a charge of $0.1 million related to the write-down on the disposal of fixed assets in the first quarter of fiscal 2004. In the first quarter of fiscal 2003, the Company recorded a charge of $0.6 million to reflect the write-down of fixed assets associated with the closure of three underperforming restaurants, and also recorded a write-down of approximately $1.3 million to reflect the write-off of construction in progress on 25 restaurants, which were in the development pipeline, but had been cancelled.

NOTE D -- ACCRUED LIABILITIES

Accrued liabilities consist of the following:

(IN 000'S)	MARCH 29, 2004	DECEMBER 29, 2003
Payroll and related benefits and taxes	$1,429.0	$1,756.2
Professional and legal costs	405.3	407.3
Taxes payable	542.5	816.2
Severance payable - current portion	1,238.6	1,485.4
Other	2,947.3	2,693.3
	$6,562.7	$7,158.4

NOTE E - LONG-TERM DEBT

NOTES PAYABLE

The Company maintains a credit facility in the original amount of $3 million under a Master Loan and Security Agreement dated October 28, 1999 (the "Equipment Loan Credit Facility"). The proceeds are required to be used for the purchases of equipment. Borrowings are secured by the equipment purchased. Each borrowing under the Equipment Loan Credit Facility is payable over 36 months and the interest rate is determined at the time of the borrowing. Warrants to purchase shares of common stock were issued in connection with the Equipment Loan Credit Facility. The warrants entitle the holder to acquire 8,068 shares of the Company's common stock for $14.875 per share. One note with the remaining principal amount of $113,738 was satisfied in full on September 1, 2003 according to the terms of the note. As of March 29, 2004, $91,849 still remains outstanding under the facility.

The Company has an outstanding note payable of approximately $98,000. The note is due March 2007 and requires monthly payments of $3,097, which commenced in May 1998, and accrues interest at a rate of 10% per year.

In 2001, the Company entered into a settlement agreement involving a trademark dispute. Under that agreement, the Company is obligated to make annual payments of $25,000 per year through 2011. The present value of those future payments is included in Notes Payable on the accompanying balance sheets.

NOTE F - EARNINGS PER SHARE

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

(IN 000'S, EXCEPT PER SHARE DATA)	THREE MONTHS ENDED MARCH 29, 2004	THREE MONTHS ENDED MARCH 31, 2003
Basic and Diluted:		
Net loss attributable to common stock	$ (6,453.4)	$(11,568.1)
Weighted average common shares outstanding	26,949.2	16,573.8
Net loss per share	$ (0.24)	$ (0.70)

Basic and diluted loss per common share is calculated by dividing net loss by the weighted average common shares outstanding during the period. In-the-money stock options and warrants to purchase and aggregate of 3,424,263 and 273,842 shares of common stock were outstanding at March 29, 2004 and March 31, 2003, respectively. These stock options and warrants outstanding were not included in the computation of diluted earnings per share because the Company incurred a net loss in all periods presented and hence, the impact would be anti-dilutive.

NOTE G- LEASE TERMINATION CHARGES

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses accounting for restructuring, discontinued operation, plant closing or other exit or disposal activity. SFAS 146 requires companies to 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. SFAS 146 has been applied prospectively to exit or disposal activities initiated after December 31, 2002. In the first quarter of 2004, the Company recognized $0.8 million of lease termination income related to the reversal of certain lease termination accruals deemed no longer required, which was partially offset by charges of $0.1 million resulting in a net reversal of approximately $0.7 million. In addition, payments of $0.1 million were made during the quarter.

The Company announced previously that the Board of Directors had concluded that the Company's financial performance would be strengthened by closing in an orderly fashion as many as thirteen of the Company's restaurants, three of which were closed in the first quarter of fiscal 2003, three of which were closed in the third quarter of fiscal 2003, two of which were closed in the fourth quarter of fiscal 2003 and one of which closed in the first quarter of fiscal 2004. Another store has shown dramatic improvement in sales and has been taken off the disposition list, leaving three stores on the list. Future closings are dependent on the Company's ability to improve operations in those stores and if unsuccessful to negotiate acceptable terms with its landlords to terminate the leases for those units, and on its ability to locate acceptable sub-tenants or assignees for the leases at those locations. Moreover, future closings may result in additional lease termination costs. There can be no assurances that the Company will be successful in negotiating terms that will enable it to close additional underperforming units.

NOTE H - CONTINGENCIES

From time to time, Cosi is a defendant in litigation arising in the ordinary course of our business, including claims resulting from "slip and fall" accidents, claims under federal and state laws governing access to public accommodations, employment related claims and claims from guests alleging illness, injury or other food quality, health or operational concerns. To date, none of such litigation, some of which is covered by insurance, has had a material adverse effect on Cosi's consolidated financial position, results of operations or cash flows.

On February 5, 2003, a purported shareholder class action complaint was filed in the United States District Court for the Southern District of New York (the "Court"), alleging that Cosi and various of our officers and directors and the underwriter of our IPO violated Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, as amended, by misstating, and by failing to disclose, certain financial and other business information (Sheel Mohnot v. Cosi, Inc., et al., No. 03 CV 812). At least eight additional class action complaints with substantially similar allegations were later filed. These actions have been consolidated in In re Cosi, Inc. Securities Litigation (collectively, the "Securities Act Litigation"). On July 7, 2003, lead plaintiffs filed a Consolidated Amended Complaint, alleging on behalf of a purported class of purchasers of Cosi's stock allegedly traceable to the Company's November 22, 2002 IPO, that at the time of the IPO, the Company's offering materials failed to disclose that the funds raised through the IPO would be insufficient to implement Cosi's expansion plan; that it was improbable that the Company would be able to open 53 to 59 new restaurants in 2003; that at the time of the IPO, Cosi had negative working capital and therefore did not have available working capital to repay certain debts; and that the principal purpose for going forward with the IPO was to repay certain existing shareholders and members of the Board of Directors for certain debts and to operate the Company's existing restaurants.

The plaintiffs in the Securities Act Litigation generally seek to recover recessionary damages, expert fees, attorneys' fees, costs of Court and pre and post judgment interest. The underwriter is seeking indemnification from the Company for any damages assessed against it in the Securities Act Litigation. On August 22, 2003, lead plaintiffs filed a Second Consolidated Amended Complaint, which was substantially similar to the Consolidated Amended Complaint. The Securities Act Litigation is at a preliminary stage, and the Company believes that it has meritorious defenses to these claims, and intend to vigorously defend against them.

On September 22, 2003, defendants filed motions to dismiss the Second Consolidated Amended Complaint in the Securities Act Litigation. Plaintiffs filed their opposition to defendants' motions to dismiss on October 23, 2003. Defendants filed reply briefs on November 12, 2003.

Cosi cannot predict what the outcome of these lawsuits will be. It is possible that the Company may be required to pay substantial damages or settlement costs in excess of the Company's insurance coverage, which could have a material adverse effect on Cosi's financial condition or results of operations. Cosi could also incur substantial legal costs, and management's attention and resources could be diverted from the business.

NOTE I - RESTRICTED STOCK

On June 26, 2003, the Company entered into an employment agreement with William D. Forrest. Pursuant to the agreement, Mr. Forrest will serve as Executive Chairman for three years ending on March 31, 2006. In consideration for Mr. Forrest's service as the Company's Executive Chairman, on June 26, 2003, the Company issued to Mr. Forrest 1,156,407 shares of its authorized but unissued common stock, representing 5% of its outstanding common stock on a fully diluted basis (assuming all outstanding options and warrants are exercised). Pursuant to the December 29, 2003 completion of the rights offering, the Company issued an additional 522,064 shares to Mr. Forrest such that Mr. Forrest's ownership of Cosi, on a fully diluted basis, remained at 5%. Mr. Forrest's rights in the shares vest as follows: (i) 25% of the shares vested upon issuance; (ii) 25% of the shares vested on April 1, 2004,; and (iii) on the last day of each month, commencing with April 2004, and ending on March 2006, 2.08% of the shares will vest, and an additional .08% of the shares will vest on March 31, 2006, provided that at the end of each month the agreement is still in effect. All shares not vested will fully vest upon the termination of this agreement by Cosi without cause (as defined in the agreement), or upon a change of control (as defined in the agreement). If Mr. Forrest is terminated by the Company for cause (as defined in the agreement), all unvested shares will be forfeited. Mr. Forrest agreed that, during the term of the agreement and for a period of 12 months thereafter, he will not compete with the Company or solicit its employees. The value of Mr. Forrest's shares, based on the closing price of the Company's common stock on the dates of the grants, was $2,729,439, which was recorded as deferred stock compensation within stockholder's equity. Amortization of deferred stock compensation expense of approximately $399,300 for the quarter ending March 29, 2004 is included in stock compensation expense in the accompanying consolidated statements of operations. The remaining balance is being amortized as stock compensation expense evenly over the remaining life of Mr. Forrest's employment.

NOTE J - RIGHTS OFFERING

On December 29, 2003, the Company consummated a rights offering. Cosi raised an aggregate of approximately $7.5 million in new cash from the sale of common stock in connection with the rights offering and pursuant to an investment agreement among the Company and certain investors that was approved by the Company's stockholders at our 2003 Annual Meeting. The Company issued approximately 3.6 million shares of common stock pursuant to the rights offering. In addition, the Company issued approximately 1.4 million shares of common stock pursuant to the investment agreement and approximately 3.0 million shares of common stock pursuant to the conversion of $4.5 million of senior secured notes held by certain of the parties to the investment agreement in connection with the rights offering. In January 2004, pursuant to the investment agreement, LJCB Nominees Pty, Ltd. purchased an additional 693,963 shares for approximately $1.0 million.

NOTE K - MANAGEMENT

Effective February 9, 2004, Mr. William D. Forrest joined Cosi as its full-time Executive Chairman. In connection with his employment, Mr. Forrest was granted options to purchase 350,000 shares of the Company's common stock at a price of $2.85, the closing market price on February 9, 2004. Mr. Forrest's options vest at a rate of 87,500 shares at the date of the agreement, an additional 87,500 shares on February 9, 2005, and monthly vesting of 7,292 shares from February 2005 to January 2007.

NOTE L - SUBSEQUENT EVENTS

On April 30, 2004, the Company issued 3,550,000 shares of common stock pursuant to a private placement to a limited number of institutional investors at a price of $5.65 per share. This issuance provided the Company with gross proceeds of approximately $20.0 million. The cash proceeds from this private placement will be used for general corporate purposes including, the construction of new Cosi stores within select Federated locations, additional new store construction in 2005, and working capital.

On March 30, 2004, the Company announced a foodservice partnership with Federated Department Stores. In the initial phase of the agreement, Cosi plans to open 10 restaurants this summer and fall at some of the largest Macy's stores, including locations in Seattle, Atlanta, Miami and Memphis.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

We own and operate 88 fast casual restaurants in eleven states and the District of Columbia. Cosi restaurants are all day cafes that feature signature bread and coffee products in an environment we adjust appropriately throughout the day. The majority of our restaurants offer breakfast, lunch, afternoon coffee, dinner and dessert menus.

We operate our restaurants in two formats: Cosi and Cosi Downtown. The majority of our restaurants offer breakfast, lunch and afternoon coffee in a counter service format. Cosi Downtown restaurants, which are located in non residential central business districts, close for the day in the early evening, while Cosi restaurants offer dinner and dessert in a casual dining atmosphere. The atmosphere of Cosi is appropriately managed for each daypart by changing the music and lighting throughout the day. All of our restaurants are designed to be welcoming and comfortable, featuring oversized sofas, chairs and tables, and faux painted walls. The atmosphere of Cosi is appropriately managed for each daypart by changing the music, both style and volume, and lighting throughout the day. The design scheme of our counters and bars, menu boards as well as condiment counters and server stations incorporate warm colors and geometric patterns, intended to create a visual vocabulary that can be easily identified by our customers.

Our restaurants are located in a wide range of markets and trade areas, including business districts and residential communities in both urban and suburban locations. We believe that we have created significant brand equity in our markets and that we have demonstrated the appeal of our concept to a wide variety of customers. In 2003, we announced our intention to incorporate a franchising and area developer model into our business strategy. We expect that restaurants we own will always be an important part of our new restaurant growth, and 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 thus maximize stockholder value.

In 2004, we launched our franchise sales program and are now eligible to offer franchises in 41 states. Alongside the franchising program, we recently designed, built and opened its next generation restaurant in Avon, CT. The new restaurant design constitutes the building block of Cosi's franchising efforts.

Additionally, we announced a foodservice partnership with Federated Department Stores. In the initial phase of the agreement, Cosi plans to open 10 restaurants this summer and fall at some of the largest Macy's stores, including locations in Seattle, Atlanta, Miami and Memphis.

We opened no new restaurants in the three months ended March 29, 2004. 6 new restaurants were opened in the three months ended March 31, 2003. We closed one underperforming restaurant in the first quarter of fiscal 2004 and six underperforming restaurants in the first three months of fiscal 2003. As of May 7, 2004 we operate 88 restaurants.

THREE MONTHS ENDED	MARCH 29, 2004	MARCH 31, 2003
Restaurants open at beginning of period	89	91
Restaurants opened	0	6
Restaurants closed	1	3
Restaurants open at end of period	88	94

RECENT DEVELOPMENTS

On April 30, 2004, we issued 3,550,000 shares of common stock pursuant to a private placement to a limited number of institutional investors at a price of $5.65 per share. This issuance provided the Company with gross proceeds of approximately $20.0 million. The cash proceeds from this private placement will be used for general corporate purposes including, the construction of new Cosi stores within select Federated locations, additional new store construction in 2005, and working capital.

In connection with the private placement, we filed a Current Report on Form 8-K on April 28, 2004, disclosing the transaction and certain other information pursuant to Regulation FD, including certain preliminary operating information for the first fiscal quarter of 2004. In the Current Report, we disclosed that restaurant operating expenses for the fiscal quarter ended March 29, 2004 were expected to be approximately $15.9 million. Restaurant operating expenses for the fiscal quarter ended March 29, 2004 were actually $16.1 million. This difference in restaurant operating expenses is due to the inclusion of certain discretionary bonuses paid to operations personnel that were not included in the calculation of the preliminary numbers.

On March 30, 2004, we announced a foodservice partnership with Federated Department Stores. In the initial phase of the agreement, Cosi plans to open 10 restaurants this summer and fall at some of the largest Macy's stores, including locations in Seattle, Atlanta, Miami and Memphis.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements and the notes to our consolidated financial statements contain information that is pertinent to management's discussion and analysis of financial conditions and results of operations. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities. We believe the following critical accounting policies involve additional management judgment due to the sensitivity of the methods, assumptions and estimates necessary in determining the related asset and liability amounts.

Statement of Financial Accounting Standards ("SFAS") 144, "Accounting for the Impairment or Disposal of Long Lived Assets," supercedes SFAS 121, "Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed of," and APB Opinion No. 30, "Reporting Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS 144 retains the fundamental provisions of SFAS 121 for recognition and measurement of impairment, but amends the accounting and reporting standards for segments of a business to be disposed of. SFAS 144 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. Actual results may differ from those estimates. The application of SFAS 144, and previously SFAS 121, 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 and record an impairment loss whenever we determine impairment factors are present. We have developed and implemented an operational improvement plan, and we undertake impairment reviews periodically. We consider a history of restaurant operating losses to be the primary indicator of potential impairment for individual restaurant locations. A lack of improvement at the restaurants we are monitoring, or deteriorating results at other restaurants, could result in additional impairment charges. Historically, we have not recorded material additional impairment charges subsequent to the initial determination of impairment. In the first quarter of fiscal 2004, we recognized $0.4 million of asset impairment charges and $0.1 million related to the write-down on the disposal of fixed assets.

For all exit activities prior to December 31, 2002, we estimated our likely liability under contractual leases for restaurants that have been, or will be, closed. Such estimates have affected the amount and timing of charges to operating results that have been significant in recent years 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.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses accounting for restructuring, discontinued operation, plant closing or other exit or disposal activity. SFAS 146 requires companies to 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. SFAS 146 has been applied prospectively to exit or disposal activities initiated after December 31, 2002. In the first quarter of 2004, we have recognized $0.8 million of lease termination income related to the reversal of certain lease termination accruals deemed no longer required, which was partially offset by charges of $0.1 million resulting in a net reversal of approximately $0.7 million.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock Based Compensation -- Transition and Disclosure." SFAS 148 amends SFAS 123, "Accounting for Stock Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require more prominent disclosures in both annual and interim financial statements about the method of accounting for stock based employee compensation and the effect of the method used on reported results. The additional disclosure requirements of SFAS 148 are effective for fiscal years ending after December 15, 2002, and have been incorporated into the accompanying financial statements and footnotes. We have elected to continue to follow the intrinsic value method of accounting as prescribed by APB 25 to account for employee stock options. Pursuant to a stock option repricing approved by shareholders, on December 29, 2003, 1,246,164 options with exercise prices ranging from $2.37 to $12.25 were repriced at $2.26 per share. In accordance with APB 25, these options are subject to variable accounting, which resulted in a charge in the amount of approximately $2.6 million for the first quarter of fiscal 2004. Charges in the future may be material depending upon the movement in the stock price.

We have recorded a full valuation allowance to reduce our deferred tax assets related to net operating loss carry forwards. A positive adjustment to income will be required in future years if we determine that we could realize these deferred tax assets.

NET SALES

Our sales are composed almost entirely of food and beverage sales.

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. At March 29, 2004 and March 31, 2003 there were 78 and 61 restaurants in our comparable restaurant base, respectively.

COSTS AND EXPENSES

Cost of goods sold. Cost of goods sold is composed of food and beverage costs. Food and beverage costs are variable, and increase with sales volume.

Restaurant operating expenses. Restaurant operating expenses include direct hourly and management wages, bonuses, taxes and benefits for restaurant employees, and other direct restaurant level operating expenses including the cost of supplies, restaurant repairs and maintenance, utilities, rents 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; supervisory and staff salaries, 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, bonus 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 compensation expense. Stock compensation expense includes the charge related to stock option repricing as well as the amortization of deferred compensation of restricted stock.

Depreciation and amortization. Depreciation and amortization principally includes depreciation on restaurant assets.

Restaurant pre opening expenses. Restaurant pre opening expenses, which are expensed as incurred, include the costs of recruiting, hiring and training the initial restaurant work force, travel, the cost of food and labor used during the period before opening, the cost of initial quantities of supplies and other direct costs related to the opening of, or remodeling of, a restaurant.

Our fiscal year ends on the Monday falling nearest to December 31. Fiscal years 2000, 2001 and 2002 each included 52 weeks. The three-month periods ended March 29, 2004 and March 31, 2003 each contained 13 weeks.

RESULTS OF OPERATIONS

Our operating results for the three months ended March 29, 2004 and March 31, 2003, expressed as a percentage of sales, were as follows:

	THREE MONTHS ENDED	
	MARCH 29, 2004	MARCH 31, 2003
Net sales	100.0%	100.0%
Costs and Expenses:		
Cost of goods sold	26.0%	28.5%
Restaurant operating expenses	64.7%	65.5%
Total costs of sales	90.7%	94.0%
General and administrative expenses	17.1%	30.9%
Stock compensation expenses	12.0%	--
Depreciation and amortization	6.8%	7.6%
Restaurant pre-opening expenses	0.3%	1.4%
Provision for losses on asset impairments and disposals	1.9%	10.0%
Lease termination costs	(2.8)%	1.0%
Operating loss	(26.0)%	(44.9)%
Other income (expense):		
Interest income	0.1%	0.1%
Interest expense	(0.0)%	(0.2)%
Other Income	0.0%	(0.1)%
Net income (loss)	(25.9)%	(45.1)%

THREE MONTHS ENDED MARCH 29, 2004 VS. THREE MONTHS ENDED MARCH 31, 2003

NET SALES

Sales decreased $0.8 million, or (2.9)%, to $24.9 million in the first quarter of fiscal 2004, from $25.7 million in the first quarter of fiscal 2003. This decrease was primarily due to six fewer restaurants open during the first quarter of fiscal 2004 than were open during the first quarter of fiscal 2003. One restaurant was closed during the first quarter of 2004, having minimal impact on sales compared to the same period last year.

In the first quarter of fiscal 2004, comparable restaurant sales increased 3.7%. In comparable restaurants, for the first quarter of fiscal 2004, our transaction count increased 3.0% and our average check increased 0.8% compared to the same period last year.

During the third quarter of 2003, we identified 22 restaurants that had insufficient profit contribution from the breakfast daypart. As a result, we closed those restaurants during the breakfast daypart. While these breakfast closures will have a negative impact on our sales growth going forward, we believe that the closures will improve our future profitability. However, there can be no assurances that this action will have a positive impact on our profitability. The breakfast daypart closure was part of an overall Company initiative to optimize its labor costs and contributed to the decrease, as a percentage of sales, in restaurant operating expenses in the first quarter of 2004.

COSTS AND EXPENSES

Cost of goods sold. In the first quarter of fiscal 2004, cost of goods sold decreased $0.8 million or (11.2)%, to $6.5 million, from $7.3 million in the first quarter of fiscal 2003. As a percentage of sales, cost of goods sold decreased to 26.1% of sales in the first quarter of fiscal 2004, from 28.5% in the first quarter of fiscal 2003. The decrease in cost of goods sold as a percentage of sales was primarily due to a refinement of our purchasing process. The Company cut cost of goods by becoming a primary source buyer and by reducing distribution charges. Moreover, to stabilize these savings and eliminate the risk of sudden movements in food prices, the Company has entered into longer term arrangements with its suppliers. These contracts adequately insulate the Company from increases in commodities prices. Any movement in food prices has a minimal effect, in the short term, on the Company's cost of goods sold as the majority of the Company's purchases are covered by these longer term contracts.

During the first quarter of fiscal 2004, food sales increased to 77.4% of total sales, from 75.4% in last year's quarter, with an offsetting reduction in our beverage sales, which were 22.6% of total sales in this year's quarter, compared to 24.6% in last year's quarter. Our food sales have a higher cost of sales when compared to our beverage sales.

Restaurant operating expenses. Restaurant operating expenses decreased by $0.7 million, or (4.1)%, to $16.1 million in the first quarter of fiscal 2004, from $16.8 million in the first quarter of fiscal 2003. This decrease is primarily due to the decrease in the number of restaurants in operation this year compared to last year. As a percentage of sales, restaurant operating expenses decreased to

64.7% of sales in the first quarter of fiscal 2004, from 65.5% in the first quarter of fiscal 2003. This decrease, as a percentage of sales was primarily the result of improved labor scheduling and optimizing the deployment of employees during peak and non-peak hours.

General and administrative costs. General and administrative costs decreased by $3.6 million, or (46.2)%, to $4.3 million in the first quarter of fiscal 2004, from $7.9 million in the first quarter of fiscal 2003. This decrease is primarily due to a one time employee severance charge of $3.7 million that was partially offset by $0.4 million in cost reductions associated with reductions in our executive, general and administrative staff during the first quarter of 2003. Excluding the employee severance charge, general and administrative costs decreased to 17.1% of sales in the first quarter of fiscal 2004, from 18.0% of sales in the first quarter of fiscal 2003 primarily due to the aforementioned staff reductions in the first quarter of 2003.

Depreciation and amortization. Depreciation and amortization decreased $0.3 million, or (13.1)%, to $1.7 million in the first quarter of fiscal 2004, from $2.0 million in the first quarter of fiscal 2003. This decrease was primarily due the closure of six restaurants since the end of the first quarter of 2003 and impairment charges taken in 2003. As a percentage of restaurant sales, depreciation and amortization decreased to 6.8% of sales in the first quarter of fiscal 2004, compared to 7.6% of sales in the first quarter of fiscal 2003. This decrease, as a percentage of sales, is primarily due to an increase in comparable store sales, the closure of six under-performing restaurants with low sales bases and increased sales resulting from stores opened in 2003.

Restaurant pre-opening expenses. Restaurant pre-opening expenses were less than $0.1 million in the first quarter of fiscal 2004, down 83.0% from $0.3 million recorded in the first quarter of fiscal 2003. This decrease is due to one remodeled restaurant in the first quarter of fiscal 2004 compared to six new restaurants opened in the first quarter of fiscal 2003.

Loss on impairment of property and equipment and restaurant disposals. During the first quarter of fiscal 2004, we recognized $0.5 million of asset impairment and store disposal costs, of which, approximately $0.4 million of which represents impairment charges taken on one underperforming restaurant and $0.1 million represents charges related to the closure of one under-performing restaurant during the quarter.

Lease termination costs. In the first quarter of 2004, we recognized $0.8 million of lease termination income related to the reversal of certain lease termination accruals deemed no longer required, which was partially offset by charges of $0.1 million resulting in a net reversal of approximately $0.7 million. Lease termination costs of $0.3 million were recorded in the first quarter of 2003.

We announced previously that our Board of Directors had concluded that the Company's financial performance would be strengthened by closing in an orderly fashion as many as thirteen of the Company's restaurants, three of which were closed in the first quarter of fiscal 2003, three of which were closed in the third quarter of fiscal 2003, two of which were closed in the fourth quarter of fiscal 2003 and one of which closed in the first quarter of fiscal 2004. Another store has shown dramatic improvement in sales and has been taken off the disposition list, leaving three stores on the list. Future closings are dependent on our ability to improve operations in those stores and if unsuccessful to negotiate acceptable terms with our landlords to terminate the leases for those units, and on our ability to locate acceptable sub-tenants or assignees for the leases at those locations. Moreover, future closings may result in additional lease termination costs. There can be no assurances that we will be successful in negotiating terms that will enable us to close additional under-performing units.

Interest income and expense. During the first quarter of fiscal 2004 and the first of fiscal 2003, interest income was less than $0.1 million. Interest expenses was less than $0.1 million in the first quarter of fiscal 2004 and the first quarter of fiscal 2003.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $3.2 million on March 29, 2004, compared with $8.0 million on December 29, 2003. Our working capital was a deficit of $5.8 million on March 29, 2004, compared with working capital deficit of $3.8 million as of December 29, 2003. Our principal requirements for cash are funding operations, maintaining or remodeling existing restaurants, funding the incorporation of a franchising and area developer model into our business strategy, financing construction of new Cosi stores within select Macy's locations this year under the previously announced foodservice partnership with Federated Department Stores, Inc., and supporting Cosi's plans for new store construction in 2005. During the first three months of fiscal 2004, we financed our requirements for capital with the proceeds from our rights offering, which was completed in December of 2003.

Net cash used in operating activities for the three months ended March 29, 2004 was $5.3 million, compared to $6.1 million for the three months ended March 31, 2003. Funds used in operating activities in the first three months of 2004 decreased primarily as a result of a decrease in our net loss compared to the first three months of 2003 of $6.1 million offset by the payment of accrued liabilities in the current quarter.

Total capital expenditures for the three months ended March 29, 2004 were $0.5 million, compared to expenditures of $3.2 million for the three months ended March 31, 2003. The company expects that it will use up to $6.0 million in working capital associated with the opening of up to 12 restaurants in conjunction with its foodservice partnership with Federated Department Stores.

On December 29, 2003, we consummated a rights offering. We raised an aggregate of approximately $7.5 million ($6.8 million net cash proceeds) in new cash from the sale of common stock in connection with the rights offering and pursuant to an investment agreement among us and certain investors that was approved by our stockholders at our 2003 Annual Meeting. We issued approximately 3.6 million shares of common stock pursuant to the rights offering. In addition, we issued approximately 1.4 million shares of common stock pursuant to the investment agreement and approximately 3 million shares of common stock pursuant to the conversion of $4.5 million of senior secured notes held by certain of the parties to the investment agreement in connection with the rights offering. In January 2004, pursuant to the investment agreement, a shareholder purchased an additional 693,963 shares for approximately $1.0 million.

This was the primary financing activity for the three months ended March 29, 2004.

On April 30, 2004, the Company issued 3,550,000 shares of common stock pursuant to a private placement to a limited number of institutional investors at a price of $5.65 per share. This issuance provided the Company with gross proceeds of approximately $20.0 million. The cash proceeds from this private placement will be used for general corporate purposes including but not limited to, the construction of new Cosi stores within select Federated locations, additional new store construction in 2005, and working capital.

We plan to fund the operations, maintenance and growth of our restaurants primarily through cash provided by the rights offering completed in December 2003, our private placement completed in April 2004 and expected internally generated cash flows produced by our existing restaurants. Our cash resources, and therefore our liquidity, are highly dependent upon the level of internally generated cash from operations and upon future financing transactions. If cash flows from our existing restaurants or cash flow from new restaurants that we may open do not meet our expectations or are otherwise insufficient to satisfy our cash needs or expansion plans, we may have to seek additional financing from external sources to continue funding our operations, close underperforming restaurants 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 anticipate that our current cash balances and expected internally generated cash flows will be sufficient to fund our cash requirements for the next twelve months.

Contractual Obligations

AS OF MARCH 29, 2004

CONTRACTUAL OBLIGATIONS	TOTAL (IN THOUSANDS)	DUE APRIL - DECEMBER 2004	DUE IN 2005 AND 2006	DUE IN 2007 AND 2008	DUE AFTER 2008
Notes payable	$391.2	$163.6	$115.7	$47.5	$64.4
Employee severance obligations	1,305.3	1,238.6	66.7		
Capital lease obligations	2.2	2.2			
Operating lease obligations (a) (b)	92,933.7	9,221.5	24,962.8	24,058.2	34,691.2

(a) Amounts shown are net of $2.1 million of sublease rental income due under non-cancelable subleases.

(b) Includes approximately $3.2 million of obligations on leases for restaurants that have either been closed or are planned to be closed.

We are obligated under non-cancelable operating leases for our restaurants and our administrative offices. Lease terms are generally for ten years with renewal options and generally require us to pay a proportionate share of real estate taxes, insurance, common area and other operating costs. Some restaurant leases provide for contingent rental payments.

PURCHASE COMMITMENT

During fiscal year 1999, the Company entered into an exclusive coffee supply agreement with an unrelated third party ("Supplier"). The agreement calls for minimum purchases, in terms of both quantity and price, to be made by the Company of coffee beans and related products. In 2004, the Company renewed the purchase agreement with the Supplier and is obligated to purchase approximately 75,000 pounds per quarter of coffee beans and related products, worth approximately $290,000, for the next six quarters but the agreement may be terminated by the Company or the Supplier provided 180 days notice is given in advance of such termination.

During fiscal year 2002, the Company entered into a long term beverage marketing agreement with the Coca Cola Company. Under the agreement, the Company is obligated to purchase approximately 2.0 million gallons of fountain syrups at the then current annually published national chain account prices.

Currently, except for the aforementioned coffee contract which can be terminated with 180 days notice, the company does not have any long term contracts with its suppliers. However, the Company does have a contract with Maines Paper and Food Service as the broadline distributor that expires in January 2005.

FORWARD-LOOKING STATEMENTS

Matters discussed in this report, which relate to events or developments which are expected to occur in the future, including any discussion, expressed or implied, of anticipated growth, operating results or earnings constitute forward-looking statements. Forward-looking statements are based on management's beliefs, assumptions and expectations of our future economic performance, taking into account the information currently available to management. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties that may cause our actual results, performance or financial condition to differ materially from the expectations of future results, performance or financial condition we express or imply in any forward-looking statements. Factors that could contribute to these differences include, but are not limited to:

- the cost of our principal food products;
- labor shortages or increased labor costs;
- changes in consumer preferences and demographic trends;
- increasing competition in the fast casual dining segment of the restaurant industry;
- expansion into new markets;
- our ability to effectively manage our business with a reduced general and administrative staff;
- our ability to incorporate a franchising and area development model into our strategy;
- the availability and cost of additional financing, both to fund our existing operations and to grow and open new restaurants;
- fluctuations in our quarterly results due to seasonality;
- the rate of our internal growth, and our ability to generate increased revenue from our existing restaurants;
- our ability to generate positive cash flow from operations;
- increased government regulation;
- supply and delivery shortages or interruptions;
- market saturation due to new restaurant openings;
- inadequate protection of our intellectual property;
- 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" 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

The Company's market risk exposures are related to its cash, cash equivalents, investments and interest that it pays on its debt. The Company has no derivative financial instruments or derivative commodity instruments in its cash, cash equivalents and investments. The Company invests its 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 the Company earns on its investments and, therefore, impacts it cash flows and results of operations.

All of the Company's transactions are conducted, and its accounts are denominated, in United States dollars. Accordingly, the Company is not exposed to foreign currency risk.

ITEM 4. Controls and Procedures

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this report. Based on such evaluation, the Company's chief executive officer and chief financial officer have concluded that, as of the end of such period, the Company disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

There have not been any changes in the Company's 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, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, Cosi is a defendant in litigation arising in the ordinary course of our business, including claims resulting from "slip and fall" accidents, claims under federal and state laws governing access to public accommodations, employment related claims and claims from guests alleging illness, injury or other food quality, health or operational concerns. To date, none of such litigation, some of which is covered by insurance, has had a material adverse effect on Cosi's consolidated financial position, results of operations or cash flows.

On February 5, 2003, a purported shareholder class action complaint was filed in the United States District Court for the Southern District of New York (the "Court"), alleging that Cosi and various of our officers and directors and the underwriter of our IPO violated Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, as amended, by misstating, and by failing to disclose, certain financial and other business information (Sheel Mohnot v. Cosi, Inc., et al., No. 03 CV 812). At least eight additional class action complaints with substantially similar allegations were later filed. These actions have been consolidated in In re Cosi, Inc. Securities Litigation (collectively, the "Securities Act Litigation"). On July 7, 2003, lead plaintiffs filed a Consolidated Amended Complaint, alleging on behalf of a purported class of purchasers of Cosi's stock allegedly traceable to the Company's November 22, 2002 IPO, that at the time of the IPO, the Company's offering materials failed to disclose that the funds raised through the IPO would be insufficient to implement Cosi's expansion plan; that it was improbable that the Company would be able to open 53 to 59 new restaurants in 2003; that at the time of the IPO, Cosi had negative working capital and therefore did not have available working capital to repay certain debts; and that the principal purpose for going forward with the IPO was to repay certain existing shareholders and members of the Board of Directors for certain debts and to operate the Company's existing restaurants.

The plaintiffs in the Securities Act Litigation generally seek to recover recessionary damages, expert fees, attorneys' fees, costs of Court and pre and post judgment interest. The underwriter is seeking indemnification from the Company for any damages assessed against it in the Securities Act Litigation. On August 22, 2003, lead plaintiffs filed a Second Consolidated Amended Complaint, which was substantially similar to the Consolidated Amended Complaint. The Securities Act Litigation is at a preliminary stage, and the Company believes that it has meritorious defenses to these claims, and intend to vigorously defend against them.

On September 22, 2003, defendants filed motions to dismiss the Second Consolidated Amended Complaint in the Securities Act Litigation. Plaintiffs filed their opposition to defendants' motions to dismiss on October 23, 2003. Defendants filed reply briefs on November 12, 2003.

Cosi cannot predict what the outcome of these lawsuits will be. It is possible that the Company may be required to pay substantial damages or settlement costs in excess of the Company's insurance coverage, which could have a material adverse effect on Cosi's financial condition or results of operations. Cosi could also incur substantial legal costs, and management's attention and resources could be diverted from the business.

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1 Addendum to the employment agreement of William D. Forrest, dated February 9, 2004.

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

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

32.1 Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K on March 18, 2004 that announced the date of the Company's 2004 Annual Meeting and the deadlines for stockholders to submit (i) proposals to be included in the Company's proxy materials and (ii) advance written notice of proposals for action at the 2004 Annual Meeting.

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.

Dated: May 12, 2004

By: /s/ William D. Forrest

William D. Forrest
Executive Chairman

Dated: May 12, 2004

By: /s/ Kevin Armstrong

Kevin Armstrong
Chief Executive Officer

Dated: May 12, 2004

By: /s/ Mark Stickney

Mark Stickney
Chief Financial Officer
(Chief Accounting Officer)
Treasurer and Secretary

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Exhibit 10.1

Cosi, Inc.
Addendum to Employment Agreement

This Addendum to Employment Agreement is being executed effective as of February 9, 2004 (the "Effective Date"), by and between Cosi, Inc., a Delaware corporation ("Cosi"), and William D. Forrest ("Mr. Forrest").

Cosi and Mr. Forrest are parties to an Employment Agreement dated as of June 24, 2003 (the "2003 Agreement"), pursuant to which Mr. Forrest agreed to serve as Cosi's Executive Chairman. Mr. Forrest has now agreed to devote his full time efforts to his duties in such capacity. The purpose of this Addendum is to confirm the additional compensation to be provided by Cosi to Mr. Forrest, in consideration for his further commitment to Cosi.

Accordingly, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Cosi and Mr. Forrest hereby agree as follows:

1. Certain Defined Terms. Capitalized terms used in this Addendum and not otherwise defined shall have the respective meanings ascribed to them in the 2003 Agreement.

2. Further Commitment. During the Term, Mr. Forrest shall devote his full business time and best efforts to his duties as Executive Chairman of Cosi.

3. Additional Compensation. In consideration for the further commitment by Mr. Forrest to his duties under the 2003 Agreement, in addition to the compensation to which he is entitled under the 2003 Agreement, Cosi shall pay or provide to Mr. Forrest the following compensation, which Mr. Forrest agrees to accept in full satisfaction for such further commitment:

(a) A base salary at the annual rate of $350,000.00, payable net of applicable payroll and withholding taxes in accordance with Cosi's regular payroll practices, subject to periodic review and adjustment based on Cosi's performance and industry practice;

(b) A annual bonus, payable in the discretion of the Board and targeted at 100% of Mr. Forrest's base salary, as from time to time in effect;

(c) The grant, effective as of the Effective Date, of an option (the "February 9 Option"), to be issued under Cosi's Amended and Restated Stock Incentive Plan (the "SIP") to acquire up to 350,000 shares of Common Stock at a per share exercise price of $2.85, which shall become exercisable as follows:

(i) The February 9 Option is immediately exercisable as to 87,500 shares.

(ii) So long as the 2003 Agreement then remains in effect, the February 9 Option shall become exercisable as to an additional 87,500 shares on February 9, 2005

(iii) So long as the 2003 Agreement then remains in effect, the February 9 Option shall become exercisable as to an additional 7,292 shares on the last day of each month, commencing with February 28, 2005 and ending with December 31, 2006, and as to 7,284 shares on January 31, 2007.

(iv) To the extent not yet exercisable, the February 9 Option shall become exercisable in full on the earlier to occur of (1) the termination of the 2003 Agreement by Cosi without Cause and (2) upon a Change in Control.

(v) In the event that the outstanding shares of Common Stock are changed into or exchanged for a different number or kind of shares or other securities of Cosi or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination of shares or dividend payable in capital stock, appropriate adjustment shall be made in the number and kind of shares as to which the February 9 Option, or any part thereof then unexercised, shall be exercisable and with a corresponding adjustment in the then applicable exercise price per share under the February 9 Option.

(d) Additional options to acquire up to an aggregate of an additional 381,000 shares, which shall be issued under the SIP and shall also be on the following terms and conditions:

(i) The exercise price under all such options shall be the fair market value of the underlying shares on the date of grant;

(ii) Such options shall become exercisable in accordance with the vesting provisions contained in the SIP.

(iii) An option for 65,333 shares shall be granted promptly following the execution of this Addendum;

(iv) An option for 65,333 shares shall be granted once Cosi has finalized its operating results for the first fiscal quarter ending after the Effective Date, in which it realizes positive EBITDA;

(v) An option for 65,334 shares shall be granted once Cosi has finalized the operating results for the first fiscal period ending on or after December 31, 2004, in which Cosi's financial performance for such fiscal period meets the financial plan approved by the Board for such fiscal period.

(vi) An option for 128,000 shares shall be granted once Cosi has finalized its operating results for the fiscal year ending December 31, 2005, subject to confirmation of such results by Cosi's outside auditors, provided that Cosi's financial performance for its 2005 fiscal year meets the financial plan approved by the Board for such fiscal year.

(vii) An option for 57,000 shares shall be granted once Cosi has finalized the operating results for the fiscal year ending December 31, 2006, subject to confirmation of such results by Cosi's outside auditors, provided that Cosi's financial performance for its 2006 fiscal year meets the financial plan approved by the Board for such fiscal year.

(e) Benefits as a participant in the Cosi (i) health benefits program, including medical, dental, vision, life, accidental death and dismemberment, and long term disability insurance, (ii) 401(k) plan, and (iii) Severance Policy, on the same basis as other Cosi executive employees are entitled to participate; and

(f) Up to four (4) weeks paid vacation per annum, in accordance with the Cosi salaried partner vacation policy.

4. Entire Agreement; Modification. This Addendum contains the entire Agreement of Cosi and Mr. Forrest with respect to the additional consideration to which Mr. Forrest is and may become entitled, as a result of his further commitment to his duties to Cosi, and all promises, representations, understandings, arrangements and prior agreements with respect to such subject matter are merged herein and superseded hereby. This Agreement may be altered, amended or superseded only by an agreement in writing, signed by both parties or the party against whom enforcement of any waiver, change, modification, extension or discharge is sought. No action of course of conduct shall constitute a waiver of any of the terms and conditions of this Agreement, unless such waiver is specified in writing, and then only to the extent so specified. A waiver of any of the terms and conditions of this Agreement on one occasion shall not constitute a waiver of the other terms and conditions of this Agreement, or of such terms and conditions on any other occasion.

5. Ratification of 2003 Agreement. Mr. Forrest and Cosi hereby expressly agree that, except to the extent specifically inconsistent with the foregoing provisions of this Addendum, the provisions of the 2003 Agreement remain in full force and effect.

6. Binding Effect; Benefit. This Addendum shall be binding upon and inure to the benefit of Mr. Forrest and his administrators, executors, heirs, and permitted assigns, and Cosi and its successors and permitted assigns.

7. Notices. From and after the date hereof, any notice required or permitted to be given to Mr. Forrest under the 2003 Agreement shall be delivered by hand or mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

Mr. William D. Forrest
9 Flower Lane
Greenwich, CT 06831

or to such other address as he may designate to Cosi in writing.

8. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be considered and have the force and effect of an original.

9. Governing Law. The validity, interpretation and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of New York.

In Witness Whereof, Cosi has caused this Addendum to be duly executed on its behalf and Mr. Forrest has hereunto set his hand and seal, all as of the date first above written.

Cosi, Inc.	Mr. Forrest
By: /s/ Kevin Armstrong	/s/ William D. Forrest

</TEXT>
</DOCUMENT>

Exhibit 31.1

Certification

I, Kevin Armstrong, Chief Executive Officer, 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)) 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) 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;

(c) 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 12, 2004

By: /s/ Kevin Armstrong

Kevin Armstrong
Chief Executive Officer

</TEXT>
</DOCUMENT>

Exhibit 31.2

Certification

I, Mark Stickney, Chief Financial Officer, 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)) 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) 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;

(c) 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 12, 2004

By: /s/ Mark Stickney

Mark Stickney
Chief Financial Officer

</TEXT>
</DOCUMENT>

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Cosi, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2004, of the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin Armstrong

Kevin Armstrong
Chief Executive Officer
May 12, 2004

</TEXT>
</DOCUMENT>

EXHIBIT 32.2

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Cosi, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2004, of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark Stickney

Mark Stickney
Chief Financial Officer
May 12, 2004

</TEXT>
</DOCUMENT>

investor relations

Investor Relations

Cosi

Established:

October 1999, through the merger of Xando Coffee and Bar (established 1994) and Cosi Sandwich Bar (established 1996)

History:

Cosí was created through the October 1999 merger of two restaurant concepts, *Cosí Sandwich Bar, Inc.* and *Xando, Incorporated*. Each company served a similar customer, but focused on different parts of the day.

Cosí Sandwich Bar. The Cosí Sandwich Bar concept was created in Paris in the early 90's and brought to the United States in 1996. Cosí Sandwich Bar's signature "crackly crust" flat bread, derived from a generations-old Italian recipe, was prepared daily at each restaurant where fresh loaves were baked throughout the day. Cosí Sandwich Bar focused on selling sandwiches in high-density central business districts in New York, Washington DC, Boston and Philadelphia. Cosí Sandwich Bar received numerous awards, including Time Out New York's #1 Sandwich and Nation Restaurant News "Hot Concept".

Xando Coffee and Bar. Xando, founded in 1994, was an innovative concept that went beyond the traditional specialty coffee bar. Xando locations were open for five dayparts. The 5pm "unveiling" of a full liquor bar featured coffee cocktails and was intended to create a dynamic evening environment. The atmosphere of Xando Coffee and Bar was adjusted appropriately for each daypart by changing the music and lighting throughout the day. The evening environment was completed by the addition of table service. Xando Coffee and Bar received numerous awards, including Innovative Concept of the Year from the Connecticut Restaurant Association.

By adding Cosí Sandwich Bar products to the Xando five-daypart platform, we have created a restaurant that satisfies our customers' needs from *wake up call to last call*. Restaurant Hospitality Magazine selected Cosí as one of America's Premier Concepts of Tomorrow.

Locations:

There currently are over 80 locations in eleven states and the District of Columbia. Our restaurants are located in a wide range of markets and trade areas, which include business districts and residential communities in both urban and suburban locations.

Description:

We own and operate over 80 fast casual restaurants under the master-brand *Cosí* and our sub-brand *Cosí Downtown* in 11 states and the District of Columbia. Cosí restaurants are all-day cafés that feature signature bread and coffee products in an environment that changes throughout the day. *Cosí* restaurants offers breakfast, lunch, afternoon coffee, dinner, and dessert menus full of creative, cravable foods and beverages. From morning *Squagels* (square bagels made from Cosí bread) to our award winning sandwiches and pizzas, Cosí has developed featured foods that are built around our secret, generations-old recipe for crackly crust flatbread. These products are freshly baked in front of the customer throughout the day in open flame stone hearth ovens prominently located in each of our restaurants. Our coffees are freshly brewed and expertly prepared by our baristas and bartenders. Our coffee beverages range from simple Cosí brews and traditional lattes to our innovative Double Oh Arctic ™ Mochas and specialty coffee cocktails, featuring the *Mocha Kiss* ®. We offer friendly and attentive service in a warm and inclusive atmosphere. Our vision is to become America's favorite café by giving every customer something to look forward to in their day.

Cosí restaurants offer breakfast, lunch and afternoon coffee in a counter service format, and, after 5PM, with the addition of table service, offer dinner and dessert in a casual dining format. *Cosí Downtown* ™ restaurants are located in non-residential central business district trade areas and serve three dayparts: breakfast, lunch and afternoon coffee. The operations of *Cosí* ® and *Cosí Downtown* ™ restaurants are identical until the early evening when *Cosí Downtown* ™ restaurants close for the day. All of our restaurants are designed to be welcoming and comfortable, featuring oversized sofas, chairs and tables, and faux painted walls. The ambiance of Cosi is managed to be appropriate and different for each daypart by changing the music (both style and volume) and lighting throughout the day. The design scheme of our counters and bars, menu boards as well as condiment counters and server stations incorporate warm colors and geometric patterns, intended to create an identifiable visual vocabulary.

Our restaurants are located in a wide range of markets and trade areas, which include business districts and residential communities in both urban and suburban locations. We believe that we have created significant brand equity in the markets in which we do business and that we have demonstrated the appeal of our concept to a wide variety of customers. The company opened 7 restaurants in the Fourth Quarter of 2001 and expects to open 25 restaurants in 2002 and 53-59 restaurants in 2003 by expanding our presence in existing markets and entering new markets.

We believe that the flexibility of our multiple daypart model, the appeal of our high quality, innovative product offering, and our ability to operate in a wide variety of real estate markets have created an attractive store model, providing us with considerable growth opportunities to develop our brand nationwide.

Cosí Products:

We offer proprietary bread and coffee products for all five dayparts – breakfast, lunch, afternoon coffee, dinner and dessert. All of our signature bread products are made from scratch on premises in front of the customers and baked fresh in our open-flame stone hearth oven throughout the day. These cravable proprietary products provide the basis for our extensive café menu and, we believe, distinguish us from our competition. Our food menu features *Squagels* ® (square bagels made from Cosí bread), sandwiches, salads, soups, *Cosí-dillas* ™ (Our version of the Mexican classic), *Cosí Corners* ™ and other appetizers, *Warm n' Cosí Melts* ™, pizzas, s'mores and other desserts. The beverage menu features a full line of coffee beverages, teas, *Arctic* ™ smoothies, mochas and lattes, *Screamers* ™ (coffee beverages topped with ice cream), and our signature coffee cocktails.

We regularly introduce new menu segments and products in order to keep our product offerings relevant to consumers in each daypart. Additionally, these new products are intended to drive customer frequency and average checks, resulting in increased average unit volumes in new locations and positive same restaurant sales in existing locations. New recipes are developed by our executive chef in conjunction with our partner suppliers. These recipes go through thorough evaluations including the use of consumer focus groups.

A selection of Cosí signature products is described below:

Cosí Sandwiches. The foundation of every Cosí sandwich is our signature crackly crust flat bread, derived from a generations old Italian recipe. We prepare dough daily at each of our restaurants and bake fresh loaves throughout the day. Our Cosí bread is then filled with an innovative mix of ingredients, creating our specialty sandwich combinations, such as Buffalo Chicken with Blue Cheese S'bread, Tandoori Chicken with Roasted Red Peppers and Cosí Vinaigrette and the Cranberry Roasted Turkey with Romaine. In addition to our marketed list of specialty sandwich combinations, customers can create their own Cosí sandwich combinations by choosing from the vast array of fresh ingredients displayed behind glass counters, as they watch Cosí Bread being baked in our prominently displayed open-flame stone hearth oven. For dinner, we recently introduced *Warm 'n Cosí Melts* ™, including the Cosí Cheese steak and the Cosí Chicken Parmesan.

Cosí Coffee and Coffee Cocktails. Cosí Coffee includes a full line of espresso-based beverages such as lattes, cappuccinos and mochas as well our proprietary house blend of four Central and South American coffees. Cosí also features *Arctic* ™ Mochas and Lattes, which have become warm weather favorites of our customers. In the evening, we integrate liquor into our coffee beverage line and feature a variety of coffee cocktails such as the *Mocha Kiss* ® (Kahlua, Irish Cream, Grand Marnier, espresso, steamed milk and chocolate syrup topped with whipped cream). Cosí partners expertly brew coffee using state-of-the-art brewing equipment located in each restaurant, with the exacting standards we believe are necessary to ensure a great cup every time.

Cosí Pizza. Cosí pizza is made from an intriguingly thin, crispy crust version of our flat bread. We use fresh ingredients and a secret-recipe tomato sauce, which carefully balances flavors. Cosí customer favorites, which include both red and white pies, feature the classic traditional cheese pizza, as well as our specialty Grilled Chicken and Roasted Onions, Goat Cheese and Roasted Red Peppers, and

Bruschetta Pizzas. Additionally, we offer a variety of traditional and specialty toppings that enable our customers to build their own pizza. At 11", Cosí pizzas make a satisfying course for one, or a shareable portion of a larger meal.

Cosí Squagels ®. Cosí *Squagels* ® are square bagels made from fresh Cosí Bread. Our Squagels are a key element of our breakfast daypart and leverage the popularity of Cosí Bread and New York style bagels. Cosí *Squagels* ® come in a variety of flavors, including: Asiago Cheese, Poppyseed, Apple Cinnamon Raisin, Sesame, Everything, Plain, Cinnamon Raisin, Cranberry Orange, and Dried Fruit and can be individually prepared by our partners with a full line of Cream Cheese S'breads.

Cosí S'mores and S'mmm...oreos. Cosí S'mores is an interactive dessert, which allows customers to roast their own marshmallows and melt chocolate over an open-flamed hibachi right at their table. The S'mmm...oreos is a variation on the S'mores utilizing giant Oreo cookies (Nabisco) instead of the traditional graham cracker. These products compliment our full dessert offering, which includes traditional cakes and pies, and appeals a broad range of consumers.

Cosí Salads. The Cosí Salad offering features the Signature Salad, with spinach and field greens, gorgonzola cheese, grapes, pistachios, pears and dried cranberries, and a roasted shallot sherry vinaigrette, as well as the Chicken Shanghai Salad, with mesclun lettuce with grilled chicken, Oriental noodles, carrots, and scallions tossed with low fat Oriental dressing. Our salads are available in lunch portions or in larger sharable portions for dinner.

Catering. Our catering menu offers a wide range of products to meet our customers' needs, including: Cosí *Squagel* ® baskets, fresh fruit platters, Cosí Sandwich baskets, Salads, and Dessert Platters. Cosí catering provides us with an additional channel for growth outside of the four walls of the restaurant. With the lack of a national catering brand, we believe Cosí has the opportunity to build a nationally recognized catering business with our cafes serving as distribution points.

Contact:
Cosi Support Center
212-653-1600

Shareholder Information

Exchange

NASDAQ

Stock Quote (COSI)

6.72
As of 6/7/2004 4:00 PM
Minimum 20 minutes delayed
Click for Pop-up Quote

Listed Security

COSI Common Stock

Transfer Agent

American Stock Transfer & Trust Company
40 Wall Street, 46th floor
New York, NY 10005 USA
Phone 800-937-5449

Cosí Catering
for any occasion
under the sun and moon

talk to us
we're listening

ADKISON, NEED & ALLEN

PROFESSIONAL LIMITED LIABILITY COMPANY

LAW OFFICES

39533 Woodward, Suite 210
Bloomfield Hills, Michigan 48304

www.adkisonneed.com

Telephone (248) 540-7400 Facsimile (248) 540-7401

PHILLIP G. ADKISON
KELLY A. ALLEN
LORNE B. GOLD
LISA J. HAMAMEH
CHRISTINA E. MICHAELS
GREGORY K. NEED

OF COUNSEL:
LAURA B. ANDONI
KEVIN M. CHUDLER

WRITER'S DIRECT DIAL
(248) 540-7650
EXT. 215

WRITER'S E-MAIL ADDRESS
KAllen@adkisonneed.com

July 9, 2004

Via Hand Delivery

Ms. Jane Lesley, City Clerk
City of Rochester Hills
1000 Rochester Hills Drive
Rochester Hills, MI 48309

Re: Cosi, Inc. Liquor License Transfer from Private Held Corporation to Publicly Traded Corporation

Dear Ms. Lesley:

Enclosed is the completed application for a Class C license with the City of Rochester Hills.

I also enclose a copy of the Securities and Exchange Commission filing for Cosi, Inc (Form 10Q). This filing is for the period ending March 29, 2004, and demonstrates Cosi's public status. It also identifies the Officers of the company, who are as follows:

1. William D. Forrest, Executive Chairmen
2. Kevin Armstrong, Executive Chairmen
3. Kevin Armstrong, Chief Executive Officer
4. Mark Stickney, Chief Financial Officer

The operation of Cosi has not changed in anyway. The application form is essentially the same as the original application filed with the City in July of 2002.

I am hopeful that this matter can be heard at the next meeting of the Administrative Information Services Committee on Tuesday, July 13, 2004, at 8:00A.M.

If, for some reason, it will not be heard, please call me.

Very truly yours,

ADKISON, NEED & ALLEN, P.L.L.C.

Kelly A. Allen

clm
enclosures
cc: Sarah Ethridge (w/o enclosures)
m:\cosi\rochester hills\lesley ltr 01.rochester hills.doc

STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
LIQUOR CONTROL COMMISSION
7150 Harris Drive
P.O. Box 30005
Lansing, MI 48909-7505

RECEIVED

JUN - 3 2004

LOCAL APPROVAL NOTICE

(Authorized by MCL 436.1501(2) and MAC 1105(2)(d))

Req ID: 198260

Date: April 28, 2004

To: ROCHESTER HILLS CITY COUNCIL
1000 ROCHESTER HILLS DRIVE
ROCHESTER HILLS, MI 48309-4

Ltr - 6/9
new appr form
mailed

Applicant: COSI, INC. (A DELAWARE CORP(

Home Address And Phone No:
ATTORNEY: (ADKISON, NEED & ALLEN), A A. ALLEN, 39533 WOODWARD,
SUITE 210, BLOOMFIELD HILLS, MI 48304 (248)540-7000 X215

Local Legislative approval is required for new and transferring On-Premises licenses by MCL 436. 1501 of the Michigan Liquor Control Code of 1998. Local approval is also required for DANCE, ENTERTAINMENT, DANCE-ENTERTAINMENT OR TOPLESS ACTIVITY permits by authority of MCL 436.1916.

For your convenience a resolution form is enclosed that includes a description of the licensing transaction requiring approval. The clerk should complete the resolution certifying that your decision of approval or disapproval of the application was made at an official meeting. **Please return the completed resolution to the Liquor Control Commission as soon as possible.**

If you have any questions, please contact the On-Premise Section of the Licensing Division as (517) -322-1400.

PLEASE COMPLETE ENCLOSED RESOLUTION AND RETURN TO THE LIQUOR CONTROL COMMISSION AT ABOVE ADDRESS

sfs

LC-1305 REV 9/17
4880-1234

STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
LIQUOR CONTROL COMMISSION
7150 Harris Drive
P.O. Box 30005
Lansing, MI 48909-7505

JUN - 3 2004

LOCAL APPROVAL NOTICE

(Authorized by MCL 436.1501(2) and MAC 1105(2)(d))

Req ID: 198260

Date: April 28, 2004

To: ROCHESTER HILLS CITY COUNCIL
1000 ROCHESTER HILLS DRIVE
ROCHESTER HILLS, MI 48309-4603

Applicant: COSI, INC. (A DELAWARE CORPORATION)

Home Address And Phone No:
ATTORNEY: (ADKISON, NEED & ALLEN), ATTENTION ATTORNEY KELLY A. ALLEN, 39533 WOODWARD, SUITE 210, BLOOMFIELD HILLS, MI 48304 (248)540-7650 X215

Local Legislative approval is required for new and transferring On-Premises licenses by MCL 436. 1501 of the Michigan Liquor Control Code of 1998. Local approval is also required for DANCE, ENTERTAINMENT, DANCE-ENTERTAINMENT OR TOPLESS ACTIVITY permits by authority of MCL 436.1916.

For your convenience a resolution form is enclosed that includes a description of the licensing transaction requiring approval. The clerk should complete the resolution certifying that your decision of approval or disapproval of the application was made at an official meeting. **Please return the completed resolution to the Liquor Control Commission as soon as possible.**

If you have any questions, please contact the On-Premise Section of the Licensing Division as (517) -322-1400.

PLEASE COMPLETE ENCLOSED RESOLUTION AND RETURN TO THE LIQUOR CONTROL COMMISSION AT ABOVE ADDRESS

sfs

Req ID # 198260

STATE OF MICHIGAN
DEPARTMENT OF CONSUMER & INDUSTRY SERVICES
LIQUOR CONTROL COMMISSION

RESOLUTION

At a ______________________ meeting of the ______________________
(Regular or Special) (Township Board, City or Village Council)

called to order by ______________________ on ______________________ at __________ P.M.

The following resolution was offered:

Moved by ______________________ and supported by ______________________

That the request from COSI, INC. (A DELAWARE CORPORATION) TO TRANSFER ALL STOCK IN 2003 CLASS C LICENSED BUSINESS, LOCATED AT 84 N. ADAMS, ROCHESTER HILLS, MI 48309, OAKLAND COUNTY, FROM PRIVATE CORPORATION TO PUBLIC CORPORATION.

be considered for ______________________
(Approval or Disapproval)

APPROVAL	**DISAPPROVAL**
Yeas: ______________	Yeas: ______________
Nays: ______________	Nays: ______________
Absent: ______________	Absent: ______________

It is the consensus of this legislative body that the application be:

______________________ for issuance
(Recommended or not Recommended)

State of Michigan __________)
§
County of ______________)

I hereby certify that the foregoing is a true and complete copy of a resolution offered and

adopted by the ______________________ at a ______________________
(Township Board, City or Village Council) (Regular or Special)

meeting held on ______________ .
(Date)

SEAL (Signed)______________________
(Township, City of Village Clerk)

____
(Mailing address of Township, City of Village)

Req ID # 198260

STATE OF MICHIGAN
DEPARTMENT OF CONSUMER & INDUSTRY SERVICES
LIQUOR CONTROL COMMISSION

RESOLUTION

At a ______________________ meeting of the ______________________
(Regular or Special) (Township Board, City or Village Council)

called to order by ______________________ on ______________________ at __________ P.M.

The following resolution was offered:

Moved by ______________________ and supported by ______________________

That the request from COSI, INC. (A DELAWARE CORPORATION) TO TRANSFER ALL STOCK IN 2003 CLASS C LICENSED BUSINESS, LOCATED AT 84 N. ADAMS, ROCHESTER HILLS, MI 48309, OAKLAND COUNTY, FROM PRIVATE CORPORATION TO PUBLIC CORPORATION.

be considered for ______________________
(Approval or Disapproval)

APPROVAL	**DISAPPROVAL**
Yeas: ______________	Yeas: ______________
Nays: ______________	Nays: ______________
Absent: ______________	Absent: ______________

It is the consensus of this legislative body that the application be:

______________________ for issuance
(Recommended or not Recommended)

State of Michigan __________)
§
County of __________)

I hereby certify that the foregoing is a true and complete copy of a resolution offered and adopted by the ______________________ at a ______________________
(Township Board, City or Village Council) (Regular or Special)

meeting held on ______________ .
(Date)

SEAL

(Signed)______________________
(Township, City of Village Clerk)

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(Mailing address of Township, City of Village)