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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

Form 10-K

(Mark One)



**Annual report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

For the fiscal year ended December 27, 2003,

or



**Transition report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

For the transition period from to

Commission file number 0-19253

Panera Bread Company

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

**6710 Clayton Rd.,
Richmond Heights, MO**

(Address of principal executive offices)

04-2723701

*(I.R.S. Employer
Identification No.)*

63117

(Zip code)

(314) 633-7100

(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act:
Class A Common Stock, \$.0001 par value
(Title of class)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

The aggregate market value of the registrant's voting Class A and Class B Common Stock held by non-affiliates as of July 11, 2003 was \$1,184,551,642. There is no public trading market for the registrant's Class B Common Stock.

Number of shares outstanding of each of the registrant's classes of common stock as of February 27, 2004: 28,412,233 shares of Class A Common Stock (\$.0001 par value) and 1,701,521 shares of Class B Common Stock (\$.0001 par value).

Portions of the proxy statement for the annual stockholders' meeting to be held May 27, 2004 are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

GENERAL

Panera Bread Company (including its wholly and majority owned subsidiaries) may be referred to as the “Company,” “Panera Bread” or in the first person notation of “we,” “us,” and “ours” in the following discussion.

The Company was originally formed in March 1981 under the name Au Bon Pain Co., Inc. and consisted of three Au Bon Pain bakery-cafes and one cookie store. The Company continued to grow the Au Bon Pain concept domestically, primarily on the east coast, and internationally throughout the 1980’s and 1990’s. On December 22, 1993, the Company purchased the Saint Louis Bread Company. At the time, the Saint Louis Bread Company consisted of 19 Company-owned and one franchised bakery-cafe primarily located in the Saint Louis, Missouri area. In August 1998, the Company entered into a Stock Purchase Agreement to sell the Au Bon Pain Division to ABP Corporation for \$73.0 million in cash before contractual purchase price adjustments of \$1.0 million. The sale was completed May 16, 1999. At that time, the Company changed its name to Panera Bread Company. As of December 27, 2003, the Company operates, directly and through area development agreements with 32 franchisee groups, bakery-cafes under the names Panera Bread and Saint Louis Bread Company. See Note 16 of the Company’s Consolidated Financial Statements for segment information.

As of December 27, 2003, the Company’s retail operations consist of 173 Company-owned bakery-cafes and 429 franchise-operated bakery-cafes. The Company specializes in meeting consumer dining needs by providing high quality food, including fresh baked goods, made-to-order sandwiches on freshly baked breads, soups, salads, custom roasted coffees, and other cafe beverages, and targets suburban dwellers and workers by offering a premium specialty bakery and cafe experience with a neighborhood emphasis.

Bakery-cafes are principally located in suburban, strip mall, and regional mall locations and currently operate in 35 states. The Company’s revenues were \$355.9 million, consisting of \$265.9 million of bakery-cafe sales, \$36.2 million of franchise royalties and fees, and \$53.7 million of fresh dough sales to franchisees, and franchisees’ bakery-cafe sales were \$711.0 million for the fiscal year ended December 27, 2003.

The following table sets forth certain bakery-cafe data relating to Company-owned and franchise-operated bakery-cafes:

	For the fiscal year ended		
	December 27, 2003	December 28, 2002	December 29, 2001
Number of bakery-cafes (includes majority-owned):			
Company-owned:			
Beginning of period	132	110	90
Bakery-cafes opened	29	23	21
Acquired from franchisees(1)	15	3	—
Bakery-cafes closed	(3)	(4)	(1)
End of period	173	132	110
Franchise operated:			
Beginning of period	346	259	172
Bakery-cafes opened	102	92	88
Sold to Company(1)	(15)	(3)	—
Bakery-cafes closed	(4)	(2)	(1)
End of period	429	346	259

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For the fiscal year ended

	December 27, 2003	December 28, 2002	December 29, 2001
System-wide:			
Beginning of period	478	369	262
Bakery-cafes opened	131	115	109
Bakery-cafes closed	(7)	(6)	(2)
End of period	602	478	369

-
- (1) In January 2002, the Company purchased the area development rights and three operating bakery-cafes in the Jacksonville, Florida market from its franchisee. During fiscal 2003, the Company acquired 15 operating bakery-cafes and the area development rights in the Louisville/ Lexington, Kentucky; Dallas, Texas; Toledo, Ohio; and Ann Arbor, Michigan markets from franchisees.

CONCEPT AND STRATEGY

The Company's concept focuses on the "Specialty Bread/ Bakery-Cafe" category. Its artisan breads, which are breads made with all natural ingredients and a craftsman's attention to quality and detail, and overall award-winning bakery expertise are at the heart of the concept's menu. The concept is designed to deliver against the key consumer trends of today, specifically the need for a responsive and more special dining experience than that offered by traditional fast food. The Company's goal is to make Panera Bread a nationally dominant brand name. Its menu, prototype, operating systems, design and real estate strategy allow it to compete successfully in several sub-businesses: breakfast, lunch, PM "chill out," lunch in the evening, and take home bread. On a system-wide basis, annualized average unit volume increased 0.7% to \$1,852,000 for the fifty-two weeks ended December 27, 2003 compared to \$1,840,000 for the fifty-two weeks ended December 28, 2002.

The distinctive nature of the Company's menu offerings (centered around the fresh artisan bread products), the quality of its bakery-cafe operations, the Company's signature cafe design, and the prime locations of its cafes are integral to the Company's success. The Company believes its concept has significant growth potential, which it hopes to realize through a combination of Company and franchise efforts. Franchising is a key component of the Company's success. Utilization of franchise operating partners has enabled the Company to grow more rapidly because of the added resources and capabilities they provide to implement the concepts and strategy developed by Panera. As of December 27, 2003, there were 429 franchised bakery-cafes operating and signed commitments to open an additional 409 bakery-cafes.

There were 173 wholly or majority-owned Company bakery-cafes operating at December 27, 2003. In order to benefit from the advantages of local market ownership interest in Company bakery-cafes, the Company entered into an agreement in 2001 with its former president as a minority interest owner to develop and manage up to 50 bakery-cafes in the Northern Virginia and Central Pennsylvania markets. Under this agreement, there were 27 bakery-cafes operating in these markets at December 27, 2003. After October 2006, the Company and the minority interest owner each have rights which could, if exercised, permit/require the Company to purchase the bakery-cafes at contractually determined values based on multiples of cash flows.

The Company believes that providing bakery-cafe operators the opportunity to participate in the success of the bakery-cafe will enable the Company to attract and retain experienced and highly motivated personnel, which will result in a better customer experience. The Company developed a program and began implementation in certain markets in 2003 to allow unit general managers and multi-unit managers to own a minority interest in a bakery-cafe. Prior to full implementation of the program, the Company modified the program from an ownership structure to a multi-year bonus structure, which will allow operators to participate in the success of a bakery-cafe. The Company expects to continue implementation of this bonus structure where appropriate as an alternative to its traditional Company-owned or franchised bakery-cafes to facilitate the development and operation of bakery-cafes.

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MENU

The menu is designed to provide the Company's target customers with products which build on the strength of the Company's bakery expertise and to meet customers' new and ever-changing tastes. The key menu groups are fresh baked goods, made-to-order sandwiches, soups, and cafe beverages. Included within these menu groups are a variety of freshly baked bagels, breads, muffins, scones, rolls, and sweet goods; made-to-order sandwiches; hearty, unique soups; custom roasted coffees and cafe beverages such as hot or cold espresso and cappuccino drinks. The Company's concept emphasizes the sophisticated specialty and artisan breads that support a take-home bread business.

The Company regularly reviews and revises its menu offerings to satisfy changing customer preferences and to maintain customer interest within its target customer groups, the "bread loving trend-setters" and the "bread loving traditionalists." Both of these target customer groups seek a quality experience that reflects their discriminating tastes. The major characteristic that sets these two groups apart is the more enthusiastic embrace of new and nutritional menu items by the "Trend-Setters." New menu items are developed in test kitchens and then introduced in a limited number of the Company's bakery-cafes to determine customer response and verify that preparation and operating procedures maintain product consistency, high quality standards, and profitability. If successful, they are then introduced in the rest of the Company's bakery-cafes and franchise bakery-cafes.

MARKETING

The Company believes it competes on the basis of providing an entire experience rather than price only. Pricing is structured so customers perceive good value with high quality food at reasonable prices to encourage frequent visits. The Company measures its average check per transaction. The total average check per transaction at the Company-owned bakery-cafes opened eighteen months or longer at December 27, 2003 was \$6.61. Breakfast average check per transaction was \$4.86, lunch average check per transaction was \$7.65, PM "chill out" average check per transaction was \$6.67, and lunch in the evening average check per transaction was \$7.42. The Company attempts to increase its per location sales through menu development, product merchandising and promotions at every day prices and by sponsorship of local community charitable events.

Franchised bakery-cafes contribute to the Company 0.4% of sales to a national advertising fund and 0.4% of sales as a marketing administration fee and are required to spend 2.0% of sales in their local markets on advertising. The Company contributes similar amounts from Company-owned bakery-cafes towards the national advertising fund and marketing administration fee. The national advertising fund and marketing administration fee contributions received from franchised bakery-cafes are consolidated with Company amounts in the Company's financial statements. Liabilities for unexpended funds are included in accrued expenses in the consolidated balance sheets. The Company's contributions to the national advertising fund and marketing administration fee as well as its own media costs are recorded as part of other operating expenses in the consolidated statements of operations. The Company may utilize external media when deemed appropriate and cost effective in specific markets.

SITE SELECTION

The bakery-cafe concept relies on a substantial volume of repeat business. In evaluating a potential location, the Company studies the surrounding trade area, obtaining demographic information within that area and information on breakfast and lunch competitors. Based on analysis of this information including utilization of predictive modeling using proprietary software, the Company determines projected sales and return on investment. The Panera concept has proven successful in a number of different types of real estate (i.e., in-line strip centers, regional malls and free-standing).

The Company designs each bakery-cafe to provide a differentiated environment, using in many cases fixtures and materials complementary to the neighborhood location of the bakery-cafe. Many locations incorporate the warmth of a fireplace and cozy seating areas and groupings which facilitate utilization as a gathering spot. The design visually reinforces the distinctive difference between the Company's bakery-cafes and other bakery-cafes serving breakfast and lunch. Many of the Company's cafes also feature outdoor cafe

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seating. The average construction, equipment, furniture and fixture, and signage cost for the 29 Company bakery-cafes opened in 2003 was \$850,000 per bakery-cafe after landlord allowances.

The average bakery-cafe size is 4,330 square feet. Currently all Company-owned bakery-cafes are in leased premises. Lease terms are typically ten years with one, two, or three five-year renewal option periods thereafter. Leases typically have charges for minimum base occupancy, a proportionate share of building and common area operating expenses and real estate taxes, and contingent percentage rent based on sales above a stipulated sales level.

BAKERY SUPPLY CHAIN

Bakery-cafes in the system use fresh dough for their sourdough and artisan breads and bagels. Fresh dough is supplied daily by the Company's fresh dough facility system for both Company-owned and franchise-operated bakery-cafes. The following table sets forth the number of fresh dough facilities:

	<u>December 27, 2003</u>	<u>December 28, 2002</u>	<u>December 29, 2001</u>
Regional Fresh Dough Facilities:			
Company-operated	16	14	12
Franchise-operated	1	1	1
Au Bon Pain Facility(1)	—	—	1
Total Fresh Dough Facilities	<u>17</u>	<u>15</u>	<u>14</u>

(1) Supplied fresh dough via a supply agreement.

The Company believes its fresh dough facility system provides a competitive advantage. The fresh dough facilities ensure both consistent quality and supply of fresh dough products to both Company-owned and franchised bakery-cafes. The Company focuses its growth in areas that allow it to continue to gain efficiencies through leveraging the fixed cost of its current fresh dough facility structure and to selectively enter new markets which require the construction of additional facilities when sufficient numbers of bakery-cafes may be opened that permit efficient distribution of the fresh dough. The fresh dough distribution system delivers product daily to the bakery-cafes. Distribution is accomplished through a leased fleet of temperature controlled trucks operated by Company personnel. At December 27, 2003, 98 trucks were leased by the Company. The optimal distribution limit is approximately 200 miles. An average distribution route delivers dough to 6 bakery-cafes.

The Company has contracted externally for the supply of the remaining baked goods in the bakery-cafes, referred to as sweet goods. In March 1998, the Company entered into a multi-year supply agreement with Bunge Food Corporation ("Bunge") for the supply of substantially all of its sweet goods. The Company's pricing was structured as a cost plus arrangement. In November 2002, the Company signed an agreement with Dawn Food Products, Inc. ("Dawn") to provide sweet goods for the period 2003-2007. The agreement with Dawn is also structured as a cost plus agreement. The transition from Bunge to Dawn was completed in the first quarter of fiscal 2003.

COMPETITION

The Company experiences competition from numerous sources in its trade areas. The Company's bakery-cafes compete based on customers' needs for breakfast, lunch, daytime "chill-out," lunch in the evening, and take home bread sales. The competitive factors include location, environment, customer service, price, and quality of products. The Company competes for leased space in desirable locations. Certain of the Company's competitors may have capital resources exceeding those available to the Company. Our primary competitors include specialty food and casual dining restaurant retailers including national, regional, and locally-owned concepts.

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MANAGEMENT INFORMATION SYSTEMS

Each Company-operated bakery-cafe has computerized cash registers to collect point-of-sale transaction data, which is used to generate pertinent marketing information, including product mix and average check. All product prices are programmed into the system from the Company's corporate office. The Company allows franchisees who elect to do so access to certain of its proprietary bakery-cafe systems and systems support.

The Company's in-store information system is designed to assist in labor scheduling and food cost management, to provide corporate and retail operations management quick access to retail data, and to reduce managers' administrative time. The system supplies sales, bank deposit, and variance data to the Company's accounting department on a daily basis. The Company uses this data to generate weekly consolidated reports regarding sales and other key elements, as well as detailed profit and loss statements for each Company-owned bakery-cafe every four weeks. Additionally, the Company monitors the average check, customer count, product mix, and other sales trends. The fresh dough facilities have computerized systems which allow the fresh dough facilities to accept electronic orders from the bakery-cafes and deliver the ordered product back to the bakery-cafes.

The Company has network/ integration systems which are corporate office electronic systems and tools which link various information subsystems and databases, encompassing e-mail and all major financial systems, such as general ledger database systems and all major operational systems, such as store operating performance database systems.

DISTRIBUTION

The Company uses independent distributors to distribute sweet goods products and other materials to bakery-cafes. By contracting with independent distributors, the Company has been able to eliminate investment in distribution systems and to focus its managerial and financial resources on its retail operations. With the exception of fresh dough products supplied by the fresh dough facilities, virtually all other food products and supplies for retail operations, including paper goods, coffee, and smallwares, are contracted for by the Company and delivered by the vendors to the distributor for delivery to the bakery-cafes. The individual bakery-cafes order directly from a distributor two to three times per week.

Franchised bakery-cafes operate under individual contracts with either the Company's distributor or other regional distributors. As of December 27, 2003, there were three primary distributors serving the Panera Bread system.

FRANCHISE OPERATIONS

The Company began a broad-based franchising program in 1996. The Company is actively seeking to extend its franchise relationships beyond its current franchisees and annually files an Uniform Franchise Offering Circular to facilitate sale of additional franchise development agreements. The franchise agreement typically requires the payment of an up-front franchise fee of \$35,000 (broken down into \$5,000 at the signing of the area development agreement and \$30,000 at or before the bakery-cafe opens) and continuing royalties of 4-5% on sales from each bakery-cafe. Franchise-operated bakery-cafes follow the same standards for product quality, menu, site selection and bakery-cafe construction as do Company-owned bakery-cafes. The franchisees are required to purchase all of their dough products from sources approved by the Company. The Company's fresh dough facility system supplies fresh dough products to substantially all franchise-operated bakery-cafes. The Company does not finance franchisee construction or area development agreement purchases. In addition, the Company does not hold an equity interest in any of the franchised bakery-cafes.

The Company has entered into franchise area development agreements with 32 franchisee groups as of December 27, 2003. Also, as of December 27, 2003, there were 429 franchised bakery-cafes open and commitments to open 409 additional franchised bakery-cafes. The Area Development Agreement (ADA) requires a franchisee to develop a specified number of bakery-cafes on or before specific dates. If a franchisee fails to develop bakery-cafes on schedule, the Company has the right to terminate the ADA and

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develop Company-owned locations or develop locations through new area developers in that market. At the present time, the Company does not have any international franchise development agreements.

EMPLOYEES

As of December 27, 2003, the Company had 3,924 full-time associates (defined as associates who average 25 hours or more per week), of whom 344 were employed in general or administrative functions principally at or from the Company's Support Centers (executive offices); 676 were employed in the Company's fresh dough facility operations; and 2,904 were employed in the Company's bakery-cafe operations as bakers, managers, and associates. The Company also had 4,078 part-time hourly associates at the bakery-cafes. There are no collective bargaining agreements. The Company considers its employee relations to be good. The Company places a priority on staffing its bakery-cafes, fresh dough facilities, and support center operations with skilled associates and invests in training programs to ensure the quality of its operations.

TRADEMARKS

The "Panera Bread" and "Saint Louis Bread Company" names are of material importance to the Company and are trademarks registered with the United States Patent and Trademark Office. In addition, other marks of lesser importance have been filed with the United States Patent and Trademark Office.

ACCESS TO INFORMATION

Our Internet address is www.panerabread.com. We make available at this address, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC).

GOVERNMENT REGULATION

Each fresh dough facility and Company-operated and franchised bakery-cafe is subject to regulation and licensing by federal agencies as well as to licensing and regulation by state and local health, sanitation, safety, fire, and other departments. Difficulties or failures in obtaining and retaining the required licensing or approval could result in delays or cancellations in the opening of fresh dough facilities and bakery-cafes as well as fines and possible closure relating to existing fresh dough facilities and bakery-cafes.

The Company is also subject to federal and a substantial number of state laws regulating the offer and sale of franchises. Such laws impose registration and disclosure requirements on franchisors in the offer and sale of the franchises and may also apply substantive standards to the relationship between franchisor and franchisee. The Company is subject to the Fair Labor Standards Act and various state laws governing such matters as minimum wages, overtime, and other working conditions.

The Company and its fresh dough facilities are subject to various federal, state, and local environmental regulations. Compliance with applicable environmental regulations is not believed to have any material effect on capital expenditures, earnings, or the competitive position of the Company. Estimated expenditures for environmental compliance matters are not material.

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

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ITEM 2. PROPERTIES

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

Information with respect to the Company-operated leased fresh dough facilities as of December 27, 2003 is set forth below:

Facility	Square Footage
Franklin, MA	40,300
Chicago, IL	30,900
Cincinnati, OH	14,000
Washington, DC (located in Beltsville, MD)	17,900
Warren, OH	16,300
St. Louis, MO	30,000
Orlando, FL	16,500
Atlanta, GA	18,000
Greensboro, NC	9,600
Kansas City, KS	17,000
Detroit, MI	13,500
Dallas, TX	7,800
Minneapolis, MN	8,900
Ontario, CA	13,900
Fairfield, NJ	20,200
Denver, CO	10,000

The Company leases approximately 34,000 square feet in Richmond Heights, MO for its corporate office. The annual rent is approximately \$616,000. The lease expires October 31, 2010. The Company also leases approximately 17,600 square feet of office space in Needham, MA to house portions of its executive and support functions. The annual rent on this space is approximately \$225,000. The lease expires October 31, 2008.

Information with respect to the number of bakery-cafes operated by state at December 27, 2003 is set forth below:

Panera Bread/ St. Louis Bread Co. Bakery-Cafes

State	Company bakery-cafes	Franchise- operated bakery-cafes	Total bakery-cafes
Alabama	4		4
Arkansas		2	2
California		5	5
Colorado		14	14
Connecticut	1	4	5
Delaware		1	1
Florida	5	43	48
Georgia	8	6	14
Iowa		13	13
Illinois	34	32	66

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State	Company bakery-cafes	Franchise- operated bakery-cafes	Total bakery-cafes
Indiana	3	15	18
Kansas		14	14
Kentucky	4	1	5
Massachusetts	2	18	20
Maryland		18	18
Maine		2	2
Michigan	32	8	40
Minnesota		20	20
Missouri	36	16	52
North Carolina	1	17	18
Nebraska		7	7
Nevada		2	2
New Hampshire		7	7
New Jersey		25	25
New York	5	3	8
Ohio	6	55	61
Oklahoma		15	15
Pennsylvania	7	27	34
Rhode Island		3	3
South Carolina	2		2
Tennessee	1	9	10
Texas	2	9	11
Virginia	20	1	21
West Virginia		2	2
Wisconsin		15	15
Totals	173	429	602

ITEM 3. LEGAL PROCEEDINGS

The Company is not subject to any material litigation, but is subject to claims and legal action in the ordinary course of its business. The Company believes that all such claims and actions currently pending against it would not have a material adverse effect on the Company's financial position, results of operations, or cash flows if decided in a manner unfavorable to the Company.

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

The Company submitted no matters to a vote of security holders during the fourth quarter of the fiscal year ended December 27, 2003.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Market Information.

The Company's Class A Common Stock is traded on The Nasdaq National Market tier of the Nasdaq Stock Market under the symbol "PNRA." There is no established public trading market for the Company's

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Class B Common Stock. The following table sets forth the high and low sale prices for the Company's Class A Common Stock as reported by Nasdaq for the fiscal periods indicated.

2003	High	Low
First Quarter	\$ 37.64	\$ 24.55
Second Quarter	\$ 45.00	\$ 32.10
Third Quarter	\$ 47.79	\$ 37.36
Fourth Quarter	\$ 47.32	\$ 34.61
2002	High	Low
First Quarter	\$ 34.85	\$ 24.62
Second Quarter	\$ 36.80	\$ 29.81
Third Quarter	\$ 35.14	\$ 23.64
Fourth Quarter	\$ 37.95	\$ 25.50

On February 27, 2004, the last sale price for the Class A Common Stock, as reported on the Nasdaq National Market System, was \$38.76.

(b) Holders.

On February 27, 2004, the Company had 1,939 holders of record of its Class A Common Stock and 46 holders of its Class B Common Stock.

(c) Dividends.

The Company has never paid cash dividends on its capital stock and does not intend to pay cash dividends in 2004 as it intends to re-invest earnings in continued growth of its operations.

(d) Securities Authorized for Issuance under Equity Compensation Plans.

The Company discloses information about its securities authorized for issuance under equity compensation plans in Item 12 of this annual report.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data has been derived from the consolidated financial statements of the Company. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements and Notes thereto.

	For the fiscal years ended(1)				
	December 27, 2003	December 28, 2002	December 29, 2001	December 30, 2000	December 25, 1999(2)
(in thousands, except per share data)					
Revenues:					
Bakery-cafe sales	\$ 265,933	\$ 212,645	\$ 157,684	\$ 125,486	\$ 156,738
Franchise royalties and fees	36,245	27,892	19,577	12,059	7,384
Fresh dough sales to franchisees	53,708	37,215	23,856	13,844	7,237
Total Revenue	355,886	277,752	201,117	151,389	171,359

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	For the fiscal years ended(1)				
	December 27, 2003	December 28, 2002	December 29, 2001	December 30, 2000	December 25, 1999(2)
	(in thousands, except per share data)				
Costs and expenses:					
Bakery-cafe expenses:					
Cost of food and paper products	73,727	63,255	48,253	40,998	52,362
Labor	81,152	63,172	45,768	36,281	45,167
Occupancy	17,990	14,619	11,345	9,313	15,552
Other operating expenses	36,804	27,971	20,729	16,050	18,740
Total bakery-cafe expenses	209,673	169,017	126,095	102,642	131,821
Fresh dough cost of sales to franchisees	47,151	33,959	21,965	12,261	6,490
Depreciation and amortization	19,487	13,965	10,839	8,412	6,379
General and administrative expenses	28,140	24,986	19,589	16,381	17,104
Pre-opening expenses	1,531	1,051	912	414	301
Non-recurring charge(3)	—	—	—	494	5,545
Total costs and expenses	305,982	242,978	179,400	140,604	167,640
Operating profit	49,904	34,774	21,717	10,785	3,719
Interest expense	48	32	72	164	2,745
Other expense (income), net	1,227	287	213	(409)	735
Loss from early extinguishment of debt(4)	—	—	—	—	579
Minority interest	365	180	8	—	(25)
Income (loss) before income taxes and cumulative effect of accounting change	48,264	34,275	21,424	11,030	(315)
Provision for income taxes	17,616	12,510	8,272	4,177	314
Income (loss) before cumulative effect of accounting change	30,648	21,765	13,152	6,853	(629)
Cumulative effect to December 28, 2002 of accounting change, net of tax benefit(5)	239	—	—	—	—
Net income (loss)	\$ 30,409	\$ 21,765	\$ 13,152	\$ 6,853	\$ (629)

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	For the fiscal years ended(1)				
	December 27, 2003	December 28, 2002	December 29, 2001	December 30, 2000	December 25, 1999(2)
	(in thousands, except per share and bakery-cafe data)				
Per common share:					
Basic:					
Income (loss) before cumulative effect of accounting change	\$ 1.03	\$ 0.75	\$ 0.47	\$ 0.27	\$ (0.03)
Cumulative effect of accounting change (5)	(0.01)	—	—	—	—
Net income (loss)	\$ 1.02	\$ 0.75	\$ 0.47	\$ 0.27	\$ (0.03)
Diluted:					
Income (loss) before cumulative effect of accounting change	\$ 1.01	\$ 0.73	\$ 0.46	\$ 0.26	\$ (0.03)
Cumulative effect of accounting change (5)	(0.01)	—	—	—	—
Net income (loss)	\$ 1.00	\$ 0.73	\$ 0.46	\$ 0.26	\$ (0.03)
Weighted average shares of common stock outstanding:					
Basic	29,733	28,923	27,783	25,114	24,274
Diluted	30,423	29,891	28,886	26,267	24,274
Comparable bakery-cafe sales percentage increases for:					
Company-owned bakery-cafes	1.7%	4.1%	5.8%	8.1%	3.3%(6)
Franchise-operated bakery-cafes	(0.4)%	6.1%	5.8%	10.3%	(7)
System-wide	0.2%	5.5%	5.8%	9.1%	(7)
Consolidated balance sheet data:					
Cash and cash equivalents	\$ 42,402	\$ 29,924	\$ 18,052	\$ 9,011	\$ 1,936
Total assets	\$ 245,943	\$ 188,440	\$ 143,934	\$ 111,689	\$ 91,029
Stockholders' equity	\$ 195,937	\$ 153,656	\$ 119,872	\$ 91,588	\$ 73,246
Bakery-cafe data:					
Company-owned bakery-cafes open	173	132	110	90	81(6)
Franchise-owned bakery-cafes open	429	346	259	172	100(6)
Total bakery-cafes open	602	478	369	262	181

(1) Fiscal year 2000 consists of 53 weeks. Fiscal years 2003, 2002, 2001, and 1999 were comprised of 52 weeks.

(2) Includes the results of the Au Bon Pain Division (ABP) until it was sold on May 16, 1999.

(3) In 1999, the Company recorded a \$5.5 million impairment charge to reflect the May 1999 sale of ABP. In 2000, the Company received a payment of \$0.9 million as consideration for amending the ABP sale agreement to permit a subsequent sale. This non-recurring gain was offset by a \$0.9 non-recurring charge related to the sale and a \$0.5 million charge for asset impairment relating to closure of four Panera Bread bakery-cafes.

(4) Loss from extinguishment of debt was reclassified from an extraordinary item in accordance with the provisions of SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections."

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- (5) Effective December 29, 2002, the Company adopted the provisions of SFAS 143, “Accounting for Asset Retirement Obligations.” This Statement requires the Company to record an estimate for costs of retirement obligations that may be incurred at the end of lease terms of existing bakery-cafes or other facilities. Upon adoption of SFAS 143, the Company recognized a one-time cumulative effect charge of approximately \$0.2 million (net of deferred tax benefit of approximately \$0.1 million), or \$.01 per diluted share. For further information, see Note 2, “Summary of Significant Accounting Policies,” in the Notes to the Consolidated Financial Statements.
- (6) Excludes Au Bon Pain stores.
- (7) Information not available.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

Matters described in this report, including any discussion, express or implied, of the Company’s anticipated growth, operating results, and future earnings per share, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The statements, identified by the words “believe,” “positioned,” “estimate,” “project,” “target,” “continue,” “will,” “intend,” “expect,” “future,” “anticipates,” and similar expressions express management’s present belief, expectations or intentions regarding the Company’s future performance. The Company’s actual results could differ materially from those set forth in the forward-looking statements due to known and unknown risks and uncertainties and could be negatively impacted by a number of factors. These factors include but are not limited to the following: the availability of sufficient capital to the Company and the developers party to franchise development agreements within the Company; continued execution of development; obligations by franchisee groups; variations in the number and timing of bakery-cafe openings; public acceptance of new bakery-cafes; competition; availability of labor; national and regional weather conditions, including the impact on cost and availability of ingredients such as flour, butter, and protein products; changes in restaurant operating costs, particularly food and labor; and other factors that may affect retailers in general.

General

The Company’s fiscal year ends on the last Saturday in December. The Company’s fiscal year consists of 13 four-week periods, with the first, second, and third quarters ending 16 weeks, 28 weeks, and 40 weeks, respectively, into the fiscal year.

The Company has included in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” information on franchised and system-wide comparable bakery-cafe sales increases, annualized average unit volumes, and average weekly sales. Management believes inclusion of system-wide sales information, particularly annualized average unit volumes and average weekly sales, is useful in assessing consumer acceptance of the Company’s bakery-cafe concept as it measures the impact of both comparable sales and new stores. Franchised sales information also provides an understanding of the Company’s revenues as royalties from franchisees are based on their sales.

The Company’s revenues are derived from Company-owned bakery-cafe sales, fresh dough sales to franchisees, and franchise royalties and fees. Fresh dough sales to franchisees are the sales of dough products to our franchisees. Franchise royalties and fees include royalty income and franchise fees. The cost of food and paper products, labor, occupancy, and other operating expenses relate to Company-owned bakery-cafe sales. The cost of fresh dough sales relates to the sale of fresh dough products and sweet goods to our franchisees. General and administrative, depreciation, and pre-opening expenses relate to all areas of revenue generation.

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The following table sets forth the percentage relationship to total revenues, except where otherwise indicated, of certain items included in the Company's consolidated statements of operations for the periods indicated. Percentages may not add due to rounding:

	For the fiscal years ended		
	December 27, 2003	December 28, 2002	December 29, 2001
Revenues:			
Bakery-cafe sales	74.7%	76.6%	78.4%
Franchise royalties and fees	10.2	10.0	9.7
Fresh dough sales to franchisees	15.1	13.4	11.9
Total revenue	100.0%	100.0%	100.0%
Costs and expenses:			
Bakery-cafe expenses(1):			
Cost of food and paper products	27.7%	29.7%	30.6%
Labor	30.5	29.7	29.0
Occupancy	6.8	6.9	7.2
Other operating expenses	13.8	13.2	13.1
Total bakery-cafe expenses	78.8	79.5	80.0
Fresh dough cost of sales to franchisees(2)	87.8	91.3	92.1
Depreciation and amortization	5.5	5.0	5.4
General and administrative expenses	7.9	9.0	9.7
Pre-opening expenses	0.4	0.4	0.5
Operating profit	14.0	12.5	10.8
Interest expense	—	—	—
Other expense, net	0.3	0.1	0.1
Minority interest	0.1	0.1	—
Income before income taxes and cumulative effect of accounting change	13.6	12.3	10.7
Income taxes	4.9	4.5	4.1
Net income before cumulative effect of accounting change	8.6	7.8	6.5
Cumulative effect to December 28, 2002 of accounting change, net of tax	0.1	—	—
Net income	8.5%	7.8%	6.5%

(1) As a percentage of bakery-cafe sales.

(2) As a percentage of fresh dough facility sales to franchisees.

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The following table sets forth certain information and other data relating to Company-owned and franchise-operated bakery-cafes:

	For the fiscal year ended		
	December 27, 2003	December 28, 2002	December 29, 2001
Number of bakery-cafes (includes majority-owned):			
Company-owned:			
Beginning of period	132	110	90
Bakery-cafes opened	29	23	21
Acquired from franchisees(1)	15	3	—
Bakery-cafes closed	(3)	(4)	(1)
End of period	173	132	110
Franchise operated:			
Beginning of period	346	259	172
Bakery-cafes opened	102	92	88
Sold to Company(1)	(15)	(3)	—
Bakery-cafes closed	(4)	(2)	(1)
End of period	429	346	259
System-wide:			
Beginning of period	478	369	262
Bakery-cafes opened	131	115	109
Bakery-cafes closed	(7)	(6)	(2)
End of period	602	478	369

- (1) In January 2002, the Company purchased the area development rights and three existing bakery-cafes in the Jacksonville, Florida market from its franchisee. During fiscal 2003, the Company acquired 15 operating bakery-cafes and the area development rights in the Louisville/ Lexington, Kentucky; Dallas, Texas; Toledo, Ohio; and Ann Arbor, Michigan markets from franchisees.

Increases in comparable bakery-cafe sales for the fifty-two weeks ended December 27, 2003, December 28, 2002, and December 29, 2001 were as follows:

	Fifty-two weeks ended		
	December 27, 2003	December 28, 2002	December 29, 2001
Company-owned	1.7%	4.1%	5.8%
Franchise-operated	-0.4%	6.1%	5.8%
System-wide	0.2%	5.5%	5.8%

Comparable bakery-cafe sales exclude the closed locations and are based on sales for bakery-cafes that have been in operation for at least 18 four-week periods.

Comparable sales increases were lower during the fifty-two weeks ended December 27, 2003 than during the fifty-two weeks ended December 28, 2002 and December 29, 2001 as a result of several factors. These factors include the more difficult winter weather in the first quarter of 2003, the negative impact of the east coast and midwest power outage and hurricane Isabel in 2003, and the impact of ROI based real estate decisions relating to new stores that negatively impacted existing store performance in 2003. In addition, during the second quarter of 2003, the Company began to implement increased staffing and other initiatives that focused on quality and speed of customer service in

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of these initiatives will occur on a trailing basis at franchised bakery-cafes, as the Company initially tests changes in Company-owned bakery cafes before recommending changes to its franchise partners.

Fiscal Year 2003 Compared to Fiscal Year 2002

Results of Operations

Revenues

Total Company revenues for the fifty-two weeks ended December 27, 2003 increased 28.1% to \$355.9 million compared to \$277.8 million for the fifty-two weeks ended December 28, 2002. The growth in total revenues for the fifty-two weeks ended December 27, 2003, as compared to the prior year, is primarily due to the opening of 131 new bakery-cafes in 2003 as well as the increase in system-wide average weekly sales (excluding closed locations) of 0.7% for the fifty-two weeks ended December 27, 2003.

Bakery-cafe sales for the fifty-two weeks ended December 27, 2003 for the Company increased 25.1% to \$265.9 million from \$212.6 million for the fifty-two weeks ended December 28, 2002. The increase in bakery-cafe sales is primarily due to the impact of a full year's operations of the 23 Company bakery-cafes opened in 2002, the opening of 29 Company-owned bakery-cafes in 2003, and the 1.7% increase in comparable bakery-cafe sales for the fifty-two weeks ended December 27, 2003. The average weekly sales per Company-owned bakery-cafe (excluding closed locations) and the related number of operating weeks for the fifty-two weeks ended December 27, 2003 and December 28, 2002 are as follows:

	For the fifty-two weeks ended	
	December 27, 2003	December 28, 2002
Company-owned average weekly sales	\$ 35,208	\$ 33,924
Company-owned number of operating weeks	7,555	6,265

Franchise royalties and fees rose 29.7% to \$36.2 million for the fifty-two weeks ended December 27, 2003 from \$27.9 million for the fifty-two weeks ended December 28, 2002. The components of franchise royalties and fees are as follows (in thousands):

	For the fifty-two weeks ended	
	December 27, 2003	December 28, 2002
Franchise Fees	\$ 3,342	\$ 3,200
Franchise Royalties	32,903	24,692
Total	\$ 36,245	\$ 27,892

The increase in royalty revenue can be attributed to the impact of a full year's operations of the 92 franchised bakery-cafes opened in 2002 and the addition of 102 franchised bakery-cafes in 2003. The average weekly sales per franchise-operated bakery-cafe (excluding closed locations) and the related number of operating weeks for the fifty-two weeks ended December 27, 2003 and December 28, 2002 are as follows:

	For the fifty-two weeks ended	
	December 27, 2003	December 28, 2002
Franchise average weekly sales	\$ 35,777	\$ 35,997
Franchise number of operating weeks	19,872	15,068

As of December 27, 2003, there were 429 franchised bakery-cafes open and commitments to open 409 additional franchised bakery-cafes. We expect these bakery-cafes to open over the next ten years according to the timetable established in the area development agreements

(ADA), with the majority opening in the next four to five years. The ADA requires a franchisee to develop a specified number of bakery-cafes on or before specific dates. If a franchisee fails to develop bakery-cafes on schedule, the Company has the right to

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terminate the ADA and develop Company-owned locations or develop locations through new area developers in that market.

Fresh dough facility sales to franchisees increased 44.4% to \$53.7 million for the fifty-two weeks ended December 27, 2003 from \$37.2 million for the fifty-two weeks ended December 28, 2002. The increase was primarily driven by the increased number of franchise bakery-cafes opened, as well as a shift in certain product being distributed through the fresh dough facility system rather than a third party.

Costs and Expenses

The cost of food and paper products includes the costs associated with the fresh dough operations that sell fresh dough products to Company-owned bakery-cafes as well as the cost of food and paper products supplied by third party vendors and distributors. The costs associated with the fresh dough operations that sell fresh dough products to the franchised bakery-cafes are excluded and are shown separately as fresh dough cost of sales to franchisees in the Consolidated Statements of Operations. The cost of food and paper products decreased to 27.7% of bakery-cafe sales for the fifty-two weeks ended December 27, 2003 compared to 29.7% of bakery-cafe sales for the fifty-two weeks ended December 28, 2002. This decrease in the cost of food and paper products as a percentage of bakery-cafe sales is primarily due to the Company's improved leveraging of its fresh dough manufacturing and distribution costs as it opened more bakery-cafes in fiscal 2003. For the fifty-two weeks ended December 27, 2003, there was an average of 32.7 bakery-cafes per fresh dough facility compared to an average of 27.3 for the fifty-two weeks ended December 28, 2002. Additionally, lower ingredient costs, including the benefits of our new sweet goods contract that commenced during the first quarter of fiscal 2003, further benefited food cost.

Labor expense was \$81.2 million, or 30.5% of bakery-cafe sales, for the fifty-two weeks ended December 27, 2003 compared to \$63.2 million, or 29.7% of bakery-cafe sales, for the fifty-two weeks ended December 28, 2002. The labor expense as a percentage of bakery-cafe sales increased between the fifty-two weeks ended December 27, 2003 and the fifty-two weeks ended December 28, 2002 primarily as a result of our customer service initiatives in fiscal 2003 related to quality and speed of service as well as table delivery service testing and the continued commitment to training and staffing our bakery-cafes.

Occupancy costs were \$18.0 million, or 6.8% of bakery-cafe sales, for the fifty-two weeks ended December 27, 2003 compared to \$14.6 million, or 6.9% of bakery-cafe sales, for the fifty-two weeks ended December 28, 2002. The occupancy cost as a percentage of bakery-cafe sales declined for the fifty-two weeks ended December 27, 2003 due to the leveraging of these costs over higher sales volumes.

Other bakery-cafe operating expenses, which include advertising, retail field overhead, utilities, and other cafe expenses, were \$36.8 million, or 13.8% of bakery-cafe sales, for the fifty-two weeks ended December 27, 2003 compared to \$28.0 million, or 13.2% of bakery-cafe sales, for the fifty-two weeks ended December 28, 2002. The increase in other bakery-cafe operating expenses as a percentage of bakery-cafe sales for the fifty-two weeks ended December 27, 2003 is primarily due to increased organizational costs for field management, costs associated with new markets opened which do not yet have multi-unit leverage, and increased recruiting and training, repair and maintenance, and advertising costs.

For the fifty-two weeks ended December 27, 2003, fresh dough facility cost of sales to franchisees was \$47.2 million, or 87.8% of fresh dough facility sales to franchisees, compared to \$34.0 million, or 91.3% of fresh dough facility sales to franchisees, for the fifty-two weeks ended December 28, 2002. The decrease in the fresh dough cost of sales rate in fiscal 2003 was primarily due to favorable ingredient costs and the impact of the favorable change in our sweet goods supply agreement, which took effect during the first quarter of fiscal 2003.

Depreciation and amortization was \$19.5 million, or 5.5% of total revenue, for the fifty-two weeks ended December 27, 2003 compared to \$14.0 million, or 5.0% of total revenue, for the fifty-two weeks ended December 28, 2002. The increase in depreciation and amortization as a percentage of total revenue for the fifty-two weeks ended December 27, 2003 compared to the fifty-two weeks ended December 28, 2002 is

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primarily due to the impact of a full year's depreciation of prior year's capital expenditures and increased capital expenditures in the current year.

General and administrative expenses were \$28.1 million, or 7.9% of total revenue, and \$25.0 million, or 9.0% of total revenue, for the fifty-two weeks ended December 27, 2003 and December 28, 2002, respectively. The decrease in the general and administrative expense rate between 2003 and 2002 results primarily from higher revenues, which help leverage general and administrative expenses, and from decreased bonus costs.

Pre-opening expenses, which consist primarily of labor and food costs incurred during in-store training and preparation for opening, exclusive of manager training costs which are included in other operating expenses, of \$1.5 million, or 0.4% of total revenue, for the fifty-two weeks ended December 27, 2003 were consistent with the \$1.1 million, or 0.4% of total revenue, of pre-opening expenses for the fifty-two weeks ended December 28, 2002.

Operating Profit

Operating profit for the fifty-two weeks ended December 27, 2003 increased to \$49.9 million, or 14.0% of total revenue, from \$34.8 million, or 12.5% of total revenue, for the fifty-two weeks ended December 28, 2002. Operating profit for the fifty-two weeks ended December 27, 2003 rose as a result of operating leverage that results from opening 29 Company bakery-cafes in 2003 as well as the factors described above.

Other Expense

Other expense for the fifty-two weeks ended December 27, 2003 increased to \$1.2 million, or 0.3% of total revenue, from \$0.3 million, or 0.1% of total revenue, for the fifty-two weeks ended December 28, 2002. The increase in other expense results primarily from increased operating fee payments to the minority interest owner. See Note 12 for additional information.

Minority Interest

Minority interest represents the portion of the Company's operating profit that is attributable to the ownership interest of our minority interest owner.

Income Taxes

The provision for income taxes increased to \$17.6 million for the fifty-two weeks ended December 27, 2003 compared to \$12.5 million for the fifty-two weeks ended December 28, 2002. The tax provisions for the fifty-two weeks ended December 27, 2003 and December 28, 2002 reflects a consistent combined federal, state, and local effective tax rate of 36.5%.

Income Before Cumulative Effect of Accounting Change

Income before cumulative effect of accounting change for the fifty-two weeks ended December 27, 2003 increased \$8.9 million, or 40.8%, to \$30.6 million, or \$1.01 per diluted share, compared to income before cumulative effect of accounting change of \$21.8 million, or \$0.73 per diluted share, for the fifty-two weeks ended December 28, 2002. The increase in income before cumulative effect of accounting change in 2003 was primarily due to the operating leverage from the opening of 23 bakery-cafes in 2002 that were open for a full year in 2003 and leverage from opening 29 bakery-cafes in 2003.

Cumulative Effect of Accounting Change

Effective December 29, 2002, the Company adopted the provisions of SFAS 143, "Accounting for Asset Retirement Obligations." SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement requires the Company to record an estimate for costs of retirement obligations that may be incurred at the end of lease terms of existing bakery-cafes or other facilities. Upon adoption of SFAS 143, the Company recognized a one-time cumulative effect charge of approximately \$0.2 million (net of deferred tax benefit of

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approximately \$0.1 million), or \$.01 per diluted share. For further information, see Note 2, "Summary of Significant Accounting Policies," in the Notes to the Consolidated Financial Statements.

Net Income

Net income for the fifty-two weeks ended December 27, 2003 increased \$8.6 million, or 39.7%, to \$30.4 million, or \$1.00 per diluted share, compared to net income of \$21.8 million, or \$0.73 per diluted share, for the fifty-two weeks ended December 28, 2002. The increase in net income in 2003 is consistent with the factors described above.

Fiscal Year 2002 Compared to Fiscal Year 2001

Results of Operations

Revenues

Total Company revenues for the fifty-two weeks ended December 28, 2002 increased 38.1% to \$277.8 million compared to \$201.1 million for the fifty-two weeks ended December 29, 2001. The growth in total revenues for the fifty-two weeks ended December 28, 2002, as compared to the prior year is primarily due to the impact of a full year's operation of the 109 system-wide bakery-cafes opened in 2001, the opening of 115 new bakery-cafes in 2002, and the 5.5% increase in system-wide comparable bakery-cafe sales impact on bakery-cafe sales and royalties from franchisees.

Bakery-cafe sales for the fifty-two weeks ended December 28, 2002 for the Company increased 34.8% to \$212.6 million from \$157.7 million for the fifty-two weeks ended December 29, 2001. The increase in bakery-cafe sales is primarily due to the impact of a full year's operations of the 21 bakery-cafes opened in 2001, the opening of 23 new Company-owned bakery-cafes in 2002, and the 4.1% increase in comparable bakery-cafe sales for the fifty-two weeks ended December 28, 2002. The average weekly sales per Company-owned bakery-cafe (excluding the specialty bakery-cafes and closed locations) and the related number of operating weeks for the fifty-two weeks ended December 28, 2002 and December 29, 2001 are as follows:

	For the fifty-two weeks ended	
	December 28, 2002	December 29, 2001
Company-owned average weekly sales	\$ 33,924	\$ 31,460
Company-owned number of operating weeks	6,265	4,984

During the fifty-two weeks ended December 28, 2002, five Panera Bread franchise area development agreements were signed, representing a commitment to develop 75 bakery-cafes and there were amendments to three existing area development agreements to add 12 additional bakery-cafes. This brings the commitments to develop franchised bakery-cafes, in addition to those already open, to 491 bakery-cafes as of December 28, 2002. We expect these bakery-cafes to open over the next ten years according to the timetable established in the area development agreements (ADA), with the majority opening in the next five to six years. The ADA requires a franchisee to develop a specified number of bakery-cafes on or before specific dates. If a franchisee fails to develop bakery-cafes on schedule, the Company has the right to terminate the ADA and develop Company-owned locations or develop locations through new area developers in that market.

Franchise royalties and fees rose 42.3% for the fifty-two weeks ended December 28, 2002 to \$27.9 million from \$19.6 million for the fifty-two weeks ended December 29, 2001. The components of franchise royalties and fees are as follows:

	For the fifty-two weeks ended	
	December 28, 2002	December 29, 2001
Franchise Fees	\$ 3,200	\$ 2,739
Franchise Royalties	24,692	16,838
Total	\$ 27,892	\$ 19,577

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The increase in royalty revenue can be attributed to the impact of a full year's operations of the 88 franchised bakery-cafes opened in 2001, the addition of 92 franchised bakery-cafes in 2002, and a 6.1% increase in comparable franchised bakery-cafe sales (excluding the specialty bakery-cafe and closed locations) for the fifty-two weeks ended December 28, 2002. The average weekly sales per franchise-operated bakery-cafe (excluding the specialty bakery-cafe and closed locations) and the related number of operating weeks for the fifty-two weeks ended December 28, 2002 and December 29, 2001 are as follows:

	For the fifty-two weeks ended	
	December 28, 2002	December 29, 2001
Franchise average weekly sales	\$ 35,997	\$ 34,607
Franchise number of operating weeks	15,068	10,735

Fresh dough facility sales to franchisees increased 55.6% to \$37.2 million for the fifty-two weeks ended December 28, 2002 from \$23.9 million for the fifty-two weeks ended December 29, 2001. The increase was primarily driven by the growth in comparable franchise-operated bakery-cafe sales and the increased number of franchise-operated bakery-cafes described above.

Costs and Expenses

The cost of food and paper products includes the costs associated with the fresh dough facility operations that sell fresh dough products to Company-owned bakery-cafes as well as the cost of food and paper products supplied by third party vendors and distributors. The costs associated with the fresh dough facility operations that sell fresh dough products to the franchised bakery-cafes are excluded and are shown separately as fresh dough facility cost of sales to franchisees in the Consolidated Statements of Operations. The cost of food and paper products decreased to 29.7% of bakery-cafe sales for the fifty-two weeks ended December 28, 2002, compared to 30.6% of bakery-cafe sales for the fifty-two weeks ended December 29, 2001. For the fifty-two weeks ended December 28, 2002, there was an average of 27.3 bakery-cafes per fresh dough facility compared to an average of 22.6 for the fifty-two weeks ended December 29, 2001. This results in greater manufacturing and distribution efficiencies and a reduction of costs as a percentage of bakery-cafe sales. Additionally, food cost improvements resulted from better utilization of information provided by our information technology systems to manage food costs at the bakery-cafe. These efficiencies were offset in part by inefficiencies associated with the artisan bread roll out and the higher cost of flour.

Labor expense was \$63.2 million or 29.7% of bakery-cafe sales for the fifty-two weeks ended December 28, 2002 compared to \$45.8 million or 29.0% of bakery-cafe sales for the fifty-two weeks ended December 29, 2001. The labor expense as a percentage of bakery-cafe sales increased between the fifty-two weeks ended December 28, 2002 and the fifty-two weeks ended December 29, 2001 primarily as a result of increased average manager and crew staffing levels associated with our commitment to having fully staffed bakery-cafes. This also increased training costs associated with our centralized training programs. Additionally, health insurance costs increased on a year over year basis.

Occupancy costs were \$14.6 million or 6.9% of bakery-cafe sales for the fifty-two weeks ended December 28, 2002 compared to \$11.3 million or 7.2% of bakery-cafe sales for the fifty-two weeks ended December 29, 2001. The occupancy cost as a percentage of bakery-cafe sales declined for the fifty-two weeks ended December 28, 2002, due to the leveraging of these costs over higher sales volumes.

Other bakery-cafe operating expenses, which include advertising, retail field overhead, utilities, and other cafe expenses, were \$28.0 million or 13.2% of bakery-cafe sales for the fifty-two weeks ended December 28, 2002 compared to \$20.7 million or 13.1% of bakery-cafe sales for the fifty-two weeks ended December 29, 2001. The increase in other bakery-cafe operating expenses as a percentage of bakery-cafe sales for the fifty-two weeks ended December 28, 2002 is primarily due to an increase in advertising expenses.

For the fifty-two weeks ended December 28, 2002, fresh dough facility cost of sales to franchisees was \$34.0 million or 91.3% of fresh dough facility sales to franchisees compared to \$22.0 million or 92.1% of fresh dough facility sales to franchisees for the fifty-two weeks ended December 29, 2001. The decrease in the fresh

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dough facility cost of sales rate was primarily due to the lower cost of butter between 2002 and 2001. The average price of butter per pound decreased 23.7% to \$1.32 per pound from \$1.73 per pound for the fifty-two weeks ended December 28, 2002. This was offset in part by the increased cost of product purchased under the Bunge Foods sweet goods contract. The Company entered into a five-year supply agreement for sweet goods in 1998 with Bunge Foods Corporation ("Bunge"). The Company's pricing for years one through four of the contract was at Bunge's cost plus 18.07%. In year five of the contract, beginning in March of 2002, pricing changed to Bunge's cost plus 36.0%. The Company charges a transfer price of 22.1% of retail price of the underlying product to both Company-owned and franchise-operated bakery-cafes. The cost differential (difference between the price charged to the Company by Bunge and the transfer price charged by the Company to Company-owned and franchise-operated bakery-cafes) results in a profit or loss to the Company which is allocated to cost of food and paper products and fresh dough facility cost of sales to franchisees on the Company's Consolidated Statement of Operations based on the number of Company-owned or franchise-operated bakery-cafes to the total system.

Depreciation and amortization was \$14.0 million or 5.0% of total revenue for the fifty-two weeks ended December 28, 2002 compared to \$10.8 million or 5.4% of total revenue for the fifty-two weeks ended December 29, 2001. The improvement in depreciation and amortization as a percentage of total revenue for the fifty-two weeks ended December 28, 2002 compared to the fifty-two weeks ended December 29, 2001, respectively, is primarily due to the leveraging of higher bakery-cafe sales volume and the Company's adoption of SFAS No. 142. Amortization expense decreased \$1.0 million for the fifty-two weeks ended December 28, 2002, compared to the fifty-two weeks ended December 29, 2001 as a result of the elimination of goodwill amortization following the adoption of SFAS No. 142.

General and administrative expenses were \$25.0 million or 9.0% of total revenue, and \$19.6 million or 9.7% of total revenue for the fifty-two weeks ended December 28, 2002 and December 29, 2001, respectively. The decrease in the general and administrative expense rate between 2002 and 2001 results primarily from higher revenues, which help leverage general and administrative expenses.

Pre-opening expenses, which consist primarily of labor costs and food costs, were \$1.1 million or 0.4% of revenues in the fifty-two weeks ended December 28, 2002, compared to \$0.9 million or 0.5% of sales in the fifty-two weeks ended December 29, 2001. There were 23 bakery-cafes opened during the fifty-two weeks ended December 28, 2002, compared to 21 bakery-cafe openings for the fifty-two weeks ended December 29, 2001.

Operating Profit

Operating profit for the fifty-two weeks ended December 28, 2002 increased to \$34.8 million or 12.5% of total revenue from \$21.7 million or 10.8% of total revenue for the fifty-two weeks ended December 29, 2001. Operating profit for the fifty-two weeks ended December 28, 2002 rose as a result of the factors described above.

Minority Interest

Minority interest represents the portion of the Company's operating profit that is attributable to the ownership interest of our minority interest owner in the Northern Virginia/ Central Pennsylvania area.

Income Taxes

The provision for income taxes increased to \$12.5 million for the fifty-two weeks ended December 28, 2002 compared to \$8.3 million for the fifty-two weeks ended December 29, 2001. The tax provisions for the fifty-two weeks ended December 28, 2002 and December 29, 2001, reflect a combined federal, state, and local effective tax rate of 36.5% and 38.6%, respectively. The reduction in the effective tax rate for the fifty-two weeks ended December 28, 2002 as compared to the fifty-two weeks ended December 29, 2001, results from the Company's restructuring of its legal entities to better manage its intellectual property which has resulted in a lower effective state income tax rate.

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Net Income

Net income for the fifty-two weeks ended December 28, 2002 increased \$8.6 million or 65.2% to \$21.8 million or \$0.73 per diluted share compared to net income of \$13.2 million or \$0.46 per diluted share for the fifty-two weeks ended December 29, 2001. The increase in net income in 2002 was primarily due to an increase in bakery-cafe sales, franchise royalties and fees, fresh dough facility sales to franchisees as well as the leveraging of general and administrative and depreciation and amortization expenses.

Critical Accounting Policies & Estimates

The Consolidated Financial Statements and Notes to the Consolidated Financial Statements contain information that is pertinent to management's discussion and analysis. 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. The Company believes 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.

The Company recognizes revenue upon delivery of product or performance of services as follows. Bakery-cafe sales are recorded upon delivery of food and other products to a customer. In addition, fresh dough sales to franchisees are recorded upon delivery of fresh dough to franchisees. Also, franchise fees are the result of sales of area development rights and the sale of individual franchise locations to third parties. The initial franchise fee is \$35,000 per bakery-cafe to be developed under the Area Development Agreement (ADA). Of this fee, \$5,000 is paid at the time of signing of the ADA and is recognized as revenue when it is received as it is non-refundable and the Company has to perform no other service to earn this fee. The remaining \$30,000 is paid at the time an individual franchise agreement is signed and is recognized as revenue upon the commencement of franchise operations of the bakery-cafes. Royalties are paid weekly based on a percentage of sales, ranging from 4.0% to 5.0%, as defined in the agreement. Royalties are recognized as revenue when they are earned.

The Company has recorded a valuation allowance to reduce its deferred tax asset arising from capital loss carryforwards on the sale of the Au Bon Pain Division and charitable contribution carryforwards which it may not be able to utilize prior to their expiration. The Company's recorded net deferred tax asset is limited by the underlying tax benefit that it expects to ultimately realize. An adjustment to income could be required if the Company were to determine that it could realize tax benefits in amounts greater or less than the amounts previously recorded.

Intangible assets consist of goodwill arising from the excess of cost over the fair value of net assets acquired. Annually, and whenever an event or circumstance indicates it is more likely than not the Company's goodwill has been impaired, management assesses the carrying value of its recorded goodwill. The Company performs its impairment assessment by comparing discounted cash flows from acquired businesses with the carrying value of the underlying net assets inclusive of goodwill. In performing this analysis, management considers such factors as current results, trends, future prospects and other economic factors. No event has been identified indicating an impairment in the value of the Company's intangible assets.

We are self-insured for a significant portion of our workers' compensation and general, auto, and property liability insurance. We utilize third party actuarial experts' estimates of expected losses based on statistical analyses of historical industry data as well as our own estimates based on our actual historical data to determine required insurance reserves. These assumptions are closely reviewed, monitored, and adjusted when warranted by changing circumstances. Actual experience related to number of claims and cost per claim could be more or less favorable than estimated resulting in expense reduction or increase.

Other Commitments

The Company is obligated under non-cancelable operating leases for its administrative offices, fresh dough facilities, and bakery-cafes. Lease terms are generally for ten years with renewal options at most

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locations and generally require the Company to pay a proportionate share of real estate taxes, insurance, common area, and other operating costs. Many bakery-cafe leases provide for contingent rental (*i.e.* percentage rent) payments based on sales in excess of specified amounts. In addition, the Company is a prime tenant or guarantor for certain operating leases of four franchisee locations and 74 locations of the former Au Bon Pain Division, or its franchisees. The leases have terms expiring on various dates from January 31, 2004 to February 1, 2014, and the guarantees have a potential amount of future rental payments of approximately \$38.6 million. The obligation from leases or guarantees will continue to decrease over time as these operating leases expire or are not renewed. As these guarantees were initiated prior to December 31, 2002, the Company has not recorded a liability for these leases or guarantees. Also, the Company has not had to make any payments related to the leases or guarantees. Au Bon Pain and the respective franchisees continue to have primary liability for these operating leases.

In 2001, the Company, pursuant to an agreement with its former president as a minority interest owner, is developing and managing up to 50 bakery-cafes in the Northern Virginia and Central Pennsylvania markets. After October 2006, the Company and the minority interest owner each have rights which could, if exercised, permit/require the Company to purchase the bakery-cafes at contractually determined values based on multiples of cash flows. The Company has not recorded a liability for these purchase rights. Had the Company been required to repurchase the 27 bakery-cafes in operation under this agreement at December 27, 2003 at the contractually determined value based on the minority interest owner's right to sell, a payment of \$6.1 million would have been required.

The Company reached agreement with Dawn Food Products, Inc. in the first quarter of 2003 to provide sweet goods for the period 2003-2007. The agreement with Dawn is structured as a cost plus agreement.

In fiscal 2003, the Company executed Confidential and Proprietary Information and Non-Competition Agreements (Agreements) with certain employees. These Agreements contain a provision whereby employees would be due a certain number of weeks of their salary if their employment was terminated by the Company as specified in the Agreement. In accordance with SFAS 5, the Company has not recorded a liability for these amounts due employees. Rather, the Company will record a liability for these amounts when an amount becomes due to an employee. As of December 27, 2003, the total amount potentially owed employees under these Agreements was approximately \$4.5 million.

Liquidity and Capital Resources

Cash and cash equivalents were \$42.4 million at December 27, 2003 compared with \$29.9 million at December 28, 2002. The Company's principal requirements for cash are capital expenditures for the development of new bakery-cafes, for maintaining or remodeling existing bakery-cafes, for developing, remodeling, and maintaining fresh dough facilities, and for enhancements of information systems. For the fifty-two weeks ended December 27, 2003, the Company met its requirements for capital with cash from operations and proceeds from the exercise of stock options. Proceeds from the exercise of stock options totaled \$4.2 million for the fifty-two weeks ended December 27, 2003 and \$3.0 million for the fifty-two weeks ended December 28, 2002.

Funds provided by operating activities for the fifty-two weeks ended December 27, 2003 were \$68.5 million compared to \$46.3 million for the fifty-two weeks ended December 28, 2002. For 2003, funds provided consisted primarily of \$30.4 million from net income, \$19.5 from depreciation, \$6.8 million from the tax benefit from stock option exercises, and \$8.8 million from decreased deferred taxes due principally to utilization of net operating loss carryforwards. For 2002, funds provided consisted primarily of \$21.8 million from net income, \$14.0 million from depreciation, \$8.1 million from the tax benefit from stock option exercises, and \$4.2 million from decreased deferred taxes due principally to utilization of net operating loss carryforwards.

As of December 27, 2003 the Company had fully utilized all of its net operating loss carryforwards. At December 28, 2002, the Company had net operating loss carryforwards of \$17.2 million. At December 27, 2003 and December 28, 2002, the Company had federal jobs tax credit carryforwards of \$0.1 million and \$1.2 million, respectively, which expire in the years 2014-2015, and charitable contribution carryforwards of

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\$8.6 million and \$6.5 million, respectively, which expire in the years 2005-2008. In addition, the Company has federal alternative minimum tax credit carryforwards of \$3.5 million at December 27, 2003 and December 28, 2002 which are available to reduce future regular Federal income taxes over an indefinite period. The Company reevaluates the positive and negative evidence impacting the realizability of its deferred income tax assets on an annual basis. A valuation allowance of \$3.6 million and \$3.8 million at December 27, 2003 and December 28, 2002, respectively, is provided to reduce the deferred tax assets to a level which, more likely than not, will be realized. As the Company utilized its \$17.2 million of federal income tax net operating loss carryforwards in 2003, it will become a cash federal income tax payer in fiscal 2004.

As of December 27, 2003 and December 28, 2002, the Company had investments of \$9.0 million and \$9.1 million, respectively, in United States Treasury Notes and Mortgage Backed Government Notes. Investments are classified as short or long-term in the accompanying consolidated balance sheet based upon their stated maturity dates. As of December 27, 2003, all investments are classified as held-to-maturity as the Company has the intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums to maturity, which approximates fair value at December 27, 2003.

Total capital expenditures for the fifty-two weeks ended December 27, 2003 were \$41.2 million and were primarily related to the opening of 29 Company-owned bakery-cafes, the opening of 3 fresh dough facilities, and the maintaining or remodeling of existing bakery-cafes and fresh dough facilities. Additionally, the Company acquired 15 operating bakery-cafes, 2 closed bakery-cafes, and 2 bakery-cafes under construction from franchisees for \$21.0 million. The Company recorded goodwill of \$13.8 million related to these acquisitions. Total capital expenditures were \$27.1 million for the fifty-two weeks ended December 28, 2002 and were primarily related to the opening of 23 Company-owned bakery-cafes, the opening of two fresh dough facilities, and the maintaining or remodeling of existing bakery-cafes and fresh dough facilities. Additionally, the Company acquired 4 operating bakery-cafes from a franchisee for \$3.3 million. These expenditures were funded by cash from operating activities and the proceeds from the exercise of stock options.

On December 19, 2003, the Company entered into a \$10.0 million unsecured revolving line of credit (revolver). The revolver extends to December 19, 2006 and has an interest rate of LIBOR plus 0.75% to 1.5% depending on the Company's leverage ratio (approximately 1.79% to 2.5% at December 27, 2003). The revolver contains restrictions relating to future indebtedness, liens, investments, distributions, mergers, acquisition, or sale of assets and certain leasing transactions. The revolver also requires the maintenance of certain financial ratios and covenants. As of December 27, 2003, the Company was in compliance with all debt covenants. There were no outstanding borrowings under the revolver at December 27, 2003.

Financing activities provided \$6.2 million for the fifty-two weeks ended December 27, 2003 and \$5.7 million for the fifty-two weeks ended December 28, 2002. The financing activities in the fifty-two weeks ended December 27, 2003 included \$4.2 million from the exercise of stock options, \$0.8 million from the issuance of common stock under employee benefit plans, and \$1.2 million from capital investments by our minority interest owner. The financing activities for the fifty-two weeks ended December 28, 2002 included \$3.0 million from the exercise of stock options, \$0.9 million from the issuance of common stock under employee benefit plans, \$1.5 million from capital investments by our minority interest owner, and \$0.2 million in proceeds on payment of a note receivable from our minority interest owner.

The Company had working capital of \$26.1 million at December 27, 2003 and \$26.9 million at December 28, 2002. The \$0.8 million decrease and \$13.3 million increase in working capital for the fifty-two weeks ended December 27, 2003 and December 28, 2002, respectively, is net of the \$4.0 million and \$5.0 million, respectively, of the long-term portion of cash invested in government securities previously described. The Company has experienced no liquidity difficulties and has historically been able to finance its operations through internally generated cash flow, cash from the exercise of employee stock options, and, when necessary, borrowings under its revolving line of credit.

The Company currently anticipates total capital expenditures for fiscal year 2004 of approximately \$75 to \$80 million, principally for the opening of 45 to 55 new Company-owned bakery-cafes and the maintaining and remodeling of existing bakery-cafes and remodeling and expansion of existing fresh dough facilities. The

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Company expects future bakery-cafes will require, on average, an investment per bakery-cafe (excluding pre-opening expenses which are expensed as incurred) of approximately \$870,000, which is net of landlord allowance. The Company expects to fund these expenditures principally through internally generated cash flow and cash from the exercise of employee stock options supplemented, where necessary, by borrowings on its revolving line of credit.

In addition to our capital expenditure requirements, the Company has certain other contractual and committed cash obligations. Our contractual cash obligations consist of noncancelable operating leases for trucks, administrative offices, fresh dough facilities, and bakery-cafes. We expect cash expenditures under these lease obligations to be as follows:

	Payments due by period as of December 27, 2003 (in thousands)				
	In 2004	2005-2006	2007-2008	After 2008	Total
Operating Leases(1)	\$ 22,912	\$ 44,773	\$ 41,548	\$ 62,623	\$ 171,856

(1) See Note 9 to the Consolidated Financial Statements for further information.

Our commercial commitments consist of guarantees for certain of the operating leases of four franchise locations and 74 locations of the former Au Bon Pain Division, or its franchisees. The leases have terms expiring on various dates from January 31, 2004 to February 1, 2014, and the guarantees have a potential amount of future rental payments of approximately \$38.5 million. The obligation from leases or guarantees will continue to decrease over time as these operating leases expire or are not renewed. As these guarantees were initiated prior to December 31, 2002, the Company has not recorded a liability for these leases or guarantees. Also, the Company has not had to make any payments related to the leases or guarantees. Au Bon Pain and the respective franchisees continue to have primary liability for these operating leases. Potential future commitments consist of:

	Amounts committed as of December 27, 2003 (in thousands)				
	In 2004	2005-2006	2007-2008	After 2008	Total
Lease Guarantees(1)	\$ 9,220	\$ 14,416	\$ 9,401	\$ 5,528	\$ 38,565

(1) Represents aggregate minimum requirement — see Note 9 to the Consolidated Financial Statements for further information.

Our capital requirements, including development costs related to the opening or acquisition of additional bakery-cafes and fresh dough facilities and maintenance and remodel expenditures, have and will continue to be significant. Our future capital requirements and the adequacy of available funds will depend on many factors, including the pace of expansion, real estate markets, site locations, and the nature of the arrangements negotiated with landlords. The financial success or lack thereof on the part of our franchisees and minority interest owner could also affect our ability to fund our capital requirements. We believe that our cash flow from operations and the exercise of employee stock options, supplemented, where necessary, by borrowings on our revolving line of credit, will be sufficient to fund our capital requirements for the foreseeable future.

Impact of Inflation

In the past, the Company has been able to recover inflationary cost and commodity price increases through increased menu prices. There have been, and there may be in the future, delays in implementing such menu price increases, and competitive pressures may limit the Company's ability to recover such cost increases in their entirety. Historically, the effects of inflation on the Company's net income have not been materially adverse.

A majority of the Company's employees are paid hourly rates related to federal and state minimum wage laws. Although the Company has

and will continue to attempt to pass along any increased labor costs through food price increases, there can be no assurance that all such increased labor costs can be reflected in its prices or that increased prices will be absorbed by consumers without diminishing to some degree consumer spending

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at the bakery-cafes. However, the Company has not experienced to date a significant reduction in bakery-cafe profit margins as a result of changes in such laws, and management does not anticipate any related future significant reductions in gross profit margins.

Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." The primary objective of this interpretation is to provide guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable-interest entities (VIE's). This interpretation applies immediately to VIE's created after January 31, 2003 and in the first fiscal year or interim period beginning after June 15, 2003, to VIE's in which an enterprise held an interest prior to February 1, 2003. In October 2003, the FASB issued FASB Staff Position (FSP) No. FIN 46-6, "Effective Date of FASB Interpretation 46." This interpretation deferred the effective date for applying FIN 46 to an interest held in a VIE or potential VIE that was created before February 1, 2003 until the end of the first interim or annual period ending after December 15, 2003, except if the company had already issued statements reflecting a VIE in accordance with FIN 46. In December 2003, the FASB issued FASB Interpretation No. 46R (FIN 46R), "Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51." Special provisions apply to enterprises that have fully or partially applied FIN 46 prior to issuance of FIN 46R. Otherwise, application of FIN 46 and FIN 46R is required in financial statements for public entities that have interests in variable interest entities or potential variable interest entities commonly referred to as special-purpose entities for periods ending after December 15, 2003. Application by public entities for all other types of entities is required in financial statements for periods ending after March 15, 2004. Adoption of the required sections of FIN 46, as modified and interpreted, including the provisions of FIN 46R, did not have a material effect on the Company's consolidated financial statements or disclosures. The Company intends to adopt the remaining sections of this guidance when required in fiscal 2004. The Company does not expect adoption of FIN 46, as modified and interpreted, including the provisions of FIN 46R, to have a significant impact on the Company's financial statements or disclosures.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires an issuer classify a financial instrument within its scope as a liability, or an asset in some circumstances. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except that certain provisions have been deferred indefinitely pursuant to FSP No. FAS 150-3. There was no impact on the Company's financial statements upon adoption in fiscal 2003.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of December 27, 2003, the Company had no derivative financial interests or derivative commodity instruments. We do however purchase certain commodities, such as flour, butter, and coffee, for use in our business. These purchases are sometimes purchased under agreements of one to three year time frames usually at a fixed price. As a result, we are subject to market risk that current market price may be below our contractual price. However, we do not use financial instruments to hedge commodity prices.

The Company's unsecured revolving line of credit bears an interest rate using LIBOR as the basis, and therefore is subject to additional expense should there be an increase in prime or LIBOR interest rates. The Company has no foreign operations and accordingly, no foreign exchange rate fluctuation risk.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

Report of Independent Auditors

Consolidated Balance Sheets as of December 27, 2003 and December 28, 2002

Consolidated Statements of Operations for the fiscal years ended December 27, 2003, December 28, 2002, and December 29, 2001

Consolidated Statements of Cash Flows for the fiscal years ended December 27, 2003, December 28, 2002, and December 29, 2001

Consolidated Statements of Stockholders' Equity for the fiscal years ended December 27, 2003, December 28, 2002, and December 29, 2001

Notes to the Consolidated Financial Statements

Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of Panera Bread Company:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Panera Bread Company and its subsidiaries at December 27, 2003 and December 28, 2002, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 27, 2003, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, in 2003 the Company changed its method of accounting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs to conform to Statement of Financial Accounting Standards No. 143.

As discussed in Note 2 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill to conform to Statement of Financial Accounting Standards No. 142.

/s/ PRICEWATERHOUSECOOPERS LLP

St. Louis, Missouri
March 9, 2004

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PANERA BREAD COMPANY

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share information)

	December 27, 2003	December 28, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 42,402	\$ 29,924
Investments in government securities	5,019	4,102
Trade accounts receivable, less allowance of \$53 in 2003 and \$33 in 2002	9,646	7,462
Other accounts receivable	2,748	2,097
Inventories	8,066	5,191
Prepaid expenses	1,294	1,826
Deferred income taxes	1,696	8,488
Other	—	172
Total current assets	70,871	59,262
Property and equipment, net	132,651	99,313
Other assets:		
Investments in government securities	4,000	5,047
Goodwill	32,743	18,970
Deposits and other	5,678	5,554
Deferred income taxes	—	294
Total other assets	42,421	29,865
Total assets	\$ 245,943	\$ 188,440

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 8,072	\$ 5,987
Accrued expenses	35,552	24,935
Current portion of deferred revenue	1,168	1,403
Total current liabilities	44,792	32,325
Deferred income taxes	328	—
Other long-term liabilities	1,115	262
Total liabilities	46,235	32,587
Minority interest	3,771	2,197
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock, \$.0001 par value:		
Class A, 75,000,000 shares authorized; 28,296,581 issued and 28,187,581 outstanding in 2003; and 27,446,448 issued and 27,337,448 outstanding in 2002	3	3
Class B, 10,000,000 shares authorized; 1,847,221 issued and outstanding in 2003 and 1,977,363 in 2002	—	—
Treasury stock, carried at cost	(900)	(900)
Additional paid-in capital	121,992	110,120
Retained earnings	74,842	44,433
Total stockholders' equity	195,937	153,656

Total liabilities and stockholders' equity	\$ 245,943	\$ 188,440
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The accompanying notes are an integral part of the consolidated financial statements.

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PANERA BREAD COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share information)

	For the fiscal years ended		
	December 27, 2003	December 28, 2002	December 29, 2001
Revenues:			
Bakery-cafe sales	\$ 265,933	\$ 212,645	\$ 157,684
Franchise royalties and fees	36,245	27,892	19,577
Fresh dough sales to franchisees	53,708	37,215	23,856
Total revenue	355,886	277,752	201,117
Costs and expenses:			
Cost of food and paper products	73,727	63,255	48,253
Labor	81,152	63,172	45,768
Occupancy	17,990	14,619	11,345
Other operating expenses	36,804	27,971	20,729
Total bakery-cafe expenses	209,673	169,017	126,095
Fresh dough cost of sales to franchisees	47,151	33,959	21,965
Depreciation and amortization	19,487	13,965	10,839
General and administrative expenses	28,140	24,986	19,589
Pre-opening expenses	1,531	1,051	912
Total costs and expenses	305,982	242,978	179,400
Operating profit	49,904	34,774	21,717
Interest expense	48	32	72
Other expense, net	1,227	287	213
Minority interest	365	180	8
Income before income taxes and cumulative effect of accounting change	48,264	34,275	21,424
Income taxes	17,616	12,510	8,272
Income before cumulative effect of accounting change	30,648	21,765	13,152
Cumulative effect to December 28, 2002 of accounting change, net of tax benefit	(239)	—	—
Net income	\$ 30,409	\$ 21,765	\$ 13,152
Per share data:			
Basic earnings per common share:			
Before cumulative effect of accounting change	\$ 1.03	\$ 0.75	\$ 0.47
Cumulative effect of accounting change	(0.01)	—	—
Net income	\$ 1.02	\$ 0.75	\$ 0.47
Diluted earnings per common share:			
Before cumulative effect of accounting change	\$ 1.01	\$ 0.73	\$ 0.46
Cumulative effect of accounting change	(0.01)	—	—
Net income	\$ 1.00	\$ 0.73	\$ 0.46

Weighted average shares of common and common equivalent shares outstanding			
Basic	29,733	28,923	27,783
Diluted	30,423	29,891	28,886

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

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PANERA BREAD COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the fiscal years ended		
	December 27, 2003	December 28, 2002	December 29, 2001
Cash flows from operations:			
Net income	\$ 30,409	\$ 21,765	\$ 13,152
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change, net of tax	239	—	—
Depreciation and amortization	19,487	13,965	10,839
Tax benefit from exercise of stock options	6,847	8,064	8,023
Deferred income taxes	8,798	4,193	252
Minority interest	365	180	8
Other	148	113	27
Changes in operating assets and liabilities:			
Trade and other accounts receivable	(2,808)	(4,454)	(2,078)
Inventories	(2,417)	(1,675)	(998)
Prepaid expenses	538	(172)	(622)
Accounts payable	2,085	716	(125)
Accrued expenses	5,162	3,786	2,383
Deferred revenue	(497)	(137)	(636)
Other	172	(21)	335
Net cash provided by operating activities	68,528	46,323	30,560
Cash flows from investing activities:			
Purchase of investments	(4,000)	(9,200)	—
Investment maturities	4,000	—	—
Additions to property and equipment	(41,187)	(27,119)	(27,528)
Acquisitions	(20,969)	(3,267)	—
Increase in deposits and other	(126)	(529)	(271)
Other	—	—	(749)
Net cash used in investing activities	(62,282)	(40,115)	(28,548)
Cash flows from financing activities:			
Exercise of employee stock options	4,211	3,032	6,714
Proceeds from note receivable	—	248	—
Proceeds from issuance of common stock	814	923	395
Principal payments on long-term debt and computer equipment financing	—	—	(374)
Increase in deferred financing costs	(2)	—	(6)
Investments by minority interest owner	1,209	1,461	300
Net cash provided by financing activities	6,232	5,664	7,029
Net increase in cash and cash equivalents	12,478	11,872	9,041
Cash and cash equivalents at beginning of period	29,924	18,052	9,011
Cash and cash equivalents at end of period	\$ 42,402	\$ 29,924	\$ 18,052

Supplemental cash flow information:

Cash paid during the year for:					
Interest	\$	22	\$	17	\$ 32
Income taxes	\$	783	\$	424	\$ 73

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

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PANERA BREAD COMPANY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the fiscal years ended December 27, 2003, December 28, 2002, and December 29, 2001

(in thousands, except per share information)

	Common Stock \$.0001 Par Value								Total Stockholders' Equity
	Class A		Class B		Treasury Stock		Additional Paid-in Capital	Retained Earnings	
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance December 30, 2000	23,851	\$ 3	2,964	\$ —	109	\$ (900)	\$ 82,969	\$ 9,516	\$ 91,588
Exercise of employee stock options	1,760						6,714		6,714
Issuance of common stock	32						395		395
Conversion of Class B to Class A	375		(375)						—
Income tax benefit related to stock option plan							8,023		8,023
Net income	—	—	—	—	—	—	—	13,152	13,152
Balance December 29, 2001	26,018	3	2,589	—	109	(900)	98,101	22,668	119,872
Exercise of employee stock options	781						3,032		3,032
Issuance of common stock	35						923		923
Conversion of Class B to Class A	612		(612)						—
Income tax benefit related to stock option plan							8,064		8,064
Net income	—	—	—	—	—	—	—	21,765	21,765
Balance December 28, 2002	27,446	3	1,977	—	109	(900)	110,120	44,433	153,656
Exercise of employee stock options	694						4,211		4,211
Issuance of common stock	27						814		814
Conversion of Class B to Class A	130		(130)						—
Income tax benefit related to stock option plan							6,847		6,847
Net income	—	—	—	—	—	—	—	30,409	30,409
Balance December 27, 2003	28,297	\$ 3	1,847	\$ —	109	\$ (900)	\$ 121,992	\$ 74,842	\$ 195,937

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

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PANERA BREAD COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

Panera Bread Company operates a retail bakery-cafe business and franchising business under the concept names “Panera Bread Company” and “Saint Louis Bread Company.” As of December 27, 2003, the Company’s retail operations consist of 173 Company-owned bakery-cafes and 429 franchise-operated bakery-cafes. The Company specializes in meeting consumer dining needs by providing high quality food, including fresh baked goods, made-to-order sandwiches on freshly baked breads, soups, salads, custom roasted coffees, and other cafe beverages, and targets suburban dwellers and workers by offering a premium specialty bakery and cafe experience with a neighborhood emphasis. Bakery-cafes are principally located in suburban, strip mall, and regional mall locations and currently operate in 35 states. Bakery-cafes use fresh dough for their sourdough and artisan breads and bagels. Fresh dough is supplied daily by the Company’s fresh dough facilities for both Company-owned and franchise-operated bakery-cafes. As of December 27, 2003, the Company had 16 fresh dough facilities.

2. Summary of Significant Accounting Policies

Adoption of SFAS 143

Effective December 29, 2002, the Company adopted the provisions of SFAS 143, “Accounting for Asset Retirement Obligations.” SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement requires the Company to record an estimate for costs of retirement obligations that may be incurred at the end of lease terms of existing bakery-cafes or other facilities.

Beginning December 29, 2002, the Company recognizes the future cost to comply with lease obligations at the end of a lease as it relates to tangible long-lived assets in accordance with the provisions of SFAS 143. A liability for the fair value of an asset retirement obligation along with a corresponding increase to the carrying value of the related long-lived asset is recorded at the time a lease agreement is executed. The Company amortizes the amount added to property and equipment and recognizes accretion expense in connection with the discounted liability over the life of the respective lease. The estimated liability is based on experience in closing bakery-cafes and the related external cost associated with these activities. Revisions to the liability could occur due to changes in estimated retirement costs or changes in estimated lease term.

Upon adoption of SFAS 143, the Company recorded a discounted liability of approximately \$0.8 million, increased net property and equipment by approximately \$0.4 million, and recognized a one-time cumulative effect charge of approximately \$0.2 million (net of deferred tax benefit of approximately \$0.1 million). The liability is included in other long-term liabilities in the Consolidated Balance Sheets. The effects on earnings from continuing operations before cumulative effect of accounting change for the years ended December 27, 2003, December 28, 2002, and December 29, 2001, assuming adoption of SFAS 143 as of December 31, 2000, were not material to net income or related per share amounts.

Basis of Presentation and Principles of Consolidation

For the years ended December 27, 2003 and December 28, 2002, the consolidated financial statements consist of the accounts of Panera Bread Company, its wholly owned subsidiaries Panera, LLC and Pumpernickel, Inc., and its indirect consolidated subsidiaries Pumpernickel Associates, LLC, Panera Enterprises, Inc., and Artisan Bread, LLC, which has a majority interest in Cap City Bread, LLC operating 27 bakery-cafes. All intercompany balances and transactions have been eliminated in consolidation.

Certain reclassifications have been made to conform previously reported data to the current presentation.

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PANERA BREAD COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Preparation of Financial Statements

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

Cash and Cash Equivalents

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

Investments in Government Securities

Investments consist of United States Treasury notes and mortgage-backed government notes and are classified as short-term or long-term investments in the accompanying consolidated balance sheet based upon their stated maturity dates which range from July 2004 to December 2006. One mortgage-backed government note with a net carrying amount of \$4.0 million matured in fiscal 2003, the proceeds of which were used to purchase similar investments.

Management designates the appropriate classification of its investments at the time of purchase based upon its intended holding period and reevaluates such designation at each balance sheet date. At December 27, 2003, all investments are classified as held-to-maturity as the Company has the intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums to maturity using the effective interest method, which approximates fair value at December 27, 2003.

Trade and Other Accounts Receivable

Trade accounts receivable at fiscal year-end consist primarily of amounts due to the Company from its 32 franchise groups for purchases of fresh dough from the Company's fresh dough facilities and royalties due to the Company from franchisee sales. The Company does not require collateral and maintains reserves for potential uncollectible accounts, which in the aggregate have not exceeded management's expectation. Other accounts receivable consist primarily of tenant allowances due from landlords for leasehold improvements made by the Company.

Inventories

Inventories, which consist of food products, paper goods and supplies, smallwares, and promotional items, are valued at the lower of cost or market, determined under the first-in, first-out method.

Property and Equipment

Property, equipment, and leaseholds are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the remaining terms of the leases. The estimated useful lives used for financial statement purposes are:

Leasehold improvements	10-15 years
Machinery and equipment	5-10 years
Furniture and fixtures	3-7 years
Signage	6 years

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PANERA BREAD COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Interest, to the extent it is incurred, is capitalized when incurred in connection with the construction of new locations or facilities. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. No interest was incurred for such purposes in 2003, 2002, or 2001.

Upon retirement or sale, the cost of assets disposed of and their related accumulated depreciation are removed from the accounts. Any resulting gain or loss is credited or charged to operations. Maintenance and repairs are charged to expense when incurred, while betterments are capitalized.

Goodwill

Intangible assets consist of goodwill arising from the excess of cost over the fair value of net assets acquired from the acquisitions of the Saint Louis Bread Company, franchisee bakery-cafes, and a franchisee fresh dough facility.

The Company adopted Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations" for all acquisitions subsequent to June 30, 2001 and "SFAS No. 142, "Goodwill and Other Intangible Assets," effective December 30, 2001, which established new accounting and reporting standards for purchase business combinations, intangible assets and goodwill. In compliance with SFAS 141 and SFAS 142, the Company did not amortize any of the goodwill related to acquisitions subsequent to June 30, 2001 and stopped amortizing all goodwill effective December 30, 2001. SFAS 142 requires goodwill and indefinite-lived intangible assets recorded in the financial statements to be evaluated for impairment annually or when events or circumstances occur indicating that goodwill might be impaired. The Company performs its impairment assessment by comparing discounted cash flows from acquired businesses with the carrying value of the underlying net assets inclusive of goodwill. The Company completed the transitional impairment test as of December 30, 2001, and our annual impairment tests as of the first day of the fourth quarter of 2002 and 2003, none of which identified any impairment. Amortization expense was \$1.0 million for the year ended December 29, 2001.

Impairment of Long-Lived Assets

Effective December 30, 2001, the Company adopted SFAS 144, "Accounting for the Impairment of Long-Lived Assets." In accordance with SFAS 144, the Company evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The Company determines if there is an impairment by comparing undiscounted cash flows from the related long-lived assets of a bakery-cafe or fresh dough facility with their respective carrying values. The amount of an impairment is determined by comparing anticipated discounted future operating cash flows from the related long-lived assets of a bakery-cafe or a fresh dough facility with their respective carrying values. In performing this analysis, management considers such factors as current results, trends, future prospects and other economic factors. No impairment of long-lived assets was determined at December 27, 2003 and December 28, 2002.

Self-Insurance Reserves

The Company is self-insured for a significant portion of its workers' compensation and general, auto, and property liability insurance. Liabilities associated with the risks that are retained by the Company are estimated, in part, by considering historical claims experience of the Company and the industry and other actuarial assumptions. The estimated accruals for these liabilities could be affected if future occurrences and claims differ from these assumptions and historical trends. As of December 27, 2003 and December 28, 2002, these reserves were \$2.1 million and \$1.4 million, respectively, and were included in accrued expenses in the consolidated balance sheets.

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PANERA BREAD COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income Taxes

The provision for income taxes is determined in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company has recorded a valuation allowance to reduce its deferred tax assets, due principally to capital loss carryforwards on the sale of the Au Bon Pain Division and charitable contribution carryforwards that it may not be able to utilize prior to their expiration. The Company's recorded net deferred tax assets are limited by the underlying tax benefits that it expects to ultimately realize.

Capitalization of Certain Development Costs

The Company capitalizes certain internal costs associated with the development, design, and construction of new bakery-cafe locations and fresh dough facilities. Capitalized costs of \$1.9 million, \$1.4 million, and \$1.1 million for the fiscal years ended December 27, 2003, December 28, 2002, and December 29, 2001, respectively, are recorded as part of the asset to which they relate and are amortized over the asset's useful life.

Franchise Royalties and Fees and Revenue Recognition

Franchise fees are the result of the sale of area development rights and the sale of individual franchise locations to third parties. The initial franchise fee is \$35,000 per bakery-cafe to be developed under the Area Development Agreement (ADA). Of this fee, \$5,000 is paid at the time of the signing of the ADA and is recognized as revenue when it is received, as it is non-refundable and the Company has to perform no other service to earn this fee. The remaining \$30,000 is paid at the time an individual franchise agreement is signed and is recognized as revenue upon the opening of the bakery-cafe. Franchise fees were \$3.3 million, \$3.2 million and \$2.7 million for the years ended December 27, 2003, December 28, 2002, and December 29, 2001, respectively. Royalties are paid weekly based on the percentage of sales specified in each ADA (from 4.0% to 5.0% of sales). Royalties are recognized as revenue when they are earned. Royalties were \$32.9 million, \$24.7 million, and \$16.8 million for the years ended December 27, 2003, December 28, 2002, and December 29, 2001, respectively.

The Company records revenue from bakery-cafe sales upon delivery of the related food and other products to the customer. Revenue from fresh dough sales to franchisees is recorded upon delivery.

Advertising Costs

Franchised bakery-cafes contribute to the Company 0.4% of sales to a national advertising fund and 0.4% of sales as a marketing administration fee and are required to spend 2.0% of sales in their local markets on advertising. The Company contributes similar amounts from Company-owned bakery-cafes towards the national advertising fund and marketing administration fee. The national advertising fund and marketing administration fee contributions received from franchised bakery-cafes are consolidated with Company amounts in the Company's financial statements. Liabilities for unexpended funds are included in accrued expenses in the consolidated balance sheets. The Company's contributions to the national advertising fund and marketing administration fee as well as its own media costs are recorded as part of other operating expenses in the consolidated statements of operations.

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PANERA BREAD COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company's policy is to record advertising costs as expense in the period in which the cost is incurred. The total amounts recorded as advertising expense were \$7.5 million, \$5.4 million, and \$3.5 million for the years ended December 27, 2003, December 28, 2002, and December 29, 2001, respectively.

Pre-Opening Costs

All pre-opening costs directly associated with the opening of new bakery-cafe locations, which consists primarily of labor and food costs incurred during in-store training and preparation for opening, exclusive of manager training costs which are included in other operating expenses, are expensed when incurred. Direct costs to open bakery-cafes amounted to \$1.5 million, \$1.1 million and \$0.9 million in 2003, 2002, and 2001, respectively.

Fiscal Year

The Company's fiscal year ends on the last Saturday in December. The Company's fiscal year consists of 13 four-week periods, with the first, second, and third quarters ending 16 weeks, 28 weeks, and 40 weeks, respectively, into the fiscal year.

Earnings Per Share Data

Earnings per share is based on the weighted average number of shares outstanding during the period after consideration of the dilutive effect, if any, for common stock equivalents, including stock options. Earnings per common share are computed in accordance with SFAS No. 128 "Earnings Per Share," which requires companies to present basic earnings per share and diluted earnings per share. Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share are computed by dividing net income by the weighted average number of shares of common stock outstanding and dilutive securities outstanding during the year. Shares of common stock outstanding have been retroactively adjusted to give effect to the two-for-one stock split on June 24, 2002.

Fair Value of Financial Instruments

The carrying amount of the Company's accounts receivable and accounts payable approximate their fair values due to the short-term maturity of these instruments. In addition, held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums to maturity using the effective interest method, which approximates fair value at December 27, 2003.

Stock-Based Compensation

In accordance with Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," as amended by SFAS 148, "Accounting for Stock-Based Compensation — Transition and Disclosure — an Amendment of SFAS 123," the Company elected to follow the provisions of Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees," and provide the required pro forma disclosure in the footnotes to the financial statements as if the measurement provisions of SFAS 123 had been adopted. Accordingly, no compensation costs have been recognized in the Consolidated Statements of Operations for the stock option plans as the exercise price of stock options equals the market price of the underlying stock on the grant date. Had compensation costs for the Company's stock option plans been determined under the fair value based method and recognition provisions of SFAS 123 at the grant date, the Company's net income and earnings per share for the fiscal year ended December 27, 2003

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PANERA BREAD COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

and December 28, 2002, and December 29, 2001 would have been as follows (in thousands, except per share amounts):

	Fiscal year ended		
	December 27, 2003	December 28, 2002	December 29, 2001
Net income, as reported	\$ 30,409	\$ 21,765	\$ 13,152
Deduct:			
Compensation expense determined using Black-Scholes, net of tax	2,626	2,186	1,362
Pro forma net income	\$ 27,783	\$ 19,579	\$ 11,790
Net income per share:			
Basic, as reported	\$ 1.02	\$ 0.75	\$ 0.47
Basic, pro forma	\$ 0.93	\$ 0.68	\$ 0.42
Diluted, as reported	\$ 1.00	\$ 0.73	\$ 0.46
Diluted, pro forma	\$ 0.91	\$ 0.66	\$ 0.41
Weighted average shares used in compensation:			
Basic	29,733	28,923	27,783
Diluted	30,423	29,891	28,886

The effects of applying SFAS 123 in this pro-forma disclosure may not be representative of the effects on reported net income for future years.

The weighted average fair value of the options granted during 2003, 2002, and 2001 was \$15.81 per share, \$14.87 per share, and \$9.14 per share, respectively, on the date of grant using the Black-Scholes option-pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 41% in 2003 and 40% in 2002 and 2001, risk-free interest rate of 3.53% in 2003, 4.30% in 2002, and 4.88% in 2001, and an expected life of 6 years in 2003 and 7 years in 2002 and 2001.

Recently Issued Financial Accounting Standards

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." The primary objective of this interpretation is to provide guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable-interest entities (VIE's). This interpretation applies immediately to VIE's created after January 31, 2003 and in the first fiscal year or interim period beginning after June 15, 2003, to VIE's in which an enterprise held an interest prior to February 1, 2003. In October 2003, the FASB issued FASB Staff Position (FSP) No. FIN 46-6, "Effective Date of FASB Interpretation 46." This interpretation deferred the effective date for applying FIN 46 to an interest held in a VIE or potential VIE that was created before February 1, 2003 until the end of the first interim or annual period ending after December 15, 2003, except if the company had already issued statements reflecting a VIE in accordance with FIN 46. In December 2003, the FASB issued FASB Interpretation No. 46R (FIN 46R), "Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51." Special provisions apply to enterprises that have fully or partially applied FIN 46 prior to issuance of FIN 46R. Otherwise, application of FIN 46 and FIN 46R is required in financial statements for public entities that have interests in variable interest entities or potential variable interest

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PANERA BREAD COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

entities commonly referred to as special-purpose entities for periods ending after December 15, 2003. Application by public entities for all other types of entities is required in financial statements for periods ending after March 15, 2004. Adoption of the required sections of FIN 46, as modified and interpreted, including the provisions of FIN 46R, did not have a material effect on the Company's consolidated financial statements or disclosures. The Company intends to adopt the remaining sections of this guidance when required in fiscal 2004. The Company does not expect adoption of FIN 46, as modified and interpreted, including the provisions of FIN 46R, to have a significant impact on the Company's financial statements or disclosures.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires an issuer classify a financial instrument within its scope as a liability, or an asset in some circumstances. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except that certain provisions have been deferred indefinitely pursuant to FSP No. FAS 150-3. There was no impact on the Company's financial statements upon adoption in fiscal 2003.

3. Acquisitions

On January 9, 2003, the Company purchased from a franchisee substantially all of the assets of four operating bakery-cafes, as well as the area development rights for the Louisville and Lexington, Kentucky markets for a purchase price of \$5.5 million. Of the purchase price, \$5.0 million was paid in cash at the acquisition date and \$0.5 million was paid, with interest, in cash six months from the acquisition date. The acquisition price was paid with cash on hand. The Consolidated Statements of Operations include the results of operations of the four operating bakery-cafes from the date of acquisition. The pro forma impact of the acquisition on prior periods is not presented, as the impact is not material to reported results. The Company allocated the purchase price to the assets acquired in the acquisition at their estimated fair values with the remainder allocated to tax deductible goodwill as follows: \$1.7 million to fixed assets, \$0.1 million to inventories, and \$3.7 million to goodwill.

On February 1, 2003, the Company purchased from a franchisee substantially all of the assets of one operating bakery-cafe, the furniture, fixtures, and equipment of two closed locations, and the area development rights for the Dallas market for a cash purchase price of \$1.3 million with a commitment to purchase the furniture, fixtures, and equipment of an additional bakery-cafe when it is closed for approximately \$0.2 million. The acquisition price was paid with cash on hand. The Consolidated Statements of Operations include the results of operations of the one operating bakery-cafe from the date of acquisition. The pro forma impact of the acquisition on prior periods is not presented, as the impact is not material to reported results. The Company allocated the purchase price to the assets acquired in the acquisition at their estimated fair values with the remainder allocated to tax deductible goodwill as follows: \$0.9 million to fixed assets and \$0.4 million to goodwill.

On November 2, 2003, the Company purchased from a franchisee substantially all of the assets of twelve bakery-cafes, two of which were under construction, as well as the area development rights for the Toledo, Ohio and Ann Arbor, Michigan markets for a purchase price of approximately \$14.1 million plus the assumption of certain liabilities, including those associated with bakery-cafe construction. Of the purchase price, \$13.4 million was paid in cash at the acquisition date and \$0.7 million will be paid, with interest, four months from the acquisition date. The acquisition price was paid with cash on hand. The Consolidated Statements of Operations will include the results of operations from the operating bakery-cafes from the date of the acquisition. The pro forma impact of the acquisition on prior periods is not presented, as the impact is not material to reported results. The Company allocated the purchase price to the assets acquired and

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PANERA BREAD COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

liabilities assumed in the acquisition at their estimated fair values with the remainder allocated to tax deductible goodwill as follows: \$0.3 million to inventories, \$5.6 million to fixed assets, and \$1.4 million to liabilities, and \$9.6 million to goodwill.

4. Inventories

Inventories consist of the following (in thousands):

	December 27, 2003	December 28, 2002
Food:		
Fresh dough facilities	\$ 1,785	\$ 1,267
Bakery-cafes	2,040	1,381
Paper goods	377	239
Smallwares	3,158	2,198
Other	706	106
	<u>\$ 8,066</u>	<u>\$ 5,191</u>

5. Property and Equipment

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

	December 27, 2003	December 28, 2002
Leasehold improvements	\$ 88,804	\$ 69,565
Machinery and equipment	66,724	51,925
Furniture and fixtures	17,337	14,900
Signage	3,932	3,440
Construction in progress	21,349	6,568
	<u>198,146</u>	<u>146,398</u>
Less: Accumulated depreciation	<u>65,495</u>	<u>47,085</u>
Property and equipment, net	<u>\$ 132,651</u>	<u>\$ 99,313</u>

The Company recorded depreciation expense related to these assets of \$19.5 million, \$14.0 million, and \$9.9 million in 2003, 2002, and 2001, respectively.

6. Goodwill

The Company adopted SFAS No. 141, "Business Combinations," for all acquisitions subsequent to June 30, 2001 and SFAS No. 142, "Goodwill and Other Intangible Assets," effective December 30, 2001, which established new accounting and reporting standards for purchase business combinations, intangible assets and goodwill. In compliance with SFAS 141 and SFAS 142, the Company did not amortize any of the goodwill related to acquisitions subsequent to June 30, 2001 and stopped amortizing all goodwill effective

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PANERA BREAD COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

December 30, 2001. A reconciliation of earnings and earnings per share following SFAS 142 adoption is as follows (in thousands, except per share amounts; per share amounts may not add due to rounding):

	For the fiscal years ended		
	December 27, 2003	December 28, 2002	December 29, 2001
Reported net income	\$ 30,409	\$ 21,765	\$ 13,152
Add back: goodwill amortization, net of tax	—	—	607
Adjusted net income	\$ 30,409	\$ 21,765	\$ 13,759
Basic and diluted net income per common share:			
Reported net income per common share — basic	\$ 1.02	\$ 0.75	\$ 0.47
Reported net income per common share — diluted	\$ 1.00	\$ 0.73	\$ 0.46
Goodwill amortization per share — basic	\$ —	\$ —	\$ 0.02
Goodwill amortization per share — diluted	\$ —	\$ —	\$ 0.02
Adjusted net income per common share — basic	\$ 1.02	\$ 0.75	\$ 0.50
Adjusted net income per common share — diluted	\$ 1.00	\$ 0.73	\$ 0.48

The changes in the carrying amount of goodwill at December 27, 2003 and December 28, 2002 are as follows (in thousands):

	Company Bakery-Cafe Operations	Fresh Dough Operations	Total
Balance December 29, 2001	\$ 16,802	\$ 728	\$ 17,530
Jacksonville acquisition	1,440	—	1,440
Balance December 28, 2002	18,242	728	18,970
Louisville/ Lexington acquisition	3,729	—	3,729
Dallas acquisition	410	—	410
Toledo/ Michigan acquisition	9,634	—	9,634
Balance December 27, 2003	\$ 32,015	\$ 728	\$ 32,743

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PANERA BREAD COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

7. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	December 27, 2003	December 28, 2002
Compensation and employment related taxes	\$ 9,260	\$ 6,875
Capital expenditures	7,196	4,421
Rent	2,828	2,206
Advertising	—	2,037
Unredeemed gift certificates and gift cards	4,113	1,857
Insurance	2,112	1,412
Taxes, other than income tax	1,410	1,393
Other	8,633	4,734
	<u>\$ 35,552</u>	<u>\$ 24,935</u>

8. Line of Credit

On December 19, 2003, the Company entered into a \$10.0 million unsecured revolving line of credit (revolver). The revolver extends to December 19, 2006 and has an interest rate of LIBOR plus 0.75% to 1.5% depending on the Company's leverage ratio (approximately 1.79% to 2.5% at December 27, 2003). The revolver contains restrictions relating to future indebtedness, liens, investments, distributions, mergers, acquisition, or sale of assets and certain leasing transactions. The revolver also requires the maintenance of certain financial ratios and covenants. As of December 27, 2003, the Company was in compliance with all debt covenants. There were no outstanding borrowings under the revolver at that time at December 27, 2003.

The revolver replaced the Company's previous \$10.0 million unsecured revolving line of credit (old revolver). The old revolver had an interest rate of LIBOR plus 1% (approximately 2.4% and 2.9% at December 28, 2002 and December 29, 2001, respectively). The old revolver contained restrictions relating to future indebtedness, liens, investments, distributions, mergers, acquisition, or sale of assets and certain leasing transactions. The old revolver also required the maintenance of certain financial ratios and covenants and contained a commitment fee of 0.225% of the unused portion of the revolving line of credit. There were no outstanding borrowings under the old revolver at December 28, 2002. At December 28, 2002, the Company had \$9.5 million available under the old revolver with \$0.5 million utilized by outstanding letters of credit.

9. Commitments and Contingent Liabilities

The Company is obligated under non-cancelable operating leases for its trucks, administrative offices, fresh dough facilities, and bakery-cafes. Lease terms for its trucks are generally for five to seven years. Lease terms for its administrative offices, fresh dough facilities, and bakery-cafes are generally for ten years with renewal options at certain locations and generally require the Company to pay a proportionate share of real estate taxes, insurance, common area, and other operating costs. Many bakery-cafe leases provide for contingent rental (i.e., percentage rent) payments based on sales in excess of specified amounts.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Aggregate minimum requirements under non-cancelable operating leases, excluding contingent liabilities, as of December 27, 2003, were as follows (in thousands):

2004	\$ 22,912
2005	22,761
2006	22,012
2007	21,248
2008	20,300
Thereafter	62,623
	\$ 171,856

Rental expense under operating leases was approximately \$19.9 million, \$15.7 million, and \$11.8 million in 2003, 2002, and 2001, respectively, which included contingent (i.e., percentage rent) payments of \$0.6 million, \$0.3 million, and \$0.4 million, respectively.

The Company is a prime tenant or guarantor for certain operating leases of four franchisee locations and 74 locations of the former Au Bon Pain Division, or its franchisees. The leases have terms expiring on various dates from January 31, 2004 to February 1, 2014, and the guarantees have a potential amount of future rental payments of approximately \$38.6 million. The obligation from leases or guarantees will continue to decrease over time as these operating leases expire or are not renewed. As these guarantees were initiated prior to December 31, 2002, the Company has not recorded a liability for these leases or guarantees. Also, the Company has not had to make any payments related to the leases or guarantees. Au Bon Pain and the respective franchisees continue to have primary liability for these operating leases.

Future commitments as of December 27, 2003 under leases on which the Company is a guarantor were as follows (in thousands):

2004	\$ 9,220
2005	7,646
2006	6,770
2007	5,275
2008	4,126
Thereafter	5,528
	\$ 38,565

The Company, pursuant to an agreement with its former president as a minority interest owner, is developing and managing up to 50 bakery-cafes in the Northern Virginia and Central Pennsylvania markets. After October 2006, the Company and the minority interest owner each have rights which could, if exercised, permit/require the Company to purchase the bakery-cafes at contractually determined values based on multiples of cash flows. The Company has not recorded a liability for these purchase rights. Had the Company been required to repurchase the 27 bakery-cafes in operation under this agreement at December 27, 2003 at the contractually determined value based on the minority interest owner's right to sell, a payment of \$6.1 million would have been required.

The Company believes that providing bakery-cafe operators the opportunity to participate in the success of the bakery-cafe will enable the Company to attract and retain experienced and highly motivated personnel, which will result in a better customer experience. The Company developed a program and began implementation in certain markets in 2003 to allow unit general managers and multi-unit managers to own a minority interest in a bakery-cafe. Prior to full implementation of the program, the Company modified the program

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from an ownership structure to a multi-year bonus structure, which will allow operators to participate in the success of a bakery-cafe. The Company expects to continue implementation of this bonus structure where appropriate as an alternative to its traditional Company-owned or franchised bakery-cafes to facilitate the development and operation of bakery-cafes.

In March 1998, the Company entered into a multi-year supply agreement with Bunge Food Corporation (“Bunge”) for the supply of substantially all of its sweet goods. The Company’s pricing was structured as a cost plus arrangement. In November 2002, the Company signed an agreement with Dawn Food Products, Inc. (“Dawn”) to provide sweet goods for the period 2003-2007. The agreement with Dawn is also structured as a cost plus agreement. The transition from Bunge to Dawn was completed in the first quarter of fiscal 2003.

In fiscal 2003, the Company executed Confidential and Proprietary Information and Non-Competition Agreements (Agreements) with certain employees. These Agreements contain a provision whereby employees would be due a certain number of weeks of their salary if their employment was terminated by the Company as specified in the Agreement. In accordance with SFAS 5, the Company has not recorded a liability for these amounts due employees. Rather, the Company will record a liability for these amounts when an amount becomes due to an employee. As of December 27, 2003, the total amount potentially owed employees under these Agreements was approximately \$4.5 million.

The Company is subject to legal proceedings and claims which arise in the normal course of business. In the opinion of management, the ultimate liabilities with respect to these actions will not have a material adverse effect on the Company’s financial position, results of operations, or cash flow.

10. Income Taxes

The provision for income taxes attributable to income before income taxes and cumulative effect of accounting change in the consolidated statements of operations is comprised of the following (in thousands):

	December 27, 2003	December 28, 2002	December 29, 2001
Current:			
Federal	\$ 1,421	\$ —	\$ —
State	550	253	(3)
	<u>1,971</u>	<u>253</u>	<u>(3)</u>
Deferred:			
Federal	15,370	11,660	6,956
State	412	597	1,319
	<u>15,782</u>	<u>12,257</u>	<u>8,275</u>
Tax Provision	17,753	12,510	8,272
Tax benefit on cumulative effect	(137)	—	—
	<u>\$ 17,616</u>	<u>\$ 12,510</u>	<u>\$ 8,272</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A reconciliation of the statutory federal income tax rate to the effective tax rate as a percentage of income before income taxes and cumulative effect of accounting change attributable to income before cumulative effect of accounting change follows:

	2003	2002	2001
Statutory rate provision	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	1.6	1.5	4.0
Company-owned life insurance	—	0.1	0.1
Non-deductible meals and entertainment	0.3	0.3	0.3
Other, net	(0.4)	(0.4)	(0.8)
	<u>36.5%</u>	<u>36.5%</u>	<u>38.6%</u>

The reduction in the effective tax rate beginning in the year ended December 28, 2002 results from the Company's restructuring of legal entities to better manage its intellectual property, which resulted in a lower effective state income tax rate.

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

	2003	2002
Current assets/liabilities:		
Receivables reserve	\$ 19	\$ 12
Accrued expenses	1,677	2,251
Net operating loss carryforward	—	6,225
Total current	<u>1,696</u>	<u>8,488</u>
Non-current assets/liabilities:		
Property, plant, and equipment	(2,823)	(3,265)
Accrued expenses	416	412
Goodwill	(3,365)	(2,580)
Tax credit carryforward	3,598	4,688
Net operating loss carryforward	—	136
Charitable contribution carryforward	3,125	2,379
Capital loss carryforward	2,292	2,292
Total non-current	<u>3,243</u>	<u>4,062</u>
Valuation allowance	<u>(3,571)</u>	<u>(3,768)</u>
Total net deferred non-current tax asset	<u>(328)</u>	<u>294</u>
Total net deferred tax asset	<u>\$ 1,368</u>	<u>\$ 8,782</u>

A valuation allowance is provided to reduce the deferred tax assets to a level which, more likely than not, will be realized. The valuation allowance at December 27, 2003 is attributable to the potential for the non-deductibility of a capital loss carryforward related to the taxable loss on the sale of the Au Bon Pain Division and charitable contribution carryforwards. In addition to the capital loss and charitable contribution carryforwards, the valuation allowance at December 28, 2002 is attributable to the potential for the non-deductibility of net operating loss carryforwards, which were used to offset taxable income in 2003.

As of December 27, 2003, the Company had fully utilized all of its net operating loss carryforwards. At December 28, 2002, the Company had net operating loss carryforwards of approximately \$17.2 million. At

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December 27, 2003 and December 28, 2002, the Company had federal jobs tax credit carryforwards of approximately \$0.1 million and \$1.2 million, respectively, which expire in the years 2014-2015, and charitable contribution carryforwards of approximately \$8.6 million and \$6.5 million, respectively, which expire in the years 2005-2008. In addition, the Company had federal alternative minimum tax credit carryforwards of approximately \$3.5 million at December 27, 2003 and December 28, 2002 which are available to reduce future regular federal income taxes over an indefinite period. The Company reevaluates the positive and negative evidence impacting the realizability of its deferred income tax assets periodically based on annual estimates of taxable income.

11. Deposits and Other

During fiscal 1997, the Company established a deposit program with its food products and supplies distributor, which allows the Company to receive lower distribution costs. The savings exceed the carrying value of the deposit. The deposit is flexible and the Company may at times decrease the amount on deposit, at its discretion. The deposit outstanding was \$3.0 million and \$2.4 million at December 27, 2003 and December 28, 2002, respectively.

During fiscal 1994, the Company established a company-owned life insurance (“COLI”) program covering a substantial portion of its employees to help manage long-term employee benefit cost and to obtain tax deductions on interest payments on insurance policy loans. However, in 1996, tax law changes adopted as part of the Health Insurance Portability and Accountability Act significantly reduced the level of tax benefits recognized under the Company’s COLI program. As a result, the Company froze this program in 1998. It appears the program will end in 2016 based on actuarial estimates.

At December 27, 2003 and December 28, 2002, the cash surrender value of \$9.5 million and \$11.2 million, respectively, the mortality income receivable of \$1.3 million and \$2.8 million, respectively, and the insurance policy loans of \$9.5 million and \$11.1 million, respectively, related to the COLI program were netted and included in other assets in the consolidated balance sheets. Mortality income receivable represents the dividend or death benefits we are due from our insurance carrier at the respective dates. The insurance policy loans are collateralized by the cash values of the underlying life insurance policies and require interest payments at a rate of 9.9% for the year ended December 27, 2003. Interest accrued on insurance policy loans is netted with other COLI related income statement transactions in other income (expense) in the consolidated statements of operations, which netted \$0.1 million and (\$0.3) million in 2003 and 2002, respectively, the components of which are as follows (in thousands):

	2003	2002
Cash value loss	\$ (1,635)	\$ (988)
Mortality income	2,318	1,728
Interest expense	(626)	(1,017)
	<u>\$ 57</u>	<u>\$ (277)</u>

The cash value loss is the cumulative change in cash surrender value for the year and is adjusted quarterly. Mortality income is recorded periodically as charges are deducted from cash value. These amounts are recovered by the Company through payment of death benefits and mortality dividends received. Interest expense is recorded on the accrual basis.

12. Joint Venture Minority Interest Owner

In October 2001, the Company, through Artisan Bread, LLC, an indirect subsidiary (LLC), entered into a limited liability company operating agreement with its former president as a minority interest owner. The new LLC will develop and manage up to fifty bakery-cafes in the Northern Virginia and Central Pennsylvania

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

markets. The agreement entitles the minority interest owner to a specified percentage of the cash flows from the bakery-cafes developed and operated by the LLC. He is required to make mandatory capital contributions toward each bakery-cafe developed under the agreement. In addition, he may make additional voluntary contributions towards each bakery-cafe developed under the agreement and receive a proportionate increase in his share of the cash flows. Although he receives no salary for his services, he receives an operating fee equal to the difference between (a) the sum of 4% of the gross sales and \$40,000 (increased by 3.5% annually beginning in 2003) for each bakery-cafe opened by the LLC, and (b) expenses incurred by the LLC in connection with bakery-cafe operations other than license and administrative fees and expenses which relate solely to an individual bakery-cafe. Applicable expenses include, without limitation, all costs relating to district, regional, and area supervision above the store level, bakery supervision, field training, training functions, neighborhood marketing, and recruiting and relocation. Operating fee payments were \$1.4 million, \$0.5 million, and \$0.1 million in 2003, 2002, and 2001, respectively, and were classified as “Other Expense” in the Consolidated Statements of Operations. He may not sell or transfer his LLC interest to another party without the Company’s consent. If his employment with the LLC terminates within the first five years of the operating agreement, the Company has the right to purchase his LLC interest. The purchase price is established either by appraisal or by one of several formulas, depending upon the timing and reason for termination of his employment. After five years, the Company and the minority interest owner each have rights which could, if exercised, permit/require the Company to purchase the bakery-cafes at contractually determined values based on multiples of cash flows. The results of operations of these bakery-cafes have been included in the Consolidated Financial Statements since the date of formation. The former president’s interest in the LLC is reflected as minority interest.

13. Stockholders’ Equity

Common Stock

On June 6, 2002, the stockholders approved an increase in the number of authorized shares of the Company’s Class A and Class B common stock enabling the Company to complete a two-for-one common stock split in the form of a stock dividend. On June 24, 2002, stockholders received one additional share of common stock for each share of common stock held of record on June 10, 2002. The stock split has been reflected in the Consolidated Financial Statements, Notes to the Consolidated Financial Statements, and Management’s Discussion and Analysis of Financial Condition and Results of Operations. All applicable references to the number of common shares and per share information have been restated to reflect the two-for-one split on a retroactive basis.

Each share of Class B Common Stock has the same dividend and liquidation rights as each share of Class A Common Stock. The holders of Class B Common Stock are entitled to three votes for each share owned. The holders of Class A Common Stock are entitled to one vote for each share owned. Each share of Class B Common Stock is convertible, at the stockholder’s option, into Class A Common Stock on a one-for-one basis. The Company had reserved at December 27, 2003 5,887,075 shares of its Class A Common Stock for issuance upon conversion of Class B Common Stock and exercise of awards granted under the Company’s 1992 Equity Incentive Plan, Formula Stock Option Plan for Independent Directors, and 2001 Employee, Director, and Consultant Stock Option Plan.

Registration Rights

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

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Treasury Stock

In the third quarter of 2000, the Company repurchased 109,000 shares of Class A Common Stock at an average cost of \$8.25 per share.

14. Stock-Based Compensation

The Company's equity compensation plans consist of the 1992 Equity Incentive Plan, the Formula Stock Option Plan for Independent Directors, and the 2001 Employee, Director, and Consultant Stock Option Plan.

1992 Equity Incentive Plan

In May 1992, the Company adopted its Equity Incentive Plan ("Equity Plan") to replace its Non-Qualified Incentive Stock Option Plan. Under the Equity Plan, a total of 1,900,000 shares of Class A Common Stock were initially reserved for awards under the Equity Plan. The Equity Plan was subsequently amended by the Board of Directors and the stockholders to increase the number of shares available thereunder from 1,900,000 to 8,600,000. Awards under the Equity Plan can be in the form of stock options (both qualified and non-qualified), stock appreciation rights, performance shares, restricted stock, or stock units.

Formula Stock Option Plan for Independent Directors

On January 27, 1994, the Company's Board of Directors authorized the Formula Stock Option Plan for Independent Directors, as defined in the related agreement. This plan authorized a total of 300,000 shares and was adopted by stockholders on May 25, 1994. The plan authorized a one-time grant of an option to purchase 20,000 shares of the Company's Class A Common Stock at its closing price on January 26, 1994 to each independent director. Each independent director who is first elected as such after the effective date of the Directors' Plan shall receive, as of the date he or she is so elected, a one-time grant of an option to purchase 10,000 shares of Class A Common Stock at a price per share equal to the closing price of the Class A Common Stock as reported by the NASDAQ/ National Market System for the trading day immediately preceding the date of the person's election to the board. In addition, annually all independent directors serving in such capacity as of the last day of each fiscal year receive an option to purchase up to 10,000 shares of Class A Common Stock at the closing price for the day prior to the close of the fiscal year. Each option granted to the independent directors is fully vested at the grant date, and is exercisable, either in whole or in part, for 10 years following the grant date.

2001 Employee, Director, and Consultant Stock Option Plan

At the annual meeting of stockholders on June 12, 2001, the Company's 2001 Employee, Director, and Consultant Stock Option Plan was approved. Under the Company's 2001 Employee, Director, and Consultant Stock Option Plan, a total of 2,000,000 shares of Class A Common Stock were authorized for issuance.

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PANERA BREAD COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Activity under all Stock Option Plans is summarized below:

	Options	Weighted Average Exercise Price
Outstanding at December 30, 2000	4,586,798	\$ 4.07
Granted	485,800	18.08
Exercised	(1,759,604)	3.82
Cancelled	(448,488)	3.74
Outstanding at December 29, 2001	2,864,506	6.65
Granted	978,150	30.12
Exercised	(781,942)	3.87
Cancelled	(142,442)	9.67
Outstanding at December 28, 2002	2,918,272	15.10
Granted	1,173,181	35.61
Exercised	(693,498)	6.07
Cancelled	(317,000)	18.67
Outstanding at December 27, 2003	3,080,955	\$ 24.57

The following table summarizes information concerning outstanding and exercisable options at December 27, 2003:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 3.00- 8.47	698,450	3.93	\$ 3.92	557,306	\$ 3.73
\$ 8.48-19.27	314,424	4.37	15.33	63,174	13.88
\$19.28-29.30	998,306	5.64	28.00	147,001	27.16
\$29.31-36.79	666,400	5.60	34.97	80,000	36.05
\$36.80-43.15	403,375	5.75	41.86	50,000	39.50
	3,080,955	5.13	\$ 24.57	897,481	\$ 13.15

Options vest over a five-year period and must be exercised within six to ten years from the date of the grant. Of the options at December 27, 2003, December 28, 2002, and December 29, 2001, 897,481, 1,105,906, and 1,583,508, respectively, were vested and exercisable with a weighted average exercise price at December 27, 2003, December 28, 2002, and December 29, 2001, of \$13.15, \$6.48, and \$4.73, respectively.

1992 Employee Stock Purchase Plan

In May 1992, the Company adopted its 1992 Employee Stock Purchase Plan ("1992 Purchase Plan") to replace its previous Employee Stock Purchase Plan. The 1992 Purchase Plan was subsequently amended by the Board of Directors and Stockholders to increase the number of shares of Class A Common Stock reserved for issuance from 300,000 to 700,000. The 1992 Purchase Plan gives eligible employees the option to purchase Class A Common Stock (total purchases in a year may not exceed 10% of an employee's current year compensation) at 85% of the fair market value of the Class A Common Stock at the end of each calendar quarter. There were 26,493 and 35,191 shares purchased

with a weighted average fair value of purchase rights of \$5.42 and \$4.44 as of December 27, 2003 and December 28, 2002.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

15. Defined Contribution Benefit Plan

The Panera Bread Company Savings Plan (the “Plan”) was formed under Section 401(k) of the Code. The Plan covers substantially all employees who meet certain service requirements. Participating employees may elect to defer on a pre-tax basis up to 15% of his or her salary, subject to the limitations imposed by the Code. The Plan provides for a matching contribution by the Company equal to 50% of the first 3% of the participant’s eligible pay. All employee contributions vest immediately. Company matching contributions vest beginning in the second year of employment at 25% per year, and are fully vested after 5 years. The Company contributed \$0.3 million, \$0.2 million and \$0.2 million to the Plan in 2003, 2002 and 2001, respectively.

16. Business Segment Information

The Company operates three business segments. The Company Bakery-Cafe Operations segment is comprised of the operating activities of the bakery-cafes owned by the Company, which includes the majority-owned bakery-cafes. The Company-owned bakery-cafes conduct business under the Panera Bread or Saint Louis Bread Company names. These bakery-cafes sell fresh baked goods, made-to-order sandwiches on freshly baked breads, soups, salads, custom roasted coffees, and other complementary products through on-premise sales.

The Franchise Operations segment is comprised of the operating activities of the franchise business unit which licenses qualified operators to conduct business under the Panera Bread Company name and also of the costs to monitor the operations of these bakery-cafes. Under the terms of the agreements, the licensed operators pay royalties and fees to the Company in return for the use of the Panera Bread Company name.

The Fresh Dough Operations segment supplies fresh dough items and indirectly supplies proprietary sweet good items through a contract manufacturing arrangement to both Company-owned and franchise-owned bakery-cafes. The fresh dough is sold to both Company-owned and franchised bakery-cafes at a cost equal to 27% of the retail value of the product. The sales and related costs to the franchise bakery-cafes are separately stated line items in the Consolidated Statements of Operations. The operating profit related to the sales to Company-owned bakery-cafes is classified as a reduction of the costs in the food and paper products line item on the Consolidated Statements of Operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth certain bakery-cafe data relating to Company-owned and franchise-operated bakery-cafes:

	For The Fiscal Year Ended		
	December 27, 2003	December 28, 2002	December 29, 2001
Number of bakery-cafes (includes majority-owned):			
Company-owned:			
Beginning of period	132	110	90
Bakery-cafes opened	29	23	21
Acquired from franchisees(1)	15	3	—
Bakery-cafes closed	(3)	(4)	(1)
End of period	173	132	110
Franchise operated:			
Beginning of period	346	259	172
Bakery-cafes opened	102	92	88
Sold to Company(1)	(15)	(3)	—
Bakery-cafes closed	(4)	(2)	(1)
End of period	429	346	259
System-wide:			
Beginning of period	478	369	262
Bakery-cafes opened	131	115	109
Bakery-cafes closed	(7)	(6)	(2)
End of period	602	478	369

- (1) In January 2002, the Company purchased the area development rights and three existing bakery-cafes in the Jacksonville, Florida market from its franchisee. During fiscal 2003, the Company acquired 15 operating bakery-cafes and the development rights in the Louisville/Lexington, Kentucky; Dallas, Texas; Toledo, Ohio; and Ann Arbor, Michigan markets from franchisees.

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PANERA BREAD COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The accounting policies applicable to each segment are consistent with those described in Note 2, “Summary of Significant Accounting Policies.” Segment information related to the Company’s three business segments follows (in thousands):

	December 27, 2003	December 28, 2002	December 29, 2001
	(in thousands)		
Revenues:			
Company bakery-cafe operations	\$ 265,933	\$ 212,645	\$ 157,684
Franchise operations	36,245	27,892	19,577
Fresh dough operations	86,058	60,807	36,489
Intercompany sales eliminations	(32,350)	(23,592)	(12,633)
Total Revenues	\$ 355,886	\$ 277,752	\$ 201,117
Segment operating profit:			
Company bakery-cafe operations	\$ 56,261	\$ 43,628	\$ 31,590
Franchise operations	32,132	24,280	16,883
Fresh dough operations	6,557	3,256	1,892
Total segment operating profit	\$ 94,950	\$ 71,164	\$ 50,365
Total segment operating profit	\$ 94,950	\$ 71,164	\$ 50,365
Depreciation and amortization	19,487	13,965	10,839
Unallocated general and administrative expenses	24,028	21,374	16,897
Pre-opening expenses	1,531	1,051	912
Interest expense	48	32	72
Other expense, net	1,227	287	213
Minority interest	365	180	8
Income before income taxes and cumulative effect of accounting change	\$ 48,264	\$ 34,275	\$ 21,424
Segments assets:			
Company bakery-cafe operations	\$ 138,862	\$ 94,762	\$ 79,180
Franchise operations	1,117	1,372	733
Fresh dough operations	32,505	25,797	15,780
Total segment assets	\$ 172,484	\$ 121,931	\$ 95,693
Total segment assets	\$ 172,484	\$ 121,931	\$ 95,693
Unallocated trade accounts receivable	4,462	3,163	858
Unallocated inventories	558	—	—
Unallocated property and equipment	11,340	10,338	10,883
Unallocated deposits and other	2,688	3,155	3,424
Other unallocated assets	54,411	49,853	33,076
Total assets	\$ 245,943	\$ 188,440	\$ 143,934

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	December 27, 2003	December 28, 2002	December 29, 2001
		(in thousands)	
Depreciation and amortization:			
Company bakery-cafe operations	\$ 12,995	\$ 9,243	\$ 6,620
Fresh dough operations	3,742	2,387	1,316
Corporate administration	2,750	2,335	2,903
Total depreciation and amortization	\$ 19,487	\$ 13,965	\$ 10,839
Capital expenditures:			
Company bakery-cafe operations	\$ 29,082	\$ 15,349	\$ 18,418
Fresh dough operations	8,384	9,971	5,895
Corporate administration	3,721	1,799	3,215
Total capital expenditures	\$ 41,187	\$ 27,119	\$ 27,528

17. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except for per share data) as adjusted for the two-for-one stock split in June 2002:

	For the fiscal years ended		
	December 27, 2003	December 28, 2002	December 29, 2001
Amounts used for basic and diluted per share calculations:			
Income before cumulative effect of accounting change	\$ 30,648	\$ 21,765	\$ 13,152
Cumulative effect of accounting change, net of tax	(239)	—	—
Net income	\$ 30,409	\$ 21,765	\$ 13,152
Weighted average number of shares outstanding — basic	29,733	28,923	27,783
Effect of dilutive securities:			
Employee stock options	690	968	1,103
Weighted average number of shares outstanding — diluted	30,423	29,891	28,886
Basic earnings per common share:			
Before cumulative effect of accounting change	\$ 1.03	\$ 0.75	\$ 0.47
Cumulative effect of accounting change	(0.01)	—	—
Net income	\$ 1.02	\$ 0.75	\$ 0.47
Diluted earnings per common share:			
Before cumulative effect of accounting change	\$ 1.01	\$ 0.73	\$ 0.46
Cumulative effect of accounting change	(0.01)	—	—
Net income	\$ 1.00	\$ 0.73	\$ 0.46

For the years ended December 27, 2003, December 28, 2002, and December 29, 2001, outstanding options for 0.4 million, 0.3 million, and 0.3 million shares, respectively, were excluded in calculating diluted

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

earnings per share as the exercise price exceeded fair market value and inclusion would have been anti-dilutive.

18. Deferred Revenue

During 1999, the Company changed soft drink providers. As a result of this change, the Company received an upfront payment of \$2,530,000, of which approximately \$0.8 million and \$1.3 million were recorded as deferred revenue at December 27, 2003 and December 28, 2002, respectively. These funds are available for both Company-owned and franchised bakery-cafes to cover costs of conversion and transition. The upfront payments are being allocated at a rate of \$3,000 per applicable Company-owned and franchised bakery-cafe. The Company is then recognizing the \$3,000 per Company-owned bakery-cafe over the five-year life of the soft drink contract. During fiscal year 2003 and 2002, the Company paid \$187,000 and \$207,000, respectively, to franchisees relating to bakery-cafes opened during the year. As of December 27, 2003 and December 28, 2002, the deferred revenue being amortized by the Company was \$652,000 and \$410,000, respectively.

19. Selected Quarterly Financial Data (unaudited)

The following table presents selected quarterly financial data for the periods indicated (in thousands, except per share data)

	April 19, 2003	July 12, 2003	October 4, 2003	December 27, 2003
Revenues	\$ 98,631	\$ 78,550	\$ 84,028	\$ 94,677
Operating profit	12,104	9,210	11,456	17,134
Net income before cumulative effect of accounting change	7,543	5,691	7,017	10,397
Cumulative effect of accounting change	(239)	—	—	—
Net income	7,304	5,691	7,017	10,397
Basic earnings per share:				
Before cumulative effect of accounting change	\$ 0.26	\$ 0.19	\$ 0.23	\$ 0.35
Cumulative effect of accounting change	(0.01)	—	—	—
Net income	\$ 0.25	\$ 0.19	\$ 0.23	\$ 0.35
Diluted earnings per share:				
Before cumulative effect of accounting change	\$ 0.25	\$ 0.19	\$ 0.23	\$ 0.34
Cumulative effect of accounting change	(0.01)	—	—	—
Net income	\$ 0.24	\$ 0.19	\$ 0.23	\$ 0.34
	April 20, 2002	July 13, 2002	October 5, 2002	December 28, 2002
Revenues	\$ 77,005	\$ 62,274	\$ 65,471	\$ 73,001
Operating profit	8,467	6,135	8,285	11,886
Net income	5,225	3,873	5,167	7,500
Basic earnings per share				
Net income	\$ 0.18	\$ 0.13	\$ 0.18	\$ 0.26
Diluted earnings per share				
Net income	\$ 0.17	\$ 0.13	\$ 0.17	\$ 0.25

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Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

The Company maintains a system of disclosure controls and procedures designed to provide reasonable assurance that information the Company is required to disclose in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in Securities and Exchange Commission rules and forms. The Company's management, with the participation of its chief executive officer and its chief financial officer, evaluated the effectiveness of its disclosure controls and procedures as of December 27, 2003. Based on that evaluation, the Company's chief executive officer and chief financial officer have concluded that, as of such date, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 27, 2003, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

We incorporate the information under the heading "Management" in our Proxy Statement relating to our 2004 Annual Meeting of Shareholders (the "Proxy Statement") by reference in this Report. We incorporate the information regarding compliance with Section 16 of the Securities Exchange Act of 1934, as amended, under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement by reference in this Report.

Item 11. *Executive Compensation*

The information under the heading "Executive Compensation" in the Proxy Statement (but excluding the "Report of the Compensation and Stock Option Committee" on executive compensation and the "Comparison of Cumulative Total Return") is incorporated by reference in this Report. The information under the headings "Management — Compensation Committee Interlocks and Insider Participation", "Management — Compensation of Directors", and "Management — Employment Arrangements with Executive Officers" in the Proxy Statement is incorporated by reference in this Report.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

We incorporate the information concerning holdings of our common stock by certain beneficial owners contained under the heading "Ownership of our Common Stock" in our Proxy Statement by reference in this Report.

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Securities authorized for issuance under equity compensation plans.

This table summarizes information about our equity compensation plans (including individual compensation arrangements) which authorize the issuance of equity securities as of December 27, 2003.

	Number of Securities to be Issued Upon Exercise of Outstanding Options(1)	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Plan Category:			
Equity Compensation Plans Approved by Security Holders(2)	3,080,955	\$ 24.57	1,182,643
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	3,080,955	\$ 24.57	1,182,643

(1) Number of shares is subject to adjustment for changes in capitalization such as stock splits, stock dividends and similar events.

(2) Consists of the 2001 Employee, Director, and Consultant Stock Option Plan, 1992 Employee Stock Purchase Plan, 1992 Equity Incentive Plan, and the Formula Stock Option Plan for Independent Directors.

Item 13. *Certain Relationships and Related Transactions*

None.

Item 14. *Principal Accounting Fees and Services*

The information under the heading “Ratification of Choice of Independent Public Accountants” in the Proxy Statement is incorporated by reference in this Report.

PART IV

Item 15. *Exhibits, Financial Statement Schedules, and Reports on Form 8-K*

(a) 1. *Financial Statements*

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

Report of Independent Auditors

Consolidated Balance Sheets as of December 27, 2003 and December 28, 2002.

Consolidated Statements of Operations for the fiscal years ended December 27, 2003, December 28, 2002, and December 29, 2001.

Consolidated Statements of Cash Flows for the fiscal years ended December 27, 2003, December 28, 2002, and December 29, 2001.

Consolidated Statements of Stockholders' Equity for the fiscal years ended December 27, 2003, December 28, 2002, and December 29, 2001.

Notes to the Consolidated Financial Statements.

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(a) 2. Financial Statement Schedule

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

Schedule II — Valuation and Qualifying Accounts

PANERA BREAD COMPANY

VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Description	Balance at beginning of period	Additions- charged to expense	Deductions	Balance at end of period
Allowance for Doubtful Accounts:				
Fiscal Year Ended December 29, 2001	\$ 86	\$ 27	\$ 46	\$ 67
Fiscal Year Ended December 28, 2002	\$ 67	\$ 51	\$ 85	\$ 33
Fiscal Year Ended December 27, 2003	\$ 33	\$ 27	\$ 7	\$ 53
Deferred Tax Valuation Allowance:				
Fiscal Year Ended December 29, 2001	\$ 4,619	\$ —	\$ —	\$ 4,619
Fiscal Year Ended December 28, 2002	\$ 4,619	\$ —	\$ 851	\$ 3,768
Fiscal Year Ended December 27, 2003	\$ 3,768	\$ —	\$ 197	\$ 3,571
Insurance Reserves				
Fiscal Year Ended December 29, 2001	\$ 803	\$ 1,560	\$ 1,430	\$ 933
Fiscal Year Ended December 28, 2002	\$ 933	\$ 2,750	\$ 2,267	\$ 1,416
Fiscal Year Ended December 27, 2003	\$ 1,416	\$ 4,009	\$ 3,336	\$ 2,089

(a) 3. Exhibits

See Exhibit Index incorporated into this item by reference.

(b) Reports on Form 8-K

Form 8-K (items 12, 7, and 9) filed on October 16, 2003, with respect to comparable store sales and average weekly sales.

Form 8-K (items 12, 7, and 9) filed on October 30, 2003, announcing third quarter earnings.

Form 8-K (items 12, 7, and 9) filed on November 13, 2003, with respect to comparable store sales and average weekly sales.

Form 8-K (items 12, 7 and 9) filed on December 11, 2003, with respect to comparable store sales and average weekly sales.

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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.

PANERA BREAD COMPANY

By: /s/ RONALD M. SHAICH

Ronald M. Shaich
Chairman and Chief Executive Officer

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ RONALD M. SHAICH	Chairman and Chief Executive Officer	March 10, 2004
Ronald M. Shaich		
/s/ GEORGE E. KANE	Director	March 10, 2004
George E. Kane		
/s/ DOMENIC COLASACCO	Director	March 10, 2004
Domenic Colasacco		
/s/ LARRY J. FRANKLIN	Director	March 10, 2004
Larry J. Franklin		
/s/ THOMAS E. LYNCH	Director	March 10, 2004
Thomas E. Lynch		
/s/ FRED K. FOULKES	Director	March 10, 2004
Fred K. Foulkes		
/s/ MARK E. HOOD	Senior Vice President, Chief Financial Officer (Chief Accounting Officer)	March 10, 2004
Mark E. Hood		

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EXHIBIT INDEX

Exhibit Number	Description
2.1.1	Stock Purchase Agreement dated August 12, 1998 by and between the Company, ABP Holdings, Inc. and ABP Corporation. Incorporated by reference to the Company's Special Report on Form 8-K filed August 21, 1998.
2.1.2	Amendment to Stock Purchase Agreement dated October 28, 1998 by and among the Company, APB Holdings, Inc. and ABP Corporation. Incorporated by reference to the Company's Special Report on Form 8-K filed November 6, 1998.
3.1	Certificate of Incorporation of Registrant, as amended through June 7, 2002. Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 13, 2002.
3.2	Bylaws of Registrant, as amended to date. *
4.1.1	Revolving Credit Agreement dated as of December 19, 2003 by and between Panera, LLC, as Borrower, and Bank of America, N.A., as Lender. *
10.1	Registrant's 1992 Employee Stock Purchase Plan. Incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 29, 2001.†
10.2	Registrant's Formula Stock Option Plan for Independent Directors, as amended. Incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 29, 2001.†
10.3	Registrant's 1992 Equity Incentive Plan. Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 29, 2001.†
10.4	Registrant's 2001 Employee, Director and Consultant Stock Option Plan. Incorporated by reference to Appendix B to the Registrant's Proxy Statement on Schedule 14A for the 2001 Annual Meeting of Shareholders.†
10.5	Operating Agreement for Cap City Bread, LLC. Incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 29, 2001.
10.5.1	First Amendment to the Operating Agreement for Cap City Bread, LLC dated March 5, 2002. Incorporated by reference to Exhibit 10.5.1 to the Company's Quarterly Report on Form 10-Q for the period ended April 20, 2002.
10.6.1	Employment Letter between the Registrant and Michael Kupstas. Incorporated by reference to Exhibit 10.6.6 of the Registrant's Annual Report on Form 10-K for the year ended.†
10.6.2	Employment Letter between the Registrant and Diane Parsons-Salem, dated as of February 16, 2001. Incorporated by reference to Exhibit 10.6.11 to the Company's Quarterly Report on Form 10-Q for the period ended April 21, 2001.†
10.6.3	Employment Letter between the Registrant and Thomas C. Kish, dated as of April 5, 2001. Incorporated by reference to Exhibit 10.6.12 to the Company's Quarterly Report on Form 10-Q for the period ended July 14, 2001.†
10.6.4	Employment Letter between the Registrant and Michael Nolan, dated as of July 26, 2001. Incorporated by reference to Exhibit 10.6.13 to the Company's Quarterly Report on Form 10-Q for the period ended October 6, 2001.†
10.6.5	Employment Letter between the Registrant and Mariel Clark, dated as of April 2, 2002. Incorporated by reference to Exhibit 10.6.15 to the Company's Quarterly Report on Form 10-Q for the period ended April 20, 2002.†
10.6.6	Employment Letter between the Registrant and Mark Hood, dated as of July 2, 2002. Incorporated by reference to Exhibit 10.6.16 to the Company's Quarterly Report on Form 10-Q for the period ended July 13, 2002.†
10.6.7	Employment Letter between the Registrant and Mark Borland, dated as of August 2, 2002. Incorporated by reference to Exhibit 10.6.17 to the Company's Quarterly Report on Form 10-Q for the period ended October 5, 2002.†

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Exhibit Number	Description
10.6.8	Employment Letter between the Registrant and Paul Twohig, dated as of October 29, 2002. Incorporated by reference to Exhibit 10.6.18 to the Company's Annual Report on Form 10-K for the year ended December 28, 2002.†
10.6.9	Employee and Consultant Non-Qualified Stock Option Agreement between the Registrant and Paul Twohig, dated as of June 5, 2003. Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 12, 2003.†
10.6.10	Confidential and Propriety Information and Non-Competition Agreement between the Registrant and Neal Yanofsky, dated June 5, 2003. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 12, 2003.†
10.6.11	Employee and Consultant Non-Qualified Stock Option Agreement between the Registrant and Neal Yanofsky, dated as of June 5, 2003. Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 12, 2003. †
10.6.12	Form of Panera, L.L.C. Confidential and Proprietary Information and Non-Competition Agreement executed by Senior Vice Presidents. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 4, 2003.†
10.7	Lease and Construction Exhibit between Bachelor Foods, Inc., the Lessor, and Panera, Inc., the Lessee, dated September 7, 2000. Incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K for the year ended December 30, 2000.
10.8	Bakery product supply agreement by and between Dawn Food Products, Inc., and Panera, LLC, dated November 1, 2002. Incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 28, 2002.
21	Registrant's Subsidiaries.*
23.1	Consent of Independent Accountants.*
31.1	Certification by Chief Executive Officer.*
31.2	Certification by Chief Financial Officer.*
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer and Chief Financial Officer.*

* Filed herewith.

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

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As Amended through
March 5, 2004

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OF
AMENDED AND RESTATED BY-LAWS
OF
PANERA BREAD COMPANY
(formerly Au Bon Pain Co., Inc.)

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AMENDED AND RESTATED BY-LAWS
ARTICLE I

Certificate of Incorporation

The name and purposes of the Corporation shall be as set forth in the Certificate of Incorporation. These By-Laws, the powers of the Corporation and its Directors and Stockholders, and all matters concerning the conduct and regulation of the business of the Corporation, shall be subject to the provisions in regard thereto, if any, as are set forth in the Certificate of Incorporation. All references in these By-Laws to the Certificate of Incorporation shall be construed to mean the Certificate of Incorporation of the Corporation as from time to time as amended or restated.

ARTICLE II

Fiscal Year

Except as from time to time otherwise determined by the Directors, the fiscal year of the Corporation shall in each year end on the last Saturday of December.

ARTICLE III

Meetings of Stockholders

Section 1. Annual Meetings

The annual meeting of the Stockholders shall be held at the hour, date and place fixed by the Board of Directors or a Co-Chairman and stated in the notice of the meeting, which hour, date and place may subsequently be changed at any time by vote of the Board of Directors. The purpose for which the annual meeting is to be held, in addition to those prescribed by law, by the Certificate of Incorporation or these By-Laws, may be specified by the Board of Directors or a Co-Chairman. If no annual meeting has been held for a period of thirteen months after the end of the Corporation's last annual meeting of

stockholders, a special meeting in lieu thereof may be held and such special meeting shall have for the purposes of these By-Laws or otherwise all the force and effect of annual meeting. Unless otherwise expressly provided to the contrary, any and all references hereafter in these By-laws to an annual meeting or annual meetings shall also be deemed to refer to any special meeting(s) in lieu thereof.

Section 2. Special Meetings

A special meeting of the Stockholders may be called at any time only by a Co-Chairman, or by a majority of the Directors acting by vote or by written instrument or instruments signed by them. Such call shall state the hour, date, place, and purpose of the meeting.

Section 3. Place of Meetings

All meetings of the Stockholders shall be held at the principal office of the Corporation in Massachusetts, unless a different place in Massachusetts or, if permitted by the Certificate of Incorporation, elsewhere in the United States, is designated by either a Co-Chairman or by a majority vote of the Directors acting by vote or by written instrument or instruments signed by them, and stated in the notice of the meeting. Any adjourned session of any meeting of the Stockholders shall be held at such place within Massachusetts or, if permitted by the Certificate of Incorporation, elsewhere within the United States as is designated in the vote of adjournment. At a special meeting of stockholders, only such business shall be conducted, and only such proposals shall be acted upon, as shall have been stated in the written notice of the special meeting and otherwise properly brought before the special meeting.

Section 4. Matters to be Considered at an Annual Meeting

At any annual meeting of stockholders or any special meeting in lieu of annual

meeting of stockholders (the "Annual Meeting"), only such business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before such Annual Meeting. To be considered as properly brought before an Annual Meeting, business must be: (a) specified in the notice of meeting, (b) otherwise properly brought before the meeting by, or at the direction of, the Board of Directors, or (c) otherwise properly brought before the meeting by any holder of record (both as of the time notice of such proposal is given by the stockholder as set forth below and as of the record date for the Annual Meeting in question) of any shares of capital stock of the Corporation entitled to vote at such Annual Meeting who complies with the requirements set forth in this Section 4.

In addition to any other applicable requirements, for business to be properly brought before an Annual Meeting by a stockholder of record of any shares of capital stock entitled to vote at such Annual Meeting, such stockholder shall: (i) give timely notice as required by this Section 4 to the Secretary of the Corporation and (ii) be present at such meeting, either in person or by a representative. A stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not less than 60 days nor more than 150 days prior to the anniversary date of the immediately preceding Annual Meeting (the "Anniversary Date"); provided, however, that in the event the Annual Meeting is scheduled to be held on a date more than 30 days before the Anniversary Date or more than 60 days after the Anniversary Date, a stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not later than the close of business on the later of (A) the 60th day prior to the scheduled date of such Annual Meeting or (B) the 10th day following the day on which public announcement of the date of such Annual Meeting is first made by the Corporation.

For all purposes of these By-laws, including without limitation,
Section 3 of Article

IV of these By-Laws, "public announcement" shall mean: (i) disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service, (ii) a report or other document filed publicly with the Securities and Exchange Commission (including, without limitation, a Form 8-K), or (iii) a letter or report sent to stockholders of record of the Corporation at the time of the mailing of such letter or report.

A stockholder's notice to the Secretary shall set forth as to each matter proposed to be brought before an Annual Meeting (other than a stockholder proposal made pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")): (i) a brief description of the business the stockholder desires to bring before such Annual Meeting and the reasons for conducting such business at such Annual Meeting, (ii) the name and address, as they appear on the Corporation's stock transfer books, of the stockholder proposing such business, (iii) the class and number of shares of the Corporation's capital stock beneficially owned by the stockholder proposing such business, (iv) the names and addresses of the beneficial owners, if any, of any capital stock of the Corporation registered in such stockholder's name on such books, and the class and number of shares of the Corporation's capital stock beneficially owned by such beneficial owners, (v) the names and addresses of other stockholders known by the stockholder proposing such business to support such proposal, and the class and number of shares of the Corporation's capital stock beneficially owned by such other stockholders, and (vi) any material interest of the stockholder proposing to bring such business before such meeting (or any other stockholders known to be supporting such proposal) in such proposal.

If the Board of Directors or a designated committee thereof determines that any stockholder proposal was not made in a timely fashion in accordance with the provisions of this Section 4 or that the information provided in a stockholder's notice does not satisfy the

information requirements of this Section 4 in any material respect, such proposal shall not be presented for action at the Annual Meeting in question. If neither the Board of Directors nor such committee makes a determination as to the validity of any stockholder proposal in the manner set forth above, the presiding officer of the Annual Meeting shall determine whether the stockholder proposal was made in accordance with the terms of this Section 4. If the presiding officer determines that any stockholder proposal was not made, in a timely fashion in accordance with the provisions of this Section 4 or that the information provided in a stockholder's notice does not satisfy the information requirements of this Section 4 in any material respect, such proposal shall not be presented for action at the Annual Meeting in question. If the Board of Directors, a designated committee thereof or the presiding officer determines that a stockholder proposal was made in accordance with the requirements of this Section 4, the presiding officer shall so declare at the Annual Meeting and ballots shall be provided for use at the meeting with respect to such proposal.

Notwithstanding the foregoing provisions of this Section 4, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 4. Nothing in this Section 4 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 5. Notice of Meetings; Adjournments

Unless otherwise provided by law, by these By-Laws or by the Certificate of Incorporation, written notice of the place, date and hour of all meetings of the Stockholders and stating the purposes of the meeting shall be given at least ten (10) and not more than sixty (60) days before the meeting to each Stockholder who is entitled to vote thereat and to each Stockholder who is otherwise entitled by law or by the Certificate of Incorporation to

such notice, by leaving such notice with him or at his residence or usual place of business, or by mailing it, postage prepaid, and addressed to such Stockholder at the address of such Stockholder as it appears in the stock transfer records of the Corporation. Such notice shall be deemed to have been delivered when hand delivered to such address or when deposited in the mail so addressed with postage prepaid and shall be given by the Secretary, or in case of the death, absence, incapacity or refusal of the Secretary, by any other officer or by a person designated either by the Secretary, by the person or persons calling the meeting or by the Board of Directors. Whenever notice of a meeting is required to be given a Stockholder under any provision of law, of the Certificate of Incorporation, or of these By-Laws, a written waiver thereof, executed before or after the meeting by such Stockholder or his attorney thereunto authorized, and filed with the records of the meeting, or the attendance of such stockholder at such meeting other than for the express purpose of objecting at the beginning of the meeting to the transaction of any business on grounds that the meeting was not lawfully called or convened, shall be deemed equivalent to such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of stockholders need be specified in any written waiver of notice.

The Board of Directors may postpone and reschedule any previously scheduled annual or special meeting of stockholders, and a record date with respect thereto, regardless of whether any notice or public disclosure with respect to any such meeting or record date has been sent or made pursuant to Section 4 of this Article III or Section 3 of Article IV hereof or otherwise. In no event shall the public announcement of an adjournment, postponement or rescheduling of any previously scheduled Annual Meeting of Stockholders commence a new time period for the giving of a stockholder's notice under Section 4 of Article III and Section 3 of Article IV of these By-laws.

When any meeting is convened, the presiding officer may adjourn the meeting if (a) no quorum is present for the transaction of business, (b) the Board of Directors determines that adjournment is necessary or appropriate to enable the stockholders to consider fully information that the Board of Directors determines has not been made sufficiently or timely available to stockholders, or (c) the Board of Directors determines that adjournment is otherwise in the best interests of the Corporation. When any annual or special meeting of stockholders is adjourned to another hour, date or place, notice need not be given of the adjourned meeting other than an announcement at the meeting at which the adjournment is taken of the hour, date and place to which the meeting is adjourned.

Section 6. Quorum

At any meeting of the Stockholders, a quorum shall consist of a majority of the voting power of all classes of the capital stock of the Corporation issued and outstanding and entitled to vote at the meeting, represented in person or by proxy; except that if two or more classes or series of stock are entitled to vote on any matter as separate classes or series, then in the case of each such class or series a quorum for that matter shall consist of a majority of the voting power of all stock of that class or series issued and outstanding; and except when a larger quorum is required by law, by the Certificate of Incorporation or by these By-Laws. Stock owned directly or indirectly by the Corporation, if any, shall not be deemed outstanding for this purpose. If less than a quorum is present at any such meeting, the holders of a majority of the voting power of all classes of stock issued, outstanding and entitled to vote at such meeting that are present in person or by proxy at such meeting or the presiding officer of the meeting may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice other than an announcement at the meeting at which the adjournment is taken of the hour, date and place

to which the meeting is adjourned. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. The stockholders present at a duly constituted meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 7. Action by Vote

When a quorum is present at any meeting, any matter other than elections that is properly before any annual or special meeting of stockholders shall be decided by vote of the holders of a majority of the votes of all classes of stock that are present at such meeting in person or by proxy and entitled to be cast at the meeting, voting together as a single class, except where a different vote is required by law, by the Certificate of Incorporation or by these By-Laws. Any election by stockholders shall be determined by vote of the holders of a plurality of the votes of all classes of stock that are present at such meeting in person or by proxy and entitled to be cast at the meeting, voting together as a single class, except when a different vote is required by law, by the Certificate of Incorporation or by these By-Laws. No ballot shall be required for any election unless requested by a Stockholder present or represented at the meeting and entitled to vote in the election.

Section 8. Voting

Stockholders entitled to vote shall have one vote for each share of stock entitled to vote held by them of record according to the records of the Corporation and a proportionate vote for a fractional share, unless otherwise provided by the Certificate of Incorporation. The Corporation shall not, directly or indirectly, vote any share of its own stock.

Section 9. Action by Consent

Any action required or permitted to be taken at any meeting of the Stockholders

may be taken without a meeting if a number equaling not less than the number of votes that would be necessary to authorize or take such action at a meeting, of the Stockholders entitled to vote on the matter consent to the action in a signed writing and the written consents are delivered to the Corporation and are filed with the records of the meetings of Stockholders and prompt notice of the taking of such corporate action without a meeting by less than unanimous written consent is given to those Stockholders who have not consented in writing. Such consents shall be treated for all purposes as a vote at a meeting.

Section 10. Proxies

Stockholders entitled to vote may vote either in person or by proxy in writing dated not more than six months before the meeting named therein, which proxies shall be filed with the Secretary or other person responsible to record the proceedings of the meeting before being voted. Unless otherwise specifically limited by their terms or as otherwise provided by law, such proxies shall entitle the holders thereof to vote at any adjournment of such meeting but shall not be valid after the final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by any one of them, unless at or prior to exercise of the proxy the Corporation receives a specific written notice to the contrary from any one of them. A proxy purporting to be executed by or on behalf of a Stockholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger. Proxies shall be filed with the presiding officer of the meeting or his designee before being voted.

Section 11. Presiding Officer

A Co-Chairman, or in the absence of both such officers, the Chief Executive Officer, shall preside at all annual or special meetings of stockholders and shall have the

power, among other things, to adjourn such meeting at any time and from time to time, subject to Sections 4 and 6 of this Article III. The order of business and all other matters of procedure at any meeting of the stockholders shall be determined by the presiding officer.

Section 12. Voting Procedures and Inspectors of Elections

The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the presiding officer shall appoint one or more inspectors to act at the meeting. Any inspector may, but need not, be an officer, employee or agent of the Corporation. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath complying with applicable law. The inspector shall perform such duties as are required by the Delaware General Corporation Law, as amended from time to time, including the counting of all votes and ballots. The inspectors may, with the approval of the presiding officer, appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. The presiding officer may review all determinations made by the inspectors, and in so doing the presiding officer shall be entitled to exercise his sole judgment and discretion and he shall not be bound by any determination made by the inspector(s). All determinations by the inspector(s) and, if applicable, the presiding officer, shall be subject to further review by any court of competent jurisdiction.

ARTICLE IV

Directors

Section 1. Powers

The business of the Corporation shall be managed by a Board of Directors who

shall have and may exercise all the powers of the Corporation except as otherwise reserved to the Stockholders by law, by the Certificate of Incorporation or by these By-Laws. In the event of a vacancy in the Board of Directors, the remaining Directors, except as otherwise provided by law or the Certificate of Incorporation, may exercise the power of the full Board until the vacancy is filled.

Section 2. Number and Resignation.

The Board of Directors shall consist of not less than three Directors and not more than fifteen Directors, with the number and classes of Directors determined from time to time by a majority of the Directors then in office. A Director may resign at any time by written notice to the Board of Directors. In addition to the Directors specified above, the Directors may appoint an honorary "Director Emeritus," which shall be an advisory position, with no voting rights.

Section 3. Director Nominations

Nominations of candidates for election as Directors of the Corporation at any Annual Meeting may be made (a) by, or at the direction of, a majority of the Board of Directors or (b) by any holder of record (both as of the time notice of such nomination is given by the stockholder as set forth below and as of the record date for the Annual Meeting in question) of any shares of the capital stock of the Corporation entitled to vote at such Annual Meeting who complies with the procedures set forth in this Section 3. Any stockholder who seeks to make such a nomination or his representative must be present in person at the Annual Meeting. Only persons nominated in accordance with the procedures set forth in this Section 3 shall be eligible for election as Directors at an Annual Meeting.

Nominations, other than those made by, or at the direction of, the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the

Corporation as set forth in this Section 3. A stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not less than 60 days nor more than 150 days prior to the Anniversary Date; provided, however, that in the event the Annual Meeting is scheduled to be held on a date more than 30 days before the Anniversary Date or more than 60 days after the Anniversary Date, a stockholder's notice shall be timely if delivered to, or mailed and received by, the Corporation at its principal executive office not later than the close of business on the later of (i) the 60th day prior to the scheduled date of such Annual Meeting or (ii) the 10th day following the day on which public announcement of the date of such Annual Meeting is first made by the Corporation.

A stockholder's notice to the Secretary shall set forth as to each person whom the stockholder proposes to nominate for election or re-election as a Director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation's capital stock which are beneficially owned by such person on the date of such stockholder notice, and (iv) the consent of each nominee to serve as a Director if elected. A stockholder's notice to the Secretary shall further set forth as to the stockholder giving such notice (i) the name and address, as they appear on the Corporation's stock transfer books, of such stockholder and of the beneficial owners (if any) of the Corporation's capital stock registered in such stockholder's name and the name and address of other stockholders known by such stockholder to be supporting such nominee(s), (ii) the class and number of shares of the Corporation's capital stock which are held of record, beneficially owned or represented by proxy by such stockholder and by any other stockholders known by such stockholder to be supporting such nominee(s) on the record date for the Annual Meeting in

question (if such date shall then have been made publicly available) and on the date of such stockholder's notice, and (iii) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder.

If the Board of Directors or a designated committee thereof determines that any stockholder nomination was not timely made in accordance with the terms of this Section 3 or that the information provided in a stockholder's notice does not satisfy the informational requirements of this Section 3 in any material respect, then such nomination shall not be considered at the Annual Meeting in question. If neither the Board of Directors nor such committee makes a determination as to whether a nomination was made in accordance with the provisions of this Section 3, the presiding officer of the Annual Meeting shall determine whether a nomination was made in accordance with such provisions. If the presiding officer determines that any stockholder nomination was not timely made in accordance with the terms of this Section 3 or that the information provided in a stockholder's notice does not satisfy the informational requirements of this Section 3 in any material respect, then such nomination shall not be considered at the Annual Meeting in question. If the Board of Directors, a designated committee thereof or the presiding officer determines that a nomination was made in accordance with the terms of this Section 3, the presiding officer shall so declare at the Annual Meeting and ballots shall be provided for use at the meeting with respect to such nominee.

Notwithstanding anything to the contrary in the second sentence of the second paragraph of this Section 3, in the event that the number of Directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by

the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 75 days prior to the Anniversary Date, a stockholder's notice required by this Section 3 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if such notice shall be delivered to, or mailed to and received by, the Corporation at its principal executive office not later than the close of business on the 15th day following the day on which such public announcement is first made by the Corporation.

No person shall be elected by the stockholders as a Director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3. Election of Directors at the Annual Meeting need not be by written ballot, unless otherwise provided by the Board of Directors or presiding officer at such Annual Meeting. If written ballots are to be used, ballots bearing the names of all the persons who have been nominated for election as Directors at the Annual Meeting in accordance with the procedures set forth in this Section 3 shall be provided for use at the Annual Meeting.

Section 4. Regular Meetings

Regular meetings of the Board of Directors may be held at such times and places within or without the State of Delaware as the Board of Directors may from time to time fix and, when so fixed, no notice thereof need be given, provided that any Director who is absent when such times and places are fixed shall be given notice as provided in Section 6 of this Article IV of the fixing of such times and places, and provided further that any resolution relating to the holding of regular meetings shall remain in force only until the next annual meeting of Stockholders. The first meeting of the Board of Directors following the annual meeting of the Stockholders may be held without notice immediately after and at the same place as the annual meeting of the Stockholders or the special meeting held in lieu

thereof. If in any year a meeting of the Board of Directors is not held at such time and place, any action to be taken may be taken at any later meeting of the Board of Directors with the same force and effect as if held or transacted at such meeting.

Section 5. Special Meetings

Special meetings of the Directors may be held at any time and at any place designated in the call of the meeting, when called by a Co-Chairman or the Treasurer or by the Secretary or by two Directors and shall be held at the place designated in the call thereof.

Section 6. Notices

Notices of any special meeting of the Directors shall be given by the Secretary to each Director, (a) by mailing to him, postage prepaid, and addressed to him at his last known home or business address, a written notice of such meeting at least forty-eight (48) hours before the meeting or (b) by delivering such notice to him at least twenty-four (24) hours before the meeting or (c) or delivering by telephone or by facsimile sent to him at his last known telephone or facsimile number, notice of such meeting at least twenty-four (24) hours before the meeting or (d) by sending to him at least twenty-four (24) hours before the meeting, by prepaid telegram addressed to him at such address, notice of such meeting. If the Secretary refuses or neglects for more than twenty-four (24) hours after receipt of a call to give notice of such special meeting, or if the office of the Secretary refuses or neglects for more than twenty-four (24) hours after receipt of a call to give notice of such special meeting, or if the office of the Secretary is vacant or the Secretary is absent from the State of Delaware, or incapacitated, such notice may be given by the officer or one of the Directors calling the meeting. Notice need not be given to any Director if a written waiver of notice, executed by him before or after the meeting, is filed with the records of the

meeting, or to any Director who attends the meeting without protesting prior thereto or at its commencement the last of notice to him. A notice or waiver of notice of a Directors' meeting need not specify the purposes of the meeting.

Section 7. Quorum

At any meeting of the Directors, a quorum for any election or for the consideration of any question shall consist of a majority of the Directors then in office. Whether or not a quorum is present any meeting may be adjourned from time to time by a majority of the votes properly cast upon the question, and the meeting may be held as adjourned without further notice. When a quorum is present at any meeting, the votes of a majority of the Directors present shall be requisite and sufficient for election to any office and shall decide any question brought before such meeting, except in any case where a larger vote is required by law, by the Certificate of Incorporation or by these By-Laws

Section 8. Action by Consent

Any action required or permitted to be taken at any meeting of the Directors may be taken without a meeting if all the Directors consent to the action in writing and the written consents are filed with the records of the meetings of the Directors. Such consent shall be treated for all purposes as a vote of the Directors at a meeting.

Section 9. Committees

The Board of Directors, by vote of a majority of the whole Board, may elect from its number an Executive Committee or other committees and may delegate thereto some or all of its powers except those which by law, by the Certificate of Incorporation or by these By-Laws may not be delegated. Except as the Board of Directors may otherwise determine, any such committee may make rules for the conduct of its business, but unless otherwise provided by the Board of Directors or in such rules, its business shall be

conducted so far as possible in the same manner as is provided by these By-Laws for the Board of Directors. All members of such committees shall hold such offices at the pleasure of the Board of Directors. The Board of Directors may abolish any such committee at any time. Any committee to which the Board of Directors delegates any of its powers or duties shall keep records of its meetings and shall upon request report its action to the Board of Directors. The Board of Directors shall have power to rescind any action of any committee, but no such rescission shall have retroactive effect.

Section 10. Meeting by Telecommunications

Members of the Board of Directors or any committee elected thereby may participate in a meeting of such board or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in a meeting can hear each other at the same time and participation by such means shall constitute presence in person at the meeting.

Section 11. Action at Meeting

At any meeting of the Board of Directors at which a quorum is present, a majority of the Directors present may take any action on behalf of the Board of Directors, unless a larger number is required by law, by the Certificate of Incorporation or by these By-laws.

ARTICLE V

Officers and Agents

Section 1. Enumeration; Qualification

The officers of the Corporation shall be two Co-Chairmen of the Board of Directors, one or more Vice Presidents, a Treasurer, a Secretary, and such other officers, if any, as the incorporators at their initial meeting, or the Directors from time to time, may in their discretion elect or appoint. The Corporation may also have such agents, if any, as the

incorporators at their initial meeting, or the Directors from time to time, may in their discretion appoint. Any officer may be, but none need be, a Director or Stockholder. Any two or more offices may be held by the same person. Any officer may be required by the Directors to give bond for the faithful performance of his duties to the Corporation in such amount and with such sureties as the Directors may determine. The premium for such bonds may be paid by the Corporation.

Section 2. Powers

Subject to law, to the Certificate of Incorporation and to the other provisions of these By-Laws, each officer shall have in addition to the duties and powers herein set forth, such duties and powers as are commonly incident to his office and such duties and powers as the Directors may from time to time designate.

Section 3. Election

The Co-Chairmen, Chief Executive Officer, the Vice-Presidents, the Treasurer and the Secretary shall be elected annually by the Directors at their first meeting following the annual meeting of the Stockholders. Other officers, if any, may be elected or appointed by the Board of Directors at said meeting or at any other time.

Section 4. Tenure

Except as otherwise provided by law or by the Certificate of Incorporation or by these By-Laws, the Co-Chairmen, the Vice Presidents, the Treasurer and the Secretary shall hold office until the first meeting of the Directors following the next annual meeting of the Stockholders and until their respective successors are chosen and qualified, and each other officer shall hold office until the first meeting of the Directors following the next annual meeting of the Stockholders and until their respective successors are chosen and qualified, unless a different period shall have been specified by the terms of his election or

appointment, or in each case until he sooner dies, resigns, is removed or becomes disqualified. Each agent shall retain his authority at the pleasures of the Directors.

Section 5. Co-Chairmen and Vice-Chairman

The Co-Chairmen jointly shall be the chief executive officers of the Corporation and shall, subject to the direction of the Board of Directors, have general supervision and control of its business. The Co-Chairmen shall agree which of them shall preside, when present, at all meetings of Stockholders and of the Board of Directors. In the absence of the Co-Chairman so designated to preside at meetings of the Stockholders and Board of Directors, the other Co-Chairman, when present, shall so preside. Absent or failing agreement between the Co-Chairmen as to which of them shall so preside, the Board of Directors shall designate the Co-Chairman to so preside.

In the absence or disability of either Co-Chairman, his powers or duties shall be performed by the remaining Co-Chairman, or in the absence or disability of both Co-Chairmen, by the Vice Chairman, if only one, or, if more than one, by the one designated for the purpose by the Directors. Any Vice Chairman shall have such other powers and shall perform such other duties as the Board of Directors may from time to time designate.

Section 6. Vice Presidents

The Board of Directors may elect one or more Vice Presidents of the Corporation, with such powers and duties as the Board of Directors may designate from time to time.

Section 7. Treasurer and Assistant Treasurers

The Treasurer shall, subject to the direction of the Board of Directors, have general charge of the financial affairs of the Corporation and shall cause to be kept accurate books of account. He shall have custody of all funds, securities, and valuable documents of the Corporation, except as the Board of Directors may otherwise provide.

In the absence or disability of the Treasurer, his powers, and duties shall be performed by the Assistant Treasurer, if only one, or, if more than one, by the one designated for the purpose by the Directors. Any Assistant Treasurer shall have such other powers and perform such other duties as the Board of Directors may from time to time designate.

Section 8. Secretary and Assistant Secretaries

The Secretary shall keep a record of the meetings of the Stockholders, the Board of Directors and the committees of the Board of Directors. In the event there is no Secretary or he is absent, an Assistant Secretary shall keep a record of such meetings. Unless the Directors shall appoint a transfer agent and/or registrar or other officer or officers for the purpose, the Secretary shall be charged with the duty of keeping, or causing to be kept, accurate records of all stock outstanding, stock certificates issued and stock transfers. In the absence of the Secretary from any meeting of the Stockholders, the Board of Directors or any committee of the Board of Directors, an Assistant Secretary if one be elected, otherwise a Temporary Secretary designated by the person presiding at the meeting, shall perform the duties of the Secretary. An Assistant Secretary shall have such other powers and perform such other duties as the Board of Directors may from time to time designate.

ARTICLE VI

Resignations, Removals and Vacancies

Section 1. Resignations

Any Director or officer may resign at any time by delivering his resignation in writing to either Co-Chairman or the Secretary or to a meeting of the Directors. Such resignation shall take effect at such time as is specified therein, or if no such time is so specified then upon delivery thereof.

Section 2. Removals

Subject to the provisions of the Certificate of Incorporation, Directors, including Directors elected by the Directors to fill vacancies in the Board, may be removed only for cause and only by vote of the holders of the majority of the voting power of all shares of voting capital stock of the Corporation entitled to vote in the election of Directors, provided that the Directors of a class elected by a particular class of Stockholders may be removed only by the vote of the holders of a majority of the shares of the particular class of Stockholders entitled to vote for the election of such Directors.

For purposes of this Section 2, "cause," with respect to the removal of any Director shall mean only (i) conviction of a felony, (ii) declaration of unsound mind by order of court, (iii) gross dereliction of duty, (iv) conviction of any crime involving moral turpitude, or (v) commission of an action which constitutes intentional misconduct or a knowing violation of law if such action in either event results both in an improper substantial personal benefit and a material injury to the Corporation.

The Directors may remove any officer from office with or without assignment of cause by vote of a majority of the Directors then in office.

If cause is assigned for removal of any Director or officer, such Director or officer may be removed only after a reasonable notice and opportunity to be heard before the body proposing to remove him.

The Directors may terminate or modify the authority of any agent or employee.

Except as the Directors may otherwise determine, no Director or officer who resigns or is removed shall have any right to any compensation as such Director or officer for any period following his resignation or removal, or any right to damages on account of such removal whether his compensation be by the month or by the year or otherwise, provided,

however, that the foregoing provision shall not prevent such Director or officer from obtaining damages for breach of any contract of employment legally binding upon the Corporation.

Section 3. Vacancies

The Board of Directors may act notwithstanding a vacancy or vacancies in its membership. Any vacancy in the Board of Directors, including a vacancy resulting from resignation of a Director, an enlargement of the Board or a removal of a Director for cause, may be filled by vote of a majority of the remaining Directors then in office although less than a quorum or by a sole remaining Director or, in the absence of such an election by the Directors, by the Stockholders at a meeting called for the election of Directors and/or for the removal of one or more Directors and the filling of any vacancy in that connection. Any Director elected in accordance with this Section 3 shall hold office for the remainder of the full term of the class of Directors in which the vacancy occurred or the new directorship was created (whether or not such term extends beyond the date or dates of any annual meeting or meetings of stockholders succeeding the date of his or her election) and until his or her successor is duly elected and qualified.

If the office of any officer becomes vacant, the Directors may elect or appoint a successor by vote of a majority of the Directors present at the meeting at which such election or appointment is made.

Each such successor shall hold office for the unexpired term of his predecessor and until his successor shall be elected or appointed and qualified, or until he sooner dies, resigns, is removed or becomes disqualified.

ARTICLE VII
Stock

Section 1. Stock Authorized

The total number of shares and the par value, if any, or each class of stock which the Corporation is authorized to issue, and if more than one class is authorized, a description of each class with the preferences, voting powers, qualifications and special and relative rights and privileges as to each class and any series thereof, shall be as stated in the Certificate of Incorporation.

Section 2. Issue of Authorized Unissued Capital Stock

Any unissued capital stock from time to time authorized under the Certificate of Incorporation may be issued by vote of Directors. No such stock shall be issued unless the cash, so far as due, or the property, services or expenses for which it was authorized to be issued, has been actually received or incurred by, or conveyed or rendered to, the Corporation, or is in its possession as surplus.

Section 3. Certificate of Stock

Each Stockholder shall be entitled to a certificate in form selected by the Board of Directors stating the number and the class and the designator of the series if any, of the shares held by him. Such certificate shall be signed by a Co-Chairman or Vice Chairman or Vice President and by the Treasurer or Assistant Treasurer or Secretary or Assistant Secretary. Such signature may be a facsimile if the certificate is signed by a transfer agent, or by a registrar, other than a Director, officer or employee of the Corporation.

Every certificate for shares of stock subject to any restriction on transfer pursuant to the Certificate of Incorporation, these By-Laws or any agreement to which the Corporation is a party shall have the restriction noted conspicuously on the certificate and shall also set

forth on the face or back either the full text of the restriction or a statement of the existence of such restriction and a statement that the Corporation will furnish a copy to the holder of such certificate upon written request and without charge. Every certificate issued when the Corporation is authorized to issue more than one class or series of stock shall set forth on its face or back either the full text or the preferences, voting powers, qualification and special and relative rights of the shares of each class and series authorized to be issued or a statement of the existence of such preferences, powers, qualifications and rights, and a statement that the Corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

Section 4. Transfers

Subject to the restriction, if any, imposed by the Certificate of Incorporation, by these By-Laws or any agreement to which the Corporation is a party, shares of stock shall be transferred on the books of the Corporation only by the surrender to the Corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment of such shares or by a written power of attorney to sell, assign or transfer such shares, properly executed, with necessary transfer stamps affixed, and with such proof that the endorsement, assignment or power of attorney is genuine and effective as the Corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these By-Laws. It shall be the duty of each Stockholder to notify the Corporation of his post

office address.

Section 5. Lost, Mutilated, or Destroyed Certificates

Except as otherwise provided by law, the Board of Directors may determine the conditions upon which a new certificate of stock may be issued in place of any certificate alleged to have been lost, mutilated or destroyed. It may, in its discretion, require the owner of a lost, mutilated or destroyed certificate, or his legal representative, to give a bond, sufficient in its opinion, with or without surety, to indemnify the Corporation against any loss or claim which may arise by reason of the issue of a certificate in place of such lost, mutilated or destroyed stock certificate.

Section 6. Transfer Agent and Registrar

The Board of Directors may appoint a transfer agent or a registrar or both for its capital stock or any class or series thereof and require all certificates for such stock to bear the signature or facsimile thereof of any such transfer agent or registrar.

Section 7. Setting Record Date and Closing Transfer Records

The Board of Directors may fix in advance a date which is (a) not more than sixty (60) days before (i) the date of any meeting of the Stockholders or (ii) the date for the payment of any dividend or the making of any distribution to Stockholders or (iii) the last day on which the consent or dissent of Stockholders may be effectively expressed for any purpose, as the record date for determining the Stockholders having the right to notice and to vote at such meeting, or the right to receive such dividend or distribution, or the right to give such consent or dissent; (b) not earlier than the date upon which the resolution fixing the record date is adopted by the Board of Directors; and (c) not less than ten (10) days before the date of such meeting. If a record date is set, only Stockholders of record on that date shall have such right notwithstanding any transfer of stock on the records of the

Corporation after the record date. Without fixing such record date, the Board of Directors may close the transfer records of the Corporation for all or any part of such sixty (60) day period.

If no record date is fixed and the transfer books are not closed, then the record date for determining Stockholders having the right to notice of or to vote at a meeting of Stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and the record date for determining Stockholders for any other purpose shall be at the close of business on the date on which the Board of Directors acts with respect thereto, or as otherwise provided by law, or the Certificate of Incorporation.

ARTICLE VIII

Miscellaneous Provisions

Section 1. Execution of Papers

All deeds, leases, transfers, contracts, bonds, notes releases, checks, drafts and other obligations authorized to be executed on behalf of the Corporation shall be signed by a Co-Chairman or the Treasurer except as the Directors may generally or in particular cases otherwise determine.

Section 2. Voting of Securities

Except as the Directors may generally or in particular cases otherwise specify, a Co-Chairman or the Treasurer may on behalf of the Corporation vote or take any other action with respect to shares of stock or beneficial interest of any other Corporation, or of any association, trust or firm, of which any securities are held by this Corporation, and may appoint any person or persons to act as proxy or attorney-in-fact for the Corporation, with

or without power of substitution, at any meeting thereof.

Section 3. Corporate Seal

The seal of the Corporation shall be a circular die with the name of the Corporation, the word "Delaware" and the year of its incorporation cut or engraved thereon, or shall be in such other form as the Board of Directors may from time to time determine.

Section 4. Corporate Records

The books and records of the Corporation, and the stock and transfer records, which shall contain the names of all Stockholders and the record address and the amount of stock held by each, shall be kept at the principal office of the Corporation, or at the office of its transfer agent or of its Secretary or of its Resident Agent. Said copies and records need not all be kept in the same office. They shall be available, subject to applicable provisions of laws, during the usual hours of business to the inspection of any Stockholder for any proper purpose reasonably related to such Stockholder's interest as a Stockholder of the Corporation, but not to secure a list of Stockholders for the purpose of selling said list or copies thereof or of using the same for a purpose other than in the interest of the applicant, as a Stockholder, relative to the affairs of the Corporation.

Section 5. Evidence of Authority

A certificate by the Secretary or an Assistant or Temporary Secretary as to any matter relative to the Certificate of Incorporation, By-Laws, records of the proceedings of the incorporators, Stockholders, Board of Directors, or any committee of the Board of Directors, or stock and transfer records or as to any action taken by any person or persons as an officer or agent of the Corporation, shall as to all persons who rely thereon in good faith be conclusive evidence of the matters so certified.

ARTICLE IX

Amendments

These By-Laws may be amended or repealed in whole or in part by the affirmative vote of the holders of a majority of the total votes of all shares of each class of the Corporation's capital stock at the time outstanding and entitled to vote at any annual or special meeting of Stockholders, voting together as a single class, if notice of the substance of the proposed amendment is stated in the notice of such meeting. The Directors may make, amend, or repeal the By-Laws, in whole or in part, except with respect to any provision thereof which by law, the Certificate of Incorporation or these By-Laws require action by the Stockholders.

Any By-Law adopted, amended or repealed by the Directors may be repealed, amended or reinstated by the Stockholders entitled to vote on amending the By-Laws.

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REVOLVING CREDIT AGREEMENT

DATED AS OF DECEMBER 19, 2003

BY AND BETWEEN

PANERA, LLC,

AS BORROWER,

AND

BANK OF AMERICA, N.A.,

AS LENDER

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REVOLVING CREDIT AGREEMENT

This Revolving Credit Agreement dated as of December 19, 2003 by and between Panera, LLC, a Delaware limited liability company (the "Borrower"), and Bank of America, N.A., a national banking association (the "Lender").

WHEREAS, the Borrower has requested and the Lender has agreed to provide, subject to the terms and conditions hereof, certain extensions of credit to the Borrower.

NOW, THEREFORE, in consideration of the terms and conditions contained herein, and of any loans or extensions of credit heretofore, now or hereafter made to or for the benefit of the Borrower by the Lender, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS

The following capitalized terms when used in this Agreement shall have the following meanings:

"Acquisition" means (whether by purchase, exchange, issuance or contribution of stock, debt or other securities, merger, reorganization, joint venture or otherwise) any transaction, or any series of related transactions by which any Borrower and/or its Subsidiaries directly or indirectly (i) acquires any Person, which Person shall then become consolidated with any Borrower or any Subsidiary in accordance with GAAP, (ii) acquires all or any substantial amount of the assets of any Person or division thereof or (iii) acquires (in one transaction or as the most recent transaction in a series of transactions) fifty percent (50%) or more (by percentage of voting power or by percentage of equity interests or both) of the outstanding Voting Stock or other interests of a corporation, partnership, limited partnership or other entity. For purposes of this definition, the amount of assets shall be deemed "substantial" if such assets have a fair market value in excess of \$2,500,000.

"Adjusted LIBOR Rate" shall mean a rate per annum determined pursuant to the following formula:

$$\text{Adjusted LIBOR Rate} = \frac{\text{LIBOR Rate}}{1 - \text{Reserve Requirement}}$$

"Adjusted Total Leverage Ratio" shall mean the ratio of (i) (a) total Funded Debt of the Borrower for the immediately preceding 12 months, plus (b) eight (8) multiplied by the Rent Expense for the same period to (ii) EBITDAR.

"Advance" shall have the meaning set forth in Section 2.1(a).

"Affiliate" shall mean and include, with respect to any Person, any Person which directly or indirectly controls, is controlled by, or is under common control with such Person and in addition, in the case of the Borrower, includes each officer, director, joint venturer and partner, and each stockholder or member deemed to have control pursuant to the next sentence of this definition, of each of the Borrower. For purposes of this definition, a Person shall be deemed to

control another Person if the controlling Person owns or controls, directly or indirectly, ten percent (10%) or more of the shares of stock, other equity interests or voting power of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agreement" shall mean this Revolving Credit Agreement as originally executed and as amended, modified or supplemented from time to time.

"Agreement Date" shall mean December 19, 2003.

"Applicable Fee Percentage" shall have the meaning set forth in Section 2.8(b).

"Applicable Margin" shall mean the interest rate margin applicable to Advances hereunder as determined in accordance with Section 2.1(j).

"Base Rate" shall mean, at any time, a fluctuating rate of interest per annum equal to the higher of (i) the Prime Rate for such date, and (ii) the Federal Funds Rate in effect at such time plus one-half of one percent (0.50%).

"Base Rate Loan" shall mean, as of any date, an Advance designated or maintained as a "Base Rate Loan" pursuant to Section 2.1.

"Board of Directors" shall mean the Board of Directors of the Borrower.

"Borrower" shall mean, Panera, LLC, a Delaware limited liability company.

"Business Day" shall mean any day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open for business in New York, New York and Atlanta, Georgia and, if such day relates to an event, a transaction or a notice with respect to a LIBOR Base Loan, a day which is also a day on which dealings in Dollar deposits are carried out in the London interbank market.

"Capital Lease" shall mean a lease of (or other agreement conveying the right to use) real and /or personal property, which obligation is, or in accordance with GAAP (including Statement of Financial Accounting Standards No. 13 of the Financial Accounting Standards Board) is required to be, classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligations" shall mean, with respect to any Person, any obligation of such Person to pay rent or other amounts under a Capital Lease and for purposes of this Agreement the amount of each Capital Lease Obligation shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash Account" shall have the meaning set forth in Section 2.11.

"Change of Control" shall mean (i) the acquisition of ownership, or the execution or making of any agreement to acquire ownership, directly or indirectly, in one or more transactions, through purchase, merger, joint venture, reorganization or otherwise (including the

agreement to act in concert without anything more), by any Person or group of Persons acting in concert, of (A) beneficial ownership or control of securities representing 50% or more of the voting power of the Voting Stock of the Borrower or (B) all or any substantial portion of the assets of the Borrower. For purposes of this definition, the terms "Person" and "group" shall include the meanings for such terms as used for purposes of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not applicable, and "beneficial ownership" shall include the meaning of "beneficial owner" as that term is used in Rules 13d-3 and 13d-5 under the Exchange Act, whether or not applicable, and a Person shall be deemed to have "beneficial ownership" of all shares that such Person has the right to acquire (whether such right is exercisable immediately or with the passage of time or the occurrence of a contingency).

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

"Commitment or Commitment(s)" shall mean and refer to the Revolving Loan Commitment.

"Compliance Certificate" shall have the meaning set forth in Section 5.1(c).

"Credit Parties" shall mean, collectively, each of the Borrower and the Guarantor.

"Default" shall mean any event which, regardless of whether there shall have occurred any giving of notice or lapse of time, or both, would be necessary to constitute an Event of Default.

"Default Rate" shall mean a simple interest rate per annum equal to the higher of (i) the Base Rate plus two percent (2%) and (ii) the Adjusted LIBOR Rate plus the Applicable Margin with respect to LIBOR Base Loans plus two percent (2%).

"Dollars" or "\$" shall mean the basic unit of the lawful currency of the United States of America.

"EBITDA" of any Person shall mean, for any period for which the amount thereof is to be determined, Net Income (or loss) of such Person for such period, plus (to the extent deducted in determining Net Income and without duplication to adjustments to net income of such Person (determined in accordance with GAAP) made in the determination of Net Income) the sum of (i) Federal, state or local income taxes of such Person during such period, (ii) Interest Expense of such Person during such period, (iii) depreciation and amortization of such Person during such period (net of amortization of deferred rent incentives) and (iv) non-cash charges related to stock incentive plans.

"EBITDAR" shall mean, for any period for which the amount thereof is to be determined, the sum of (without duplication) (i) the EBITDA of the Borrower for such period, and (ii) the Rent Expense during such period.

"Effective Date" shall mean the date on which all conditions set forth in Article III (other than conditions subsequent set forth in Section 3.3, if any, not yet required to be satisfied) are satisfied.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations thereunder and under the Code, in each case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections.

"ERISA Affiliate" shall mean any Person, including Affiliates or Subsidiaries of the Borrower, that is a member of any group of organizations or a controlled group of trades or businesses, as described in Sections 414(b), 414(c), 414(m) or 414(o) of the Code or Section 4001 of ERISA, of which any Borrower is a member.

"Event of Default" shall mean any Event of Default described in Article VII.

"Exchange Act" shall have the meaning set forth in the definition of Change of Control in Article I.

"Federal Funds Rate" means a fluctuating interest rate per annum equal for each day to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Lender from three Federal funds brokers of recognized standing selected by it.

"Fixed Charges" shall mean, for any period for which the amount thereof is to be determined, the sum of the following (without duplication) (i) Interest Expense of the Borrower for such period, plus (ii) Rent Expense for such period, plus (iii) Capital Lease Obligations paid or required to be paid by the Borrower during such period, plus (iv) all payments of principal made or required to be made by the Borrower during such period on Indebtedness for borrowed money (other than Capital Leases), excluding principal amounts paid prior to the Effective Date with respect to any outstanding credit facility or similar Indebtedness of the Borrower that was completely and permanently repaid and retired on or prior to the Effective Date.

"Funded Debt" of any Person shall mean all Indebtedness owed or Guaranteed by such Person.

"GAAP" shall mean generally accepted accounting principles in the United States consistently applied.

"Guarantee(s) or Guaranty" shall mean all direct and indirect guarantees, sales with recourse, endorsements (other than for collection or deposit in the ordinary course of business) and other obligations (contingent or otherwise) of any Person to pay, purchase, repurchase or otherwise acquire or become liable upon or in respect of any Indebtedness of any other Person, and, without limiting the generality of the foregoing, all obligations (contingent or otherwise) by any Person to purchase products, supplies or other Property or services for any Person under agreements requiring payment therefor regardless of the non-delivery or non-furnishing thereof (except for agreements for the purchase of commodities used in the Borrower's business entered into in the ordinary course of such business consistent with past practice), or to make investments in any other Person, or to maintain the capital, working capital, solvency or general

financial conditions of any other Person, or to indemnify any other Person against and hold him harmless from damages, losses and liabilities, all under circumstances intended to enable such other Person or Persons to discharge any Indebtedness or to comply with agreements relating to such Indebtedness or otherwise to assure or protect creditors against loss in respect of such Indebtedness. The amount of any Guarantee shall be deemed to be the amount of the Indebtedness of, or damages, losses or liabilities of, the other Person or Persons in connection with which the Guarantee is made or to which it is related unless the obligations under the Guarantee are limited to a maximum determinable amount, in which case the amount of such Guarantee shall be deemed to be such maximum determinable amount.

"Guarantor" shall mean the Parent.

"Indebtedness" of any Person shall mean and include, as of any date as of which the amount thereof is to be determined, and without duplication (i) all obligations of such Person for borrowed money or which has been incurred in connection with the acquisition of Property or which is represented or evidenced by notes, drafts, bonds, debentures or other similar instruments, (ii) all Guarantees of such Person, (iii) all indebtedness, liabilities and other obligations secured by any Lien on or with respect to Property of such Person, whether or not liability has been assumed by such Person for the payment of such obligations, (iv) all obligations of such Person as an account party in respect of letters of credit and bankers acceptances, (v) all net obligations of such Person in respect of Rate Hedging Obligations, (vi) Capital Lease Obligations of such Person, and (vii) all items which in accordance with GAAP would be included in determining total liabilities as shown on the balance sheet of such Person.

"Indemnified Liabilities" shall have the meaning set forth in Section 8.5.

"Indemnified Parties" shall have the meaning set forth in Section 8.5.

"Interest Expense" shall mean, for any period for which the amount thereof is to be determined, the consolidated interest expense of the Borrower, including all interest on Indebtedness (including imputed interest related to Capital Leases), all amortization of loan commitment, origination and unused facility fees and expenses and Rate Hedging Obligations of the Borrower, to the extent required to be reflected on the income statement of the Borrower in accordance with GAAP.

"Interest Period" shall mean, with respect to any LIBOR Base Loan, the period for the computation of interest commencing on the date the relevant Advance is made and ending on the date which is one (1), two (2), three (3) or six (6) months thereafter. For purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on a numerically corresponding date in the next calendar month. Notwithstanding the foregoing, however (x) any applicable Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless, with respect to any LIBOR Base Loan only, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day, (y) any applicable Interest Period, with respect to LIBOR Base Loans only, which begins on a day for which there is no numerically corresponding day in the calendar month during which such Interest Period is

to end shall (subject to clause (x) above) end on the last day of such calendar month, and (z) no Interest Period shall extend beyond the Maturity Date, or such earlier date as would interfere with the Borrower's repayment obligations hereunder.

"Investment" shall mean, with respect to any Person, any loan, advance or extension of credit (other than to customers or employees, in their capacity as customer or employee, in the ordinary course of business) by such Person to, or any Guarantee or other contingent liability with respect to the capital stock, Indebtedness or other obligations of, or any contributions to the capital of, any other Person, or any ownership, purchase or other acquisition by such Person of any interest in any capital stock, limited partnership interest, general partnership interest, or other securities of any such other Person, other than an Acquisition; and "Invest," "Investing" or "Invested" shall mean the making of an Investment. "Investment" shall also include the maximum possible total cost of any future commitment or other obligation binding on any Person to make an Investment or any subsequent Investment (whether or not subject to contingencies).

"L/C Outstandings" shall mean, at any time, the sum of (i) the stated amount available to be drawn under all Letters of Credit outstanding and (ii) the aggregate amount of all drawings in respect of all Letters of Credit remaining unpaid by the Borrower.

"Lender" shall mean Bank of America, N.A.

"Letters of Credit" shall have the meaning set forth in Section 2.11(a).

"LIBOR Base Loan" shall mean, for any Interest Period, any borrowing designated, continued or maintained as a "LIBOR Base Loan" pursuant to Section 2.2.

"LIBOR Rate" shall mean for each Interest Period the rate of interest per annum as determined by the Lender (rounded upward, if necessary, to the nearest whole multiple of one-sixteenth of one percent (1/16th of 1%)) at which deposits of Dollars in immediately available and freely transferable funds are offered at 11:00 A.M. London time two (2) Business Days prior to the commencement of such Interest Period to the Lender or its agent in the London interbank market for a term comparable to such Interest Period and in an amount comparable to the principal amount of the LIBOR Base Loan to be outstanding during such Interest Period.

"Lien" shall mean, with respect to any interest in Property (whether real, personal or mixed and whether tangible or intangible) (i) any interest or right which secures the payment of indebtedness or an obligation owed to, or a claim by, a Person other than the owner of such Property, whether such interest is based on common law, statute or contract, and whether or not choate, vested or perfected, including, without limitation, any such interest or right arising from a mortgage, charge, pledge, negative pledge or other agreement not to lien or pledge, assignments, security interest, conditional sale, levy, execution, seizure, attachment, garnishment, Capital Lease or trust receipt, or arising from a lease, consignment or bailment given for security purposes, excluding landlord liens created by statute and excluding liens granted a landlord in an existing lease, and (ii) any exception to or defect in the title to or ownership interest in such Property, including, without limitation, reservations, rights of entry, possibilities of reverter, encroachments, easements, rights of way, restrictive covenants, leases and licenses. For

purposes of this Agreement, the Borrower shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Loan" shall mean, individually or collectively, a LIBOR Base Loan, a Base Rate Loan and any other loans made by Lender to Borrower pursuant to the terms hereof.

"Loan Documents" shall mean, collectively, this Agreement, the Notes, the Guaranty, each Notice of Borrowing, all agreements and documents referenced in Article III, and all other documents, agreements, opinions and certificates executed or delivered by or on behalf of the Borrower to the Lender, in connection with or contemplated by this Agreement or any other document contemplated hereby.

"Maintenance Capital Expenditures" shall mean the greater of (i) actual maintenance capital expenditures incurred by Borrower as determined in accordance with GAAP and recorded on the Borrower's financial statements, or (ii) an assumed amount per restaurant unit of \$15,000.

"Material Adverse Occurrence" shall mean any fact, circumstance, development or occurrence of any nature whatsoever (including, without limitation, any adverse determination in any litigation, arbitration, governmental investigation or proceeding) which taken alone or in combination with any other fact, circumstance or occurrence or which, with notice or passage of time (i) materially adversely affects or is reasonably likely to have a material adverse effect on the business, properties, assets, liabilities, prospects, operations or condition, financial or otherwise, of the Borrower taken as a whole, (ii) materially impairs or is reasonably likely to materially impair the binding nature, validity or enforceability of this Agreement or any of the other Loan Documents, the ability of any Borrower to perform their obligations under this Agreement or any of the other Loan Documents or the rights of the Lender hereunder and thereunder, or (iii) materially adversely affects or is reasonably likely to have a material adverse effect on the Loans.

"Material Contract" shall mean, as to the Borrower, any supply, lease, franchise, purchase, service, employment, management, tax, indemnity, option, shareholder or other agreement, plan or contract which provides for aggregate payments, performance of services or transfers of funds or other Property to or from any Person pursuant to such agreement or contract (to which such Person is a party or by which any such Person or any of its Properties is otherwise bound) in excess of \$2,000,000 during any fiscal year or which is otherwise material to the Borrower's business.

"Maturity Date" shall mean the earlier of (i) December 19, 2006 and (ii) such earlier date on which payment in full of all outstanding Obligations shall be due (whether by acceleration or otherwise).

"Minimum Fixed Charge Coverage Ratio" shall mean the ratio of EBITDAR less cash taxes paid, less Maintenance Capital Expenditures, less distributions, less dividends and less advances or loans to third parties, divided by the sum of Interest Expense plus principal payments plus Rent Expense.

"Monthly Payment Date" shall mean the first Business Day of each calendar month, commencing on the first of such dates to occur after the Effective Date.

"Moody's" shall mean Moody's Investors Service, Inc., or any successor to the rating agency business thereof.

"Multiemployer Plan" shall mean any multiemployer plan as defined in Sections 3(37) or 4001(a)(3) of ERISA of, or contributed to by Borrower, or any ERISA Affiliate.

"Net Income" shall mean, for any period for which the amount thereof is to be determined, the net income (or net losses) of the Borrower as determined in accordance with GAAP, but excluding extraordinary gains or losses and related tax effects thereon.

"Net Proceeds" shall mean, with respect to any sale, lease, transfer or other disposition of assets or securities, all proceeds of such sale or other transaction net of (i) direct, reasonable and customary out-of-pocket costs and expenses of such sale or other transaction paid by the Borrower to a Person other than Borrower or any Affiliate of Borrower, (ii) Federal, state and local income taxes, sales taxes, transfer taxes or similar taxes imposed on the Borrower on account of such sale or other transaction, and (iii) amounts, if any, paid with respect to Indebtedness secured by any Lien on such assets which is senior in priority to the Lien of the Lender, if any, on such assets.

"Note(s)" shall mean, individually or collectively, as the case may be, the Revolving Credit Note, and any other promissory notes accepted by the Lender in exchange for or in substitution of any such Revolving Credit Notes.

"Notice of Borrowing" shall mean the notice in the form of EXHIBIT A attached hereto to be delivered to the Lender pursuant to Section 2.1(c).

"Obligations" shall mean (i) all Loans, Advances, L/C Outstandings, debts, liabilities, payment and performance obligations, covenants and duties of every kind, nature and description owing by the Borrower to the Lender or any Affiliate thereof, of any kind or nature, present or future, arising under this Agreement or any other Loan Document, whether evidenced by any note, guarantee or other instrument, whether for the payment of money or in kind, whether arising by reason of any extension of credit, issuing, guaranteeing or confirming of a letter of credit, guaranty, indemnification, contract, tort, operation of law or in any other manner, whether direct or indirect (including those acquired by assignment or purchase), absolute or contingent, liquidated or unliquidated, due or to become due, now existing or hereafter arising and however acquired, (ii) all Rate Hedging Obligations owing at any time or from time to time by the Borrower to the Lender or any Affiliate thereof, and (iii) the obligation to pay an amount equal to the amount of any and all damages which the Lender (or its Affiliates in the case of Rate Hedging Obligations), may suffer by reason of a breach by Borrower, or any other obligor, of any obligation, covenant or undertaking with respect to this Agreement or any other Loan Document. The term "Obligations" includes, without limitation, all principal, interest, fees, charges, expenses, reasonable attorneys' fees, and any other sum chargeable to the Borrower, whether now existing or hereafter arising, under this Agreement or any other Loan Document or in connection with any Rate Hedging Obligation.

"Operating Lease" shall mean a lease (excluding Capital Leases) of Property to which the Borrower is a party as lessee having an unexpired term (including any periods of renewal or extension which may be exercised at the option of the lessor or lessee) in excess of one year.

"Parent" shall mean Panera Bread Company, a Delaware corporation.

"Parent Guaranty" shall mean that certain Parent Guaranty of even date herewith executed by the Parent in favor of the Lender with respect to the Obligations.

"PBGC" shall mean the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Permitted Investment" shall mean any of the following Investments made by the Borrower in any Person: (i) obligations, with a maturity of less than three (3) years from the date of acquisition thereof, issued by or unconditionally guaranteed by the United States of America or an agency or instrumentality thereof backed by the full faith and credit of the United States of America; (ii) direct obligations of any state of the United States, any subdivision or agency thereof or any municipality therein which are rated by S&P or Moody's in one of the top three (3) rating classifications and maturing within three (3) years of the date of acquisition thereof; (iii) certificates of deposit or banker's acceptances, maturing within three (3) years of the date of acquisition thereof, issued by commercial banks organized under the laws of the United States or any state thereof, having capital, surplus and undivided profits aggregating not less than \$100 million and whose unsecured long-term debt is rated in one of the top two rating classifications by S&P or Moody's; (iv) commercial paper of any corporation organized under the laws of the United States or any state thereof, rated in one of the top three (3) rating classifications by S&P or Moody's and with a maturity of less than 366 days from the date of acquisition thereof; and (v) Investments existing as of the date of this Agreement, and disclosed in the financial statements of the Borrower as contemplated in Section 4.11.

"Permitted Liens" shall have the meaning set forth in Section 6.4.

"Person" shall mean any natural person, corporation, firm, joint venture, partnership, limited partnership, limited liability company, association, trust or other entity or organization, whether acting in an individual, fiduciary or other capacity, or any government or political subdivision thereof or any agency, department or instrumentality thereof.

"Plan" shall mean each employee benefit plan (as defined in Section 3(3) of ERISA), whether now in existence or hereafter instituted, of, or contributed to by, the Borrower or any ERISA Affiliate.

"Post Closing Agreement" shall mean that certain Post Closing Agreement of even date herewith executed by the Borrower and the Parent for the benefit of the Lender.

"Prime Rate" shall mean the rate announced by the Lender from time to time as its prime rate, changing as and when such prime rate changes; the Lender may lend to its customers at rates that are at, above or below the Prime Rate.

"Property" shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, and any right in respect of any of the foregoing.

"Rate Hedging Obligations" shall mean any and all obligations of a Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) under (i) any and all agreements, devices or arrangements designed to protect at least one of the parties thereto from the fluctuations of interest rates applicable to such party's assets or liabilities, including but not limited to interest rate swaps, basis swaps, interest rate floors, collars, caps, options, forward agreements or other similar rate protection transactions, or any combination of or options with respect to any of the foregoing, and (ii) any and all cancellations, buy backs, reversals, terminations, assignments, modifications, supplements and amendments of any of the foregoing.

"Regulation D," "Regulation T," "Regulation U" and "Regulation X" shall mean Regulation D, Regulation T, Regulation U and Regulation X, respectively, of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Regulatory Change" shall mean any change after the date hereof in any (or the adoption after the date hereof of any new):

(i) Federal, state or foreign law applying to a class of financial institutions to which the Lender or one or more of the Lenders belongs; or

(ii) regulation, interpretation, directive or request (whether or not having the force of law) applying to a class of financial institutions to which the Lender or one or more of the Lenders belongs of any court, central bank, governmental authority or comparable agency charged with the interpretation or administration of any law referred to in clause (i) of this definition or of any fiscal, monetary or other authority having jurisdiction or authority over the Lender.

"Rent Expense" shall mean, for any period for which the amount thereof is to be determined, the sum of all rents (exclusive of property taxes, property and liability insurance premiums, advertising, maintenance costs and extraordinary costs and expenses) which are included in calculating Net Income of the Borrower during such period under Operating Leases in respect of which the Borrower is obligated as a lessee or user or as a guarantor of the obligations of a lessee or user.

"Reserve Requirement" shall mean, for any Interest Period applicable to any LIBOR Base Loan, the sum (expressed as a decimal) of (i) the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under Regulation D by member banks of the Federal Reserve System against "Eurocurrency liabilities" and (ii) any other reserves required to be maintained by such member banks by reason of any Regulatory Change against (x) any category of liabilities which includes deposits by reference to which the LIBOR Rate is to be determined or (y) any category of extensions of credit or other assets which includes a LIBOR Base Loan.

"Revolving Credit Commitment" shall mean the original principal amount of up to \$10,000,000, as the same may be modified in accordance herewith.

"Revolving Credit Commitment Fee" shall have the meaning set forth in Section 2.8.

"Revolving Credit Loan" shall mean, individually or collectively, the Loans made pursuant to Section 2.1.

"Revolving Credit Note" shall mean each of the promissory notes, substantially in the form of EXHIBIT B attached hereto, made by the Borrower payable to the order of the Lender to evidence the Advances made by Lender.

"SEC" shall mean the United States Securities and Exchange Commission, and any successor entity thereto.

"S&P" shall mean Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc., or any successor to the rating agency business thereof.

"Subsidiary" of any Person shall mean (i) any corporation of which more than 50% of the outstanding shares of capital stock of any class or classes having ordinary voting power for the election of directors (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is now or hereafter owned directly or indirectly by such Person, by such Person and one or more of its Subsidiaries, or by one or more of such Person's other Subsidiaries, (ii) any partnership, association, limited liability company, joint venture or other entity in which such Person, such Person and one or more of its Subsidiaries, or one or more of its Subsidiaries, is either a general partner or has an equity or voting interest of more than 50% at the time, and (iii) any other entity which is directly or indirectly controlled or capable of being controlled by such Person or one or more Subsidiaries of such Person or both.

"Subsidiary Stock" shall have the meaning set forth in Section 6.8.

"Termination Date" shall mean the date which is the earlier of (i) the Maturity Date or (ii) the date upon which the obligation of the Lender to make Advances is terminated pursuant to Section 2.1(b).

"Unfunded Obligations" shall mean at any time the obligations of the Borrower to the Lender in respect of undrawn amounts of Letters of Credit. Each Unfunded Obligation will be deemed to be in an amount equal to the undrawn amount of the relevant Letter of Credit.

"Unused Portion" shall mean, as of any date, the aggregate Revolving Credit Commitment on such date, minus the sum of (i) the average daily outstanding principal amount of the Advances during the fiscal quarter ended immediately prior to such date, plus (ii) the aggregate stated amount of the outstanding Letters of Credit on such date.

"Voting Stock" shall mean stock or similar interests of any class or classes (however designated), the holders of which are generally and ordinarily, in the absence of contingencies,

entitled to vote for the election of the directors (or Persons performing similar functions) of a corporation or other business entity.

Other terms defined herein shall have the meanings ascribed to them herein. Each definition of an agreement or instrument in this Article I or elsewhere in this Agreement shall include such agreement or instrument, together with all schedules, exhibits, annexes and attachments thereto, all as may be amended, modified, supplemented, renewed, replaced or restated from time to time in accordance herewith. Except where the context otherwise requires, definitions imparting the singular shall include the plural and vice versa. Whenever any accounting term is used herein which is not otherwise defined, it shall be interpreted in accordance with GAAP. Except where otherwise specifically restricted, reference to a party to a Loan Document includes that party and its successors and assigns. Except where the context otherwise requires, each reference herein to an Article, Section, Exhibit, Annex or Schedule shall be to an Article, Section, Exhibit, Annex or Schedule hereto. The headings to the Articles and Sections are for convenience of reference and shall not affect the meaning or interpretation of this Agreement. Unless the context clearly indicates otherwise, the word "including" when used in this Agreement means "including but not limited to," the word "include" means "include, without limitation," the words "hereof," "herein," "hereto" and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement and examples set forth in this Agreement are for illustration purposes only and shall not be deemed to limit the provision that the example is illustrating. Any non-monetary Event of Default, if not cured within an applicable cure period hereunder shall "exist," "continue" or be "continuing" until such non-monetary Event of Default has been waived in writing in accordance with Section 8.1. This Agreement and the Loan Documents shall not be construed or interpreted against any Person due to such Person being deemed to have drafted it.

ARTICLE II.
THE ADVANCES

2.1 Advances.

(a) Revolving Credit Commitment. Subject to the terms and conditions set forth in this Agreement, Lender agrees to make one or more advances (each an "Advance") to the Borrower from time to time on any Business Day during the period from the Agreement Date and ending on the Termination Date; provided, however, that Lender shall not be required to make any Advance if, after giving effect to such Advance, (1) the sum of the aggregate outstanding principal amount of all Advances made by Lender, plus the L/C Outstandings, would exceed the Revolving Credit Commitment, (2) an Event of Default exists or is continuing or (3) a Default or Material Adverse Occurrence exists (provided, however, that if (A) such Default or Material Adverse Occurrence has not become or given rise to an Event of Default and is completely cured or remedied, and (B) no other Default or Material Adverse Occurrence then exists, the obligation of the Lender to make Advances under this Section 2.1(a) shall resume). Each borrowing under this Section 2.1(a) shall consist of Advances made on the same day by the Lender. Within the limits set forth above, the Borrower may borrow, repay and reborrow funds pursuant to this Section 2.1(a).

(b) Termination. The obligation of the Lender to make Advances, and to issue Letters of Credit shall terminate on the earliest to occur of:

(1) The Maturity Date;

(2) Upon written notice by the Borrower to the Lender at any time when no amount is outstanding on the Notes, no Letters of Credit are outstanding hereunder and all drawings under Letters of Credit have been reimbursed in accordance with Section 2.11(b) hereof;

(3) Immediately and without notice or further action upon the occurrence of an Event of Default described in clauses (f) or (g) of Section 7.1; or

(4) Immediately if any Event of Default (other than of the nature specified in clauses (f) or (g) of Section 7.1) shall have occurred and be continuing and either: (A) the Lender shall have demanded payment of the Notes or (B) the Lender shall so elect by giving written notice to the Borrower for purposes of this clause.

(c) Manner of Borrowing.

(1) The Borrower may request an Advance by delivering to the Lender in respect of each requested Advance a written Notice of Borrowing (which may be transmitted by telecopier) or by oral notice to the Lender confirmed by a written Notice of Borrowing (which may be transmitted by telecopier), indicating thereon the aggregate principal amount of the Advance requested and the date on which such Advance is requested to be made (which shall be a Business Day), by not later than 12:00 noon (New York, New York time) on the third Business Day preceding the Business Day on which an Advance

is to be made. Any such Notice of Borrowing given by the Borrower shall be irrevocable.

(2) Upon receipt of the Notice and upon satisfaction of the applicable conditions set forth in Article III, the Lender shall make such Advance available to the Borrower by transferring the amount thereof in immediately available funds for credit to an account (other than a payroll account) maintained by the Borrower at the Lender, or otherwise as directed by the Borrower.

(3) Advances shall be made in aggregate minimum amounts of \$250,000 and in integral multiples of \$50,000 thereafter.

(4) Each request for an Advance shall be deemed a representation and warranty by the Borrower, binding upon the Borrower, that all conditions precedent to such Advance under Article III are satisfied as of the date of such request and as of the date of such Advance.

(d) Revolving Credit Note. The Advances made by Lender shall be evidenced by, and be payable in accordance with the terms of, the Revolving Credit Note made by the Borrower payable to the order of Lender in a principal amount equal to the Revolving Credit Commitment.

(e) Promise to Pay. The Borrower hereby promises to pay in full to the Lender the amount of all Obligations, including the principal amount of all Loans, together with accrued interest, fees and other amounts due thereon, all in accordance with the terms of this Agreement and the Notes. All Obligations, including the principal amount of all Loans, together with accrued interest, fees and other amounts due thereon, shall be due and payable in full on the Maturity Date.

(f) Interest on Loans. The Borrower agrees to pay interest on the aggregate outstanding principal amount of the Loans until paid in full as follows:

(1) with respect to any LIBOR Base Loan, at a rate per annum equal at all times during the Interest Period relating to such LIBOR Base Loan to the sum of the Adjusted LIBOR Rate plus the Applicable Margin; and

(2) with respect to any Base Rate Loan, at a fluctuating rate per annum equal to the Base Rate plus the Applicable Margin (each such Loan being a "Base Rate Loan").

(g) Calculation of Interest; Payment of Interest.

(1) Other than calculations of Interest at the Prime Rate (which shall be computed on the basis of a year of 365/366 days for the actual number of days elapsed), all calculations of Interest and Interest at the Default Rate shall be computed on the basis of a 360 day year for the actual number of days elapsed.

(2) Interest on Advances under the Revolving Credit Loan shall be payable as follows:

(i) Interest on each Base Rate Advance shall be payable monthly in arrears on the first day of each month for the prior month commencing on the first day of the first month from there date hereof.

(ii) Interest on each LIBOR Base Advance shall be payable on the last day of the applicable Interest Period and, with respect to LIBOR Base Advances for which the applicable Interest Period exceeds 3 months, also on the last day of each fiscal quarter occurring during such Interest Period.

(iii) Interest at the Default Rate shall be payable on demand.

(iv) Interest on all Loans then outstanding shall also be due and payable on the Termination Date.

(h) Interest if No Notice of Selection of Interest Rate Basis. With respect to any Advance, if the Borrower fails to give the Lender timely notice of a LIBOR Base Loan, or if for any reason a determination of a LIBOR Base Loan for any Advance is not timely concluded, the interest rate applicable to such Advance shall be the Base Rate plus the Applicable Margin.

(i) Interest Upon Default. Immediately upon the occurrence of an Event of Default hereunder, the outstanding principal balance of the Loans, together with accrued and unpaid interest and other unpaid sums, shall bear interest at the Default Rate. Such interest shall be payable on demand and shall accrue until the earliest of (1) waiver or cure (to the satisfaction of the Lender required under Section 8.1 to waive or cure) of the applicable Event of Default, or (2) agreement by the Lender to rescind the charging of interest at the Default Rate, or (3) payment in full of the Obligations.

(j) Determination of Applicable Margin.

(1) The Applicable Margin in respect of any Base Rate Loan or LIBOR Base Loan, as applicable, shall be determined as of the last day of the immediately preceding fiscal quarter by reference to the table set forth below on the basis of the type of Loan and the Adjusted Total Leverage Ratio determined by reference to the most recent financial statements delivered pursuant to Section 5.1(a) or 5.1(b).

<TABLE>
<CAPTION>

ADJUSTED TOTAL LEVERAGE RATIO	APPLICABLE LIBOR MARGIN	APPLICABLE BASE RATE LOAN MARGIN
<S>	<C>	<C>
Greater than or equal to 2.50:1.00	1.50%	0.0%
Greater than or equal to 2.25:1.00 but less than 2.50:1.00	1.25%	0.00%
Greater than or equal to 2.00:1.00 but less than 2.25:1.00	1.00%	0.0%
Less than 2.00:1.00	0.75%	0.0%

</TABLE>

(2) The Applicable Margin shall be adjusted quarterly, based on the financial performance of Borrower for the immediately preceding fiscal quarter. Upon receipt of

the financial statements delivered pursuant to Section 5.1(a) or Section 5.1(b), as applicable, the Applicable Margin shall be adjusted, such adjustment being effective on the tenth Business Day after receipt of such financial statements and the Compliance Certificate to be delivered in connection therewith; provided, however, if the Borrower shall not have timely delivered such financial statements in accordance with Section 5.1(a) or Section 5.1(b), as applicable, beginning with the date upon which such financial statements should have been delivered and continuing until three (3) Business Days after such financial statements are delivered, the Applicable Margin shall equal 0.00% with respect to Base Rate Loans and 1.50% with respect to LIBOR Rate Loans.

(k) Prepayment.

(1) The Borrower shall have the right, by giving written notice to the Lender by not later than 12:00 noon (New York, New York time) on the second Business Day preceding the date of such prepayment, to prepay all or any portion of an Advance, without premium or penalty; provided, however, that any LIBOR Base Loan may be prepaid in whole or in part only on the last day of the Interest Period applicable thereto; and provided further, that each partial prepayment shall be in an aggregate principal amount of not less than \$100,000 and shall be accompanied by accrued interest to the date of prepayment on the amount prepaid. The Borrower shall reimburse the Lender on demand for any loss or out of pocket expenses incurred in connection with any prepayment made, including any costs or expenses described in Section 2.4.

(2) At any time that the sum of the aggregate outstanding principal balance of the Loans plus the aggregate stated amount of L/C Outstandings exceeds the Revolving Loan Commitment, the Borrower shall immediately prepay the outstanding principal amount of the Loans in an amount equal to such excess.

(l) Maximum Aggregate Commitment; Adjustment of Commitments. The original principal amount of the Revolving Loan Commitment shall not exceed \$10,000,000. Borrower may elect, subject to the terms and conditions hereof, to obtain Revolving Credit Loans in the maximum total aggregate amount outstanding at any time of \$10,000,000 (or such lower amount as the maximum Commitment may be reduced to in accordance with the terms hereof). Subject to Lender's consent, which consent Lender may withhold in its sole discretion, Borrower may request increases in the Revolving Loan Commitment in the amount of \$5,000,000 per increase up to a maximum aggregate Commitment amount of \$25,000,000.

2.2 Advances by Borrower.

(a) Interest Rate for Advances. The Borrower may obtain and maintain all or any portion of an Advance that is in a minimum amount of \$250,000 and in an integral multiple of \$50,000 thereafter as a LIBOR Base Loan. In the event that for any reason LIBOR Base Loans are not available, Advances shall be made or continued as Base Rate Loans.

(b) Lender's Records. The Borrower hereby irrevocably authorizes the Lender to make, or cause to be made, an appropriate notation on the records of Lender, reflecting the date and original principal amount of each Advance made by Lender, the dates for each period when

such Advance is being maintained, the interest rate for each such period and the dates of principal and interest payments on such Advance. Lender will, prior to any transfer of a Note, endorse on the reverse side thereof the outstanding principal amount of the Advances evidenced thereby. The records of the Lender shall be prima facie evidence of the status of the Lender's Advances, absent manifest error. Failure to make any such notation shall not affect the Borrower's Obligations in respect of such Advances or otherwise.

2.3 Increased Costs; Capital Adequacy.

(a) Increased Costs. If (1) as a result of any Regulatory Change, any reserve, special deposit or similar requirements relating to any extension of credit or other assets of or any deposits with or other liabilities of, Lender which affects the making or maintaining by Lender of any loans (including the Loans) or letters of credit (including the Letters of Credit) are imposed, modified or deemed applicable, (2) any other condition affecting this Agreement or the making or maintaining by Lender of any loans (including the Loans) or letters of credit (including the Letters of Credit) is imposed on s Lender or (3) other circumstances arise affecting Lender or the position of Lender in the relevant market, and Lender in good faith determines that, by reason thereof, the cost to Lender of making or maintaining any loans (including the Loans) or letters of credit (including the Letters of Credit) is increased as a result of such change in circumstances, or any amount receivable hereunder in respect of any Loan or Letter of Credit is reduced (and Lender shall not have been compensated for such increase or reduction by an increase in interest or otherwise by Regulatory Change), then Lender shall promptly notify the Borrower in writing and the Borrower shall pay upon request such additional amount or amounts (which shall be specified in such request) as will (in the good faith determination of such Lender) compensate such Lender for such additional cost or reduction; provided, however, that the Borrower's liability for additional amounts computed in accordance with this Section 2.3(a) shall be neither changed nor waived by any failure to give such notice.

(b) Capital Adequacy. If any Regulatory Change imposes, modifies or deems applicable any capital adequacy, capital maintenance or similar requirement (including a request or requirement which affects the manner in which Lender allocates capital resources to its commitments, including the Revolving Loan Commitment hereunder) and as a result thereof, the rate of return on Lender's capital as a consequence of the Commitment hereunder or the making or maintaining of any Loans or Letters of Credit hereunder is reduced to a level below that which Lender could reasonably have achieved but for such circumstances, then and in each such case upon notice from time to time by a Lender to the Borrower, the Borrower shall pay to Lender such additional amount or amounts as shall compensate Lender for such reduction in rate of return; provided, however, that the Borrower's liability for additional amounts computed in accordance with this Section 2.3(b) shall be neither changed nor waived by any failure to give such notice.

(c) Taxes. If any Regulatory Change shall subject Lender or any Loan or Letter of Credit to any tax (including, without limitation, any United States interest equalization tax or similar tax however named applicable to the acquisition or holding of debt obligations and any interest or penalties with respect thereto), duty, charge, stamp tax, fee, deduction or withholding in respect of this Agreement or any Loan or Letter of Credit, except such taxes as may be measured by the overall net income of such Lender and imposed by the jurisdiction, or any

political subdivision or taxing authority thereof, in which Lender's principal executive office or its lending branch is located and Lender in good faith determines that the result thereof is to increase the cost (whether by incurring a cost or adding to a cost) to Lender of making or maintaining any Loan or Letter of Credit hereunder or to reduce the amount of principal or interest received by Lender (without benefit of, or credit for, any prorations, exemptions, credits or other offsets available under any such laws, treaties, regulations, guidelines or interpretations thereof), then such Lender shall promptly notify in writing the Borrower and the Borrower shall pay, upon request, such additional amount or amounts as will (in the good faith determination of Lender) compensate Lender for such additional cost or reduction; provided, however, that the Borrower's liability for additional amounts computed in accordance with this Section 2.3(c) shall be neither changed nor waived by any failure to give such notice.

(d) Conclusive and Binding; Survival. With respect to any additional amount or amounts owing by the Borrower pursuant to this Section 2.3, a statement of Lender as to any such additional amount or amounts shall, in the absence of bad faith, be conclusive and binding on the Borrower. In determining such amount, Lender may use any method of averaging and attribution that it (in its sole and absolute discretion) shall deem applicable. The obligations of the Borrower under this Section 2.3 shall survive any termination or expiration of this Agreement.

2.4 Liquidation Fee. The Borrower understands that in connection with the request for a LIBOR Base Loan for an Interest Period, Lender may enter into funding arrangements with third parties on terms and conditions which could result in substantial losses to Lender if such LIBOR Base Loan is not made or does not remain outstanding for the entire Interest Period. Therefore, if either (i) after Borrower requests a LIBOR Base Loan, the LIBOR Base Loan is not made on the first day of the specified Interest Period for any reason (including, but not limited to, the failure of the Borrower to comply with one or more of the conditions precedent to any Advance under this Agreement) other than an intentional and wrongful failure by Lender to make the LIBOR Base Loan, or (ii) any LIBOR Base Loan is repaid in whole or in part prior to the last day of its Interest Period (whether as a result of acceleration, operation of law or otherwise), the Borrower agrees to indemnify Lender for any loss, cost and expense incurred by it resulting therefrom, including without limitation any loss of profit and any loss or cost in liquidating or employing deposits acquired to fund or maintain the LIBOR Base Loan.

2.5 Basis for Determining LIBOR Rate Inadequate or Unfair. If with respect to any Advance or any Interest Period:

(i) Lender is advised that deposits in lawful money of the United States of America (in the applicable amounts) are not being offered to such Lender in the LIBOR market for the relevant Advance or Interest Period, or Lender otherwise determines (which determination shall be binding and conclusive on all parties) that by reason of circumstances affecting the relevant market or the position of Lender in such market adequate and reasonable means do not exist for ascertaining the Adjusted LIBOR Rate;

(ii) Lender determines that the Adjusted LIBOR Rate will not adequately and fairly reflect the cost to such Lender of maintaining or funding a LIBOR Base Loan for the relevant Advance or Interest Period, or that the making or funding of a LIBOR Base

Loan has become impracticable as a result of an event which in the opinion of such Lender adversely affects such LIBOR Base Loan; or

(iii) Lender determines that any Regulatory Change makes it unlawful or impracticable for Lender to make or continue to maintain any LIBOR Base Loan;

then Lender shall promptly notify the Borrower of such circumstances and then so long as such circumstances shall continue: (1) the obligation of Lender to make a LIBOR Base Loan shall be terminated and (2) all LIBOR Base Loans then outstanding shall automatically be converted into Base Rate Loans.

2.6 Payments. Any other provision of this Agreement to the contrary notwithstanding, the Borrower shall make each payment of interest on and principal of the Revolving Credit Notes, and fees and other payments due under this Agreement (except as otherwise expressly provided herein), in immediately available funds to the Lender at its office referred to in Section 8.3 hereof not later than 1:00 p.m. (New York, New York time) on the date when due. The Borrower hereby authorizes and directs the Lender and agrees that on the Business Day on which any payment of principal, interest and/or fees are due, the Lender may automatically charge one or more demand deposit accounts of the Borrower maintained with the Lender or with any other Person pursuant to any agreement or instructions of the Borrower permitting the Lender to automatically debit any such account(s) for all or any portion of amounts then due. All payments by the Borrower under this Agreement shall be made without offset, counterclaim or other deduction and in such amounts as may be necessary in order that all such payments shall not be less than the amounts otherwise specified to be paid under this Agreement and the Notes.

2.7 Setoff; etc. Upon the occurrence and during the continuance of an Event of Default, Lender is hereby authorized at any time and from time to time, without notice to Borrower (any such notice being expressly waived by the Borrower), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held, and other indebtedness at any time owing, by Lender to or for the credit or the account of the Borrower, including specifically any amounts held in any account maintained at Lender, against any and all amounts which may be owed to the Lender by the Borrower in connection with this Agreement or any Loan Document. The rights of the Lender under this Section 2.7 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Lender may have. The Borrower agrees that any holder of a Note or of any participation in a Note may, to the fullest extent permitted by law, exercise all its rights of payment (including set-off) with respect to such participation as fully as if such holder were the direct creditor of the Borrower in the amount of such participation. Lender agrees to use reasonable efforts to notify the Borrower of any exercise of its rights pursuant to this Section 2.7, provided, however, that failure to provide such notice shall not affect Lender's rights under this Section 2.7 or the effectiveness of any action taken pursuant hereto.

2.8 Revolving Credit Commitment Fee.

(a) Payment of Fee. The Borrower agrees to pay a commitment fee (the "Revolving Credit Commitment Fee") for the period (including, without limitation, any portion thereof when

the Lenders' obligations to lend shall be suspended by reason of the Borrower' inability to satisfy the conditions of Article III) commencing on the Agreement Date and continuing through the Termination Date, computed on the average daily amount of the Unused Portion during the period for which payment is made at the rate per annum equal to the Applicable Fee Percentage (as determined in accordance with Section 2.8(b)). Such Revolving Credit Commitment Fee shall be payable to the Lender in arrears on the first day of each calendar quarter occurring after the Agreement Date.

(b) Adjustment of Fee. The applicable fee percentage for the Revolving Credit Commitment Fee (the "Applicable Fee Percentage") shall be determined by reference to the table set forth below on the basis of the Adjusted Leverage Ratio determined by reference to the most recent financial statements delivered pursuant to Section 5.1(a) or 5.1(b).

<TABLE>

<CAPTION>

ADJUSTED TOTAL LEVERAGE RATIO	APPLICABLE FEE PERCENTAGE
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<S>	<C>
Greater than or equal to 2.50:1.00	0.35%
Greater than or equal to 2.25:1.00 but less than 2.50:1.00	0.30%
Greater than or equal to 2.00:1.00 but less than 2.25:1.00	0.25%
Less than 2.00:1.00	0.20%

</TABLE>

Upon receipt by the Lender of the financial statements delivered pursuant to Section 5.1(a) or 5.1(b), as applicable, the Applicable Fee Percentage shall be adjusted, such adjustment being effective on the first day of the next calendar quarter commencing after the receipt of such financial statements and the Compliance Certificate to be delivered in connection therewith; provided, however, if the Borrower shall not have timely delivered such financial statements in accordance with Section 5.1(a) or 5.1(b), as applicable, and the Compliance Certificate to be delivered in connection therewith beginning with the date upon which such financial statements and Compliance Certificate should have been delivered and continuing until such financial statements and Compliance Certificate are delivered, the Applicable Fee Percentage shall equal 0.35%; provided further, however, that if upon delivery of such financial statements and Compliance Certificate, the Applicable Fee Percentage is adjusted upwards, the adjustment of the Applicable Fee Percentage shall be retroactive to the date upon which such financial statements and Compliance Certificate should have been delivered.

(c) Compensating Balance. In lieu of paying the fee pursuant to Sections 2.8(a) and 2.8(b) above, Borrower may deposit the sum of \$1,000,000 (10% of the Revolving Loan Commitment) with Lender to be held in a non-interest bearing demand deposit account.

2.9 Other Fees. In addition to the fees required to be paid by the Borrower pursuant to other provisions hereof, the Borrower agrees to pay a non-refundable fee to the Lender on the Agreement Date in the amount of one-quarter of one percent (.25%) multiplied by the aggregate Revolving Loan Commitment.

2.10 Application of Payments and Collections.

(a) Order of Application of Payments. Subject to the provisions of Section 2.10(b) below or any agreement of the Lender to the contrary, all payments and prepayments and any other amounts received by the Lender from or for the benefit of the Borrower shall be applied, first to pay all other Obligations in respect of fees, expenses, reimbursements or indemnities then due and payable, second to pay interest then due in respect of the Revolving Credit Loans, and third to pay the principal of the Revolving Credit Loans then due and payable.

(b) Application of Payments After an Event of Default. After the occurrence of an Event of Default and while the same is continuing, the Lender may apply all payments and prepayments in respect of any Obligations hereunder in any order whatsoever, in Lender's sole discretion.

2.11 Letters of Credit.

(a) Issuance by the Lender. Subject to all of the terms and conditions hereof (including Section 2.1(a) hereof), at the written request of the Borrower, the Lender will on or after the Effective Date issue standby letters of credit in form and substance satisfactory to the Lender ("Letters of Credit") for the account or benefit of the Borrower expiring on or before the fifth Business Day preceding the Termination Date; provided, however, the Lender shall not be required to issue a Letter of Credit if, after giving effect thereto, (1) the aggregate stated amount of all outstanding Letters of Credit, plus unreimbursed reimbursement obligations, would exceed \$3,000,000, (2) the sum of the aggregate outstanding principal amount of all Revolving Credit Loans and the L/C Outstandings would exceed the aggregate amount of the Revolving Credit Commitment, or (3) any other condition set forth in Section 2.1(a) is not satisfied. The aggregate stated amount of any and all Letters of Credit shall count against and reduce the available Revolving Credit Commitment hereunder on a pro rata basis.

(b) Reimbursement by Borrower. If and to the extent a drawing is at any time made under a Letter of Credit, the Borrower agrees to pay to the Lender, for the account of the Lender, immediately and unconditionally upon demand in lawful money of the United States, an amount equal to each amount which shall be so drawn. Interest shall be payable on any and all amounts remaining unpaid by the Borrower under this subsection from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until paid in full at the Default Rate. The Lender shall have the right to convert the reimbursement obligation of the Borrower arising out of any such drawing into an Advance made under this Agreement (the Borrower hereby irrevocably authorizes the Lender to refinance without notice to the Borrower the reimbursement obligation of the Borrower arising out of any such drawing into such an Advance and to take all action on behalf of the Borrower required pursuant to Section 2.1(d) hereof to request such Advance), and such Advance to be evidenced by the Revolving Credit Note and for all purposes of this Agreement, without regard to the conditions precedent to making any such Advance and any requirement of this Agreement that each Advance under this Agreement be in a minimum amount. Such Advance shall be at the Base Rate plus the Applicable Margin. If and to the extent any such Letter of Credit expires or otherwise terminates in a manner satisfactory to the Lender without having been drawn upon, the available Revolving Credit Commitment shall to such extent be reinstated.

(c) Letter of Credit Fees. The Borrower agrees to pay on the first day of each calendar quarter following the Agreement Date, in arrears, to the Lender, a letter of credit fee, computed at an annual rate equal to the Applicable Margin with respect to LIBOR Rate Loans in effect from time to time applied to the aggregate face amount of the Letters of Credit issued for the account of the Borrower from the date of issuance of each Letter of Credit until the expiration thereof, and (2) to the Lender directly for its benefit as issuing bank, all customary fees and other issuance, amendment, document examination, negotiation and presentment expenses and related charges in connection with the amendment, presentation of drafts, and the like customarily charged by the Lender with respect to standby letters of credit, payable at the time of invoice of such amounts.

(d) Indemnification.

(1) In addition to amounts payable as elsewhere provided in this Agreement, Borrower hereby agrees to protect, indemnify, defend, pay and save harmless the Lender, from and against any and all liabilities, expenses, losses, damages and costs which the Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit and any drawing thereunder other than, in the case of the Lender, as a result of its gross negligence or willful misconduct in violation of the applicable Letter of Credit agreements, as determined by the final judgment of a court of competent jurisdiction, in determining whether documents presented under any Letter of Credit comply with the terms thereof, or (B) the failure of the Lender to honor a drawing under such Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto governmental authority.

(2) As between the Borrower and the Lender, the Borrower assumes all risks of the acts and omissions of, or misuse of such Letter of Credit by, the beneficiary of any Letter of Credit. In furtherance and not in limitation of the foregoing, subject to the provisions of the Letter of Credit applications and Letter of Credit reimbursement agreements executed by the Borrower at the time of request for any Letter of Credit, the form and substance of which is attached hereto as Exhibit "F", the Lender shall not be responsible for: (A) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of the Letters of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (C) failure of the beneficiary of a Letter of Credit to comply with conditions required in order to draw upon such Letter of Credit; (D) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex, or other similar form of teletransmission or otherwise; (E) errors in interpretation of technical trade terms; (F) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit or of the proceeds thereof; (G) the misapplication by the beneficiary of a Letter of Credit of the proceeds of any drawing under such Letter of Credit; and (H) any consequences arising from causes beyond the control of the Lender.

(3) In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by the Lender under or in connection with Letters of Credit issued on behalf of the Borrower or any related certificates shall not, in the absence of gross negligence of the Lender, as determined by the final judgment of a court of competent jurisdiction, in determining whether documents presented under any Letter of Credit comply with the terms thereof, put the Lender, the Lender or any Lender under any resulting liability to the Borrower, and in no event shall the Borrower be relieved of any of its obligations, including the Obligations, hereunder or under any other Loan Documents.

(4) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.11(d) shall survive the payment in full of principal and interest hereunder, the termination of the Letters of Credit and termination of this Agreement.

(e) Cash Account. Upon the occurrence of any Event of Default (and provided the Notes are accelerated), the Borrower shall immediately pay to the Lender, an amount equal to the Unfunded Obligations, and upon receipt of the payment of such amount, the Lender shall deposit such funds in an interest-bearing cash account (the "Cash Account") in the name of the Borrower maintained with the Lender as to which the Borrower shall have no right of withdrawal, except as provided below. Upon any draw on a Letter of Credit, the Lender shall pay the amounts allocated in respect of such Unfunded Obligation to the Lender. Upon cancellation or termination of a Letter of Credit without its being fully drawn, the Lender shall reapply the amounts allocated in respect of such Unfunded Obligation as provided in Section 2.10, as applicable, as if such portion had then been paid to the Lender by the Borrower for application pursuant to Section 2.10.

ARTICLE III. CONDITIONS PRECEDENT

3.1 Conditions Precedent to Effectiveness. The effectiveness of the obligations of the Lender to make the initial Advance hereunder, and to issue the initial Letter of Credit hereunder is subject to the following conditions precedent:

(a) The Lender shall have received copies of all of the following, each in form and substance satisfactory to the Lender in all respects, unless waived by Lender:

(1) This Agreement, appropriately completed and duly executed by the parties hereto;

(2) The Note, appropriately completed and duly executed by the Borrower;

(3) The Parent Guaranty executed by the Guarantor;

(4) A favorable opinion of counsel of the general counsel of the Borrower and Guarantor substantially in the form of EXHIBIT C attached hereto;

(5) A loan certificate in substantially the form set forth as EXHIBIT D executed by the Manager, secretary or assistant secretary of each of the Credit Parties, certifying that (i) Borrower is a corporation, (ii) a true, correct and complete copy of its articles of incorporation, certificate of incorporation or other charter document with all amendments thereto (as certified by the Secretary of State or similar state official), is attached to the certificate, (iii) a true, correct and complete copy of its bylaws, with all amendments thereto, is attached to the certificate, and (iv) a true, correct and complete copy of the resolutions of its board of directors authorizing the execution, delivery and performance of the Loan Documents to which it is a party are attached to the certificate, and such resolutions have not been subsequently modified or repealed, (v) certificates of good standing dated within a reasonably close period of time prior to the Effective Date for the Borrower issued by the Secretary of State or similar state official for each state in which the Borrower is required to be qualified to do business are attached to such certificate, (vi) true, correct and complete copies of any agreements in effect with respect to the voting rights, ownership interests or management of Borrower, as amended, are attached to the certificate, (vii) the FEIN and Organizational ID Numbers for Borrower are set forth on an attachment to such certificate and (viii) there are no proceedings pending or contemplated as to the merger, consolidation, liquidation or dissolution of the Borrower;

(6) A certificate executed by the Manager, secretary or assistant secretary of the Credit Parties certifying the names of the officers of the Credit Parties authorized to sign the Loan Documents and to give notices and other communications in connection with this Agreement and the transactions contemplated hereby, together with a sample of the true signature of such officers;

(7) A duly executed Notice of Borrowing for the initial Advance of the Loans, which Notice of Borrowing shall include calculations demonstrating, as of the Effective Date, the Borrower's compliance with the financial covenants set forth herein;

(8) A certified copy of all documents evidencing any necessary consent or governmental approvals (if any) with respect to the execution, delivery and performance of the Loan Documents and the consummation of the transactions contemplated hereby;

(9) Any other required consents to the execution, delivery and performance of this Agreement and the other Loan Documents which may be required by the Lender;

(10) Evidence of insurance for all insurance required to be maintained by the Borrower pursuant to this Agreement;

(11) The Lender shall have completed, to its reasonable satisfaction, operating, financial and legal due diligence with respect to the Borrower;

(12) Such other approvals, consents, agreements, certificates or documents as the Lender may reasonably request; and

(13) The Post Closing Agreement.

(b) Payment by the Borrower of all fees that are due on the Agreement Date in accordance with the provisions of Sections 2.8 and 2.9 hereof, which payment shall be nonrefundable; and

(c) Payment by the Borrower of all legal fees and all costs and expenses of the Lender's counsel incurred through the date of the requested initial Advance in connection with the preparation and execution of the Loan Documents and incident to all proceedings in connection with, transactions contemplated by, and documents relating to this Agreement and the Loan Documents, which payment shall be nonrefundable.

The making of the Advance hereunder shall not constitute a waiver by the Lender of any right which the Lender may have in the event that any certificate, agreement, financial statement or other document delivered pursuant to this Section 3.1 or otherwise in connection with the transactions contemplated by this Agreement shall prove to have been false or misleading in any respect at the time made or deemed to be made hereunder.

3.2 Conditions Precedent to All Advances, and Issuances of Letters of Credit. The obligation of the Lender to make any Advance hereunder, and to issue any Letters of Credit shall be further subject to the satisfaction of each of the following conditions immediately prior to or contemporaneously with each such Advance or Letter of Credit issuance, unless waived in writing by the Lender:

(a) In the case of an Advance, delivery to the Lender of a Notice of Borrowing appropriately completed and duly executed by the Borrower; and, in the case of a Letter of Credit, an application for a letter of credit, in form and substance satisfactory to the Lender, appropriately completed and delivered;

(b) The representations and warranties set forth in Article IV hereof and in each of the other Loan Documents are true and correct in all material respects on the date of and after giving effect to the making of the Advance or the issuance of the Letter of Credit, except that the representations and warranties set forth in Section 4.5 as to the financial statements of the Borrower shall be deemed to be updated to refer to the audited and unaudited financial statements of the Borrower, as the case may be, most recently delivered to the Lender and the Lenders pursuant to Section 5.1;

(c) No Default or Event of Default shall then have occurred and be continuing on the date of the making of the Advance or the issuance of the Letter of Credit;

(d) Lender shall have received all such other certificates, reports, statements, opinions of counsel or other documents as the Lender may reasonably request;

(e) There shall have occurred no Material Adverse Occurrence;

(f) The making of the Advance or the issuance of the Letter of Credit by the Lender is not in violation of any applicable law, rule or regulation or any directive, request or order of any court or governmental authority having jurisdiction over such Lender;

(g) Payment by the Borrower of all fees owed pursuant to this Agreement and of all costs and expenses of the Lender's counsel incurred through the date of the requested Advance or Letter of Credit in connection with the preparation and execution of the Loan Documents and incident to all proceedings in connection with, transactions contemplated by, and documents relating to this Agreement and the Loan Documents, which payment shall be nonrefundable.

The delivery of the Notice of Borrowing or the application for the issuance of a Letter of Credit, as applicable, by the Borrower shall constitute a certification by the Borrower, binding upon the Borrower, as to the matters set forth above.

3.3 Conditions Subsequent. As a condition subsequent to the funding of the initial Advance and any other Advance hereunder, the Borrower shall execute and deliver to the Lender such other agreements, documents, certificates, assignments, financing statements and acknowledgments as may be reasonably requested by the Lender from time to time to evidence the Loans or to evidence, including but not limited to copies of all Material Contracts entered into after the Agreement Date (the failure by the Borrower to provide such documents within fifteen (15) business days of a written request shall constitute an Event of Default hereunder).

ARTICLE IV. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows to the Lender as of the Agreement Date, as of the Effective Date, and as of the date of each Advance, and each issuance of a Letter of Credit:

4.1 Organization; etc. Borrower (i) is a corporation validly organized and existing and in good standing under the laws of the state of its organization, (ii) has full power and authority to own its property and conduct its business as conducted by it and (iii) is duly qualified and licensed to do business and is in good standing as a foreign corporation in each jurisdiction where the nature of its business or the character of its property makes such qualification or licensing prudent, except where the failure to be so qualified or licensed as a foreign corporation does not constitute a Material Adverse Occurrence. A list of jurisdictions in which the Borrower is organized, qualified or licensed to do business, and maintain its principal place of business is set forth in Annex I. Borrower has full power and authority to enter into and to perform its obligations under the Loan Documents and to request Advances, and Letters of Credit under this Agreement. Borrower has all licenses, permits, franchises and rights necessary to carry on its business as now being and hereafter proposed to be conducted and to own and operate its Property, except for permits, licenses, franchises and rights the failure of which to have or obtain, individually or in the aggregate, is not and will not result in a Material Adverse Occurrence.

4.2 Due Authorization. The execution, delivery and performance by the Borrower of the Loan Documents (i) have been duly authorized by all necessary corporate action, (ii) do not require any approval or consent of, or any registration, qualification or filing with, any governmental agency or authority or any approval or consent of any other Person, (iii) do not and will not conflict with, result in any violation of or constitute any default under, any provision of the organizational, constitutive or governing documents of the Borrower, any agreement binding

on or applicable to the Borrower, or any of its Property, or any law or governmental regulation or court decree or order binding upon or applicable to the Borrower, or any of its Property and (iv) will not result in the creation or imposition of any Lien on any of the Borrower's Property pursuant to the provisions of any agreement binding on or applicable to the Borrower, or any of its Property.

4.3 Subsidiaries. The Borrower has no Subsidiaries except those listed on Annex II, which correctly sets forth the name of each Subsidiary, the jurisdiction of its incorporation or organization and the percentage ownership of each Subsidiary which is owned, of record or beneficially, by the Borrower and/or one or more of its Subsidiaries.

4.4 Validity of the Agreement. Each Loan Document is the legal, valid and binding obligation of the Borrower and is enforceable in accordance with its terms except that, as to enforcement of remedies, enforcement may be limited by bankruptcy, insolvency or similar laws affecting enforcement of creditors' rights generally.

4.5 Financial Statements. The balance sheets of the Borrower as of December 28, 2002 and the related statements of income, stockholders' equity and cash flows for the three (3) years ended December 28, 2002 certified by the Borrower's independent public accountants, copies of which have heretofore been delivered by the Borrower to the Lender, have been prepared in accordance with GAAP consistently applied throughout the periods involved and present fairly the financial condition and results of operations and cash flows of the Borrower for and as of the end of each of the periods presented therein. The unaudited consolidated balance sheet of the Borrower as of October 4, 2003 and the unaudited statements of operations for the forty (40) week period ended on said date, copies of which have heretofore been delivered to the Lender, have been prepared in accordance with GAAP, present fairly in all material respects the financial position of the Borrower as of said date and the results of operations and cash flows of the Borrower for said period, subject only to customary year-end adjustments which are not expected to be and are not reasonably likely to be material in amount or kind.

4.6 Business. The Borrower is engaged in the business of developing, acquiring, owning, operating and franchising bakery cafes and fresh dough facilities under the Panera or St. Louis bread trade names.

4.7 Litigation; etc. There is no action, suit, claim, proceeding, demand or investigation at law or equity, or before or by any Federal, state, local or other governmental department, commission, court, board, bureau, agency, tribunal or instrumentality, or before any arbitration or arbitration board, domestic or foreign, pending, or to the knowledge of the Borrower threatened, against the Borrower, or any of its Properties, which if determined adversely constitutes a Material Adverse Occurrence.

4.8 Compliance with Law. Borrower is not (i) in default or breach with respect to any judgment, order, writ, injunction, rule, regulation or decree of any court, governmental authority, department, commission, agency or arbitration board or tribunal of which it has notice (including such notice as would be obtained by a diligent search of applicable public records) or (ii) in violation of any law, rule, regulation, ordinance or order relating to its or their respective businesses, the breach, default or violation of which constitutes a Material Adverse Occurrence.

4.9 ERISA Compliance. With respect to each Plan which is an employee pension benefit plan (as defined in Section 3.2 of ERISA), the Internal Revenue Service has issued a determination that each such Plan (except for any Plan which is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees) is qualified under Section 401(a) and related provisions of the Code, as amended by ERISA, and that each related trust or custodial account is exempt from taxation under Section 501(a) of the Code, and nothing has occurred since the date of that determination that could reasonably be expected to adversely affect the qualified status of such Plan. All Plans comply in all material respects with ERISA and other applicable laws. There exist with respect to the Borrower, no Multiemployer Plans, for which a material withdrawal or termination liability may be incurred. There exist with respect to all Plans or trusts: (i) no material accumulated funding deficiency within the meaning of ERISA; (ii) no termination of any Plan or trust which would result in any material liability to the PBGC or any "reportable event," as that term is defined in ERISA, which is likely to constitute grounds for termination of any Plan or trust by the PBGC; (iii) no "prohibited transaction," as that term is defined in ERISA, which is likely to subject any Plan, trust or party dealing with any Plan or trust to any material tax or penalty on prohibited transactions imposed by Section 4975 of the Code, and (iv) no pending disputes, arbitrations, claims, suits, grievances or governmental audits involving any Plan (other than routine claims for benefits payable under any such Plan) for which a material liability on the Borrower may be incurred. The consummation of any transaction by this Agreement will not (either alone or upon the occurrence of any additional or further acts or events) result in any (A) payment becoming due from the Borrower, to any officer, employee, former employee, or director thereof, or to any other Person for the benefit of any such individual, or (B) benefit being established or accelerated, vested or payable to any such individual.

4.10 Indebtedness and Liabilities. Except as listed in Annex III, the Borrower has no Indebtedness in excess of One Million and No/100 Dollars (\$1,000,000.00). Borrower has no material liabilities, contingent or otherwise, other than as disclosed in the financial statements referred to in Section 4.5, there are no anticipated losses and (other than net operating loss carryovers, as contemplated by Section 172 of the Internal Revenue Code of 1986, as amended) there are no material unrealized losses of the Borrower other than those which have been disclosed in writing to the Lender prior to the Agreement Date and identified as such.

4.11 No Investments. Other than as reflected in the financial statements referred to in Section 4.5, Borrower has no Investments in any Person (other than Subsidiaries of the Borrower).

4.12 Use of Proceeds. The proceeds of the Advances will be used by the Borrower to fund the working capital requirements of the Borrower and other general corporate purposes of the Borrower.

4.13 Governmental Regulation. Borrower is not required to obtain any material consent, approval, authorization, permit or license which has not already been obtained from and which remains in effect, or effect any material filing or registration which has not already been effected and which remains in effect with, any Federal, state or local regulatory authority in

connection with the execution and delivery of this Agreement or any other Loan Document or the performance, in accordance with their terms, contemplated hereunder and thereunder.

4.14 Margin Stock. No part of any Advance shall be used at any time by the Borrower to purchase or carry margin stock (within the meaning of Regulations T, U and X) or to extend credit to others for the purpose of purchasing or carrying any margin stock. Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying any such margin stock. No part of the proceeds of any Advance will be used by the Borrower for any purpose which violates, or which is inconsistent with, any regulations promulgated by the Board of Governors of the Federal Reserve System.

4.15 Investment Company Act. Neither Borrower nor any of its Subsidiaries is an "investment company," or an "affiliated person" of, or a "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended. The making of the Advances and the issuances of Letters of Credit, the application of the proceeds and repayment thereof by the Borrower and the performance of the transactions contemplated by this Agreement will not violate any provision of said Act, or any rule, regulation or order issued by the Securities and Exchange Commission thereunder.

4.16 Accuracy of Information. All information heretofore or herewith furnished by or on behalf of the Borrower to the Lender for purposes of or in connection with this Agreement or any transaction contemplated by this Agreement is, and to the best of the Borrower's knowledge, all other such information hereafter furnished by or on behalf of the Borrower to the Lender will be, true and accurate in every material respect on the date as of which such information is dated or certified and no such information contains any material misstatement of fact or omits to state any fact necessary to make the statements contained therein not misleading.

4.17 Tax Returns; Audits. The Borrower has filed all Federal, state and local tax returns and other reports which are required to be filed, and have paid all taxes as shown on said returns and on all assessments received by any such Person (except for any assessments which are being contested in good faith by appropriate proceedings that will prevent a forfeiture or sale of any property and for which an adequate reserve has been provided on the books of the Borrower in accordance with GAAP), to the extent that such taxes have become due, or has obtained extensions with respect to the filing of such returns and has made provision for the payment of taxes anticipated to be payable in connection with such returns. The Borrower has made all required withholding deposits. The Borrower does not have knowledge of any objections to or claims for additional taxes by Federal, state or local taxing authorities against it, and there are no pending or, to Borrower's knowledge, threatened audits by any Federal, state or local taxing authorities with respect to the Borrower which might result in penalties or any material amount of taxes being payable by the Borrower.

4.18 Environmental and Safety Regulations. The Borrower is in compliance with all requirements of applicable Federal, state and local environmental, pollution control, health and safety statutes, laws and regulations except for any noncompliance which, individually or in the aggregate, could not result in a Material Adverse Occurrence with respect to the Borrower and, to the best of its knowledge, is not the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or

substance into the environment. The Borrower further represent and warrant that (i) the real property owned by the Borrower (and, to its knowledge, the real property leased by Borrower) and its intended use complies with all applicable laws, governmental regulations and the terms of any enforcement action by any Federal, state, regional or local governmental agency, including, without limitation, all applicable Federal, state and local laws pertaining to air and water quality, hazardous waste, waste disposal and other environmental matters (including, but not limited to, the Clean Water, Clean Air, Federal Water Pollution Control, Solid Waste Disposal, Resource Conservation and Recovery and Comprehensive Environmental Response, Compensation, and Liability Acts, as said acts may be amended), and the rules, regulations and ordinances of all applicable Federal, state and local agencies and bureaus, except in each case for any noncompliance which, individually or in the aggregate, does not constitute a Material Adverse Occurrence and (ii) no notice, demand, request for information, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or, to the Borrower's knowledge, threatened by any governmental or other entity with respect to any alleged failure by the Borrower to comply in any material respect with any of such environmental laws.

4.19 Payment of Wages. The Borrower is in compliance with the Fair Labor Standards Act, as amended, in all material respects, and, to the best of its knowledge, the Borrower has paid all minimum and overtime wages required by law to be paid to its employees.

4.20 Intellectual Property. The Borrower owns, possesses or has the right to use all material licenses and rights to all patents, trademarks, trademark rights, trade names, trade name rights, trade dress, service marks, domain marks and copyrights, or has applied for the trademarks, trade dress and service marks, necessary to conduct its business in all material respects as now being and hereafter proposed to be conducted, without conflict with any patent, trademark, trade name, trade dress, service mark, license or copyright of any other Person. All such material licenses and rights with respect to patents, trademarks, trademark rights, trade names, trade name rights, trade dress, service marks and copyrights are in full force and effect in all material respects, and are not subject to any pending or, to the Borrower's knowledge, threatened attack or revocation.

4.21 Forecasts. Intentionally Omitted.

4.22 Solvency. After giving effect to the transactions contemplated by this Agreement, the Borrower and each of its Subsidiaries has capital sufficient to carry on its business, is solvent and is able to pay its debts and obligations as they mature in the ordinary course. After giving effect to the consummation of the transactions contemplated by this Agreement, the Borrower and each of their Subsidiaries now owns Property having a value, when added to ongoing cash flow from operations, greater than the amount required to pay its debts, obligations and contingent liabilities.

4.23 No Default. No Event of Default has occurred and is continuing and, to the best of the Borrower's knowledge after due inquiry, no Default exists or is continuing. Each of the Borrower and its Subsidiaries is in compliance in all material respects with all of the provisions of their respective certificates or articles of incorporation and by-laws, or their partnership or limited liability company agreements, as the case may be, and no event has occurred or failed to

occur (including, without limitation, any matter which could create a Default hereunder by cross-default) which has not been remedied or waived, the occurrence or non-occurrence of which constitutes, or with the passage of time or giving of notice or both would constitute, (i) an Event of Default or (ii) a material default by the Borrower or any of its Subsidiaries under any indenture, agreement or other instrument relating to Indebtedness of any of such Persons or any judgment, decree or order to which the Borrower or any of its Subsidiaries is a party or by which the Borrower or any of its Subsidiaries or their respective Properties may be bound or affected.

4.24 No Material Adverse Occurrence. Since the date of the most recent audited financial statements submitted to the Lender as described in Section 4.5, there has occurred no Material Adverse Occurrence.

4.25 Material Contracts. All of the Material Contracts are in full force and effect and Borrower is not in material default under any Material Contract and, to the knowledge of the Borrower, no other Person that is a party thereto is in default under any of the Material Contracts. None of the Material Contracts prohibits, restricts or is breached by any of the transactions contemplated under the Loan Documents. To the extent required by Lender, the Borrower has delivered to the Lender a true and correct, complete and fully executed copy of each Material Contract existing on the Agreement Date and, with respect to each Material Contract entered into after the Agreement Date, will deliver to the Lender, upon written request therefore, a true and correct, complete and fully executed copy of such Material Contract promptly after execution thereof.

4.26 All representations and warranties made under this Agreement and the other Loan Documents shall be deemed to be made, and shall be true and correct, at and as of the Agreement Date and the Effective Date in all respects and, at and as of the date of each Advance, or issuance of a Letter of Credit, in all material respects. All representations and warranties made under this Agreement shall survive, and not be waived by, the execution hereof by the Lender, any investigation or inquiry by Lender, or the making of any Advance under this Agreement.

ARTICLE V. CERTAIN AFFIRMATIVE COVENANTS

The Borrower agrees with the Lender that, from the date hereof and thereafter for so long as any portion of any Advance, any Letter of Credit or any Obligations shall be outstanding or Lender shall have any Commitment hereunder, unless the Lender shall otherwise consent in writing:

5.1 Financial Information; etc. The Borrower will furnish to the Lender copies of the following financial statements, reports and information:

(a) as soon as available and in any event within ninety (90) days after the end of each fiscal year of the Parent a copy of the audited consolidated financial statements, including balance sheet, related statements of income, statements of stockholders' equity and statements of cash flows, of the Parent for such fiscal year, with comparative figures for the preceding fiscal year, prepared in accordance with GAAP, certified without qualification or exception by a nationally or regionally recognized firm of independent public accountants which firm is

reasonably acceptable to the Lender, accompanied by a certificate of the chief financial officer of Parent which shall state that said financial statements are complete and correct in all material respects and fairly present the financial condition and results of operations of the Parent in accordance with GAAP for such period;

(b) as soon as available and in any event within forty-five (45) days of the end of each fiscal quarter of Parent, internally prepared unaudited consolidated financial statements of the type described in Section 5.1(a) for such fiscal year, all in form and substance consistent with such financial statements and summaries as delivered to the Lender prior to the Agreement Date;

(c) with each financial statement required by Section 5.1(a) and Section 5.1(b) to be delivered to the Lender, a certificate ("Compliance Certificate") in substantially the form set forth as EXHIBIT E, completed so as to be acceptable to the Lender and signed by the chief financial officer of the Parent (1) stating that, to the best of their knowledge after reasonable inquiry, no Default or Event of Default has occurred and is continuing, or if a Default or an Event of Default has occurred and is continuing, a statement of the nature thereof and the action which the Borrower proposes to take with respect thereto, and (2) setting forth, in sufficient detail, the information and computations required to establish whether or not the Borrower was in compliance with the requirements of Sections 6.1 through 6.4, inclusive, during the periods covered by the financial reports then being furnished and as of the end of such periods;

(d) promptly upon the mailing or other delivery thereof in a distribution generally made to the stockholders of the Parent, unless already delivered pursuant to another clause of this Section 5.1, copies of all financial statements, reports, proxy statements and other material communications so mailed or delivered;

(e) promptly after the Borrower knows or has reason to know that any Default or Material Adverse Occurrence has occurred, but in any event not later than ten (10) Business Days after any officer of the Borrower becomes aware thereof, a notice of such Default or Material Adverse Occurrence describing the same in reasonable detail and a description of the action that the Borrower has taken and propose to take with respect thereto;

(f) promptly after receipt thereof, but in any event not later than twenty-five (25) days after any officer of the Borrower becomes aware thereof, all letters and reports to management of the Borrower prepared by its independent certified public accountants which identify any material weakness in the Borrower's systems of internal control or report other material matters to the Borrower's management, Board of Directors or committee thereof and the responses of the management of the Borrower thereto;

(g) promptly following the commencement of any litigation, suit, administrative proceeding or arbitration relating to the Borrower or any Guarantor which if adversely determined could result in a Material Adverse Occurrence or otherwise relating in any way to the transactions contemplated by this Agreement, but in any event not later than twenty-five (25) days after any officer of the Borrower or Guarantor becomes aware thereof, a notice thereof describing the allegations of such litigation, suit, administrative proceeding or arbitration and the Borrower's or Guarantor's response thereto;

(h) promptly upon learning thereof, but in any event not later than ten (10) Business Days after any officer of the Borrower becomes aware thereof, a notice of the occurrence of any event which constitutes an exception in any material respect to any representation or warranty or a breach of any covenant or agreement made by the Borrower in any Loan Document regardless of whether such representation, warranty, covenant or agreement is required to be made as of the date of such event;

(i) promptly upon learning thereof, any "reportable event" or "prohibited transaction" or the imposition of a withdrawal or termination liability within the meaning of ERISA in connection with any Plan or Multiemployer Plan, and, when known, any action taken by the Internal Revenue Service, Department of Labor or PBGC with respect thereto;

(j) annually, within ten (10) days of June 1 (or such other annual renewal date of the Borrower's insurance policies), a certificate of insurance indicating that the Borrower continues to maintain all insurance coverages required under the Loan Documents;

(k) as promptly as practicable, such other information with respect to the financial condition and operations of the Borrower as the Lender may reasonably request.

5.2 Maintenance of Existence; etc. Borrower shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, (i) its existence and good standing in the state of its organization and (ii) its qualification and good standing as a foreign corporation in all states in which such qualification and good standing are required in order to conduct its business and own its property as conducted and owned in such states, except where the failure to be so qualified as a foreign corporation does not constitute a Material Adverse Occurrence.

5.3 Maintenance of Properties and Material Contracts. The Borrower will maintain or cause to be maintained in the ordinary course of business in good repair, working order and condition (reasonable wear and tear excepted) all material Properties used in their respective businesses (whether owned or held under lease), and from time to time make or cause to be made all needed and appropriate repairs, renewals, replacements, additions, betterments and improvements thereto. The Borrower will comply in all material respects with its obligations under all Material Contracts and to continue such Material Contracts in full force and effect without breach thereof, except to the extent non-compliance is not a Material Adverse Occurrence.

5.4 Payment of Taxes; etc. The Borrower shall pay and discharge as the same may become due and payable, all taxes, assessments and other governmental charges or levies against or on any of its Property, as well as claims of any kind which, if unpaid, might become a Lien upon any of its Property; provided, however, that the foregoing shall not require the Borrower to pay any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested diligently in good faith by appropriate proceedings that will prevent a forfeiture or sale of any Property and an adequate book reserve shall have been set aside with respect thereto, but only so long as such tax, assessment, charge, levy or claim does not become a Lien on any assets of the Borrower. The Borrower shall make all required withholding deposits.

5.5 Compliance with Laws. The Borrower shall carry on its business activities in substantial compliance with all material applicable federal or state laws and all applicable rules, regulations and orders of all governmental bodies and offices having power to regulate or supervise its business activities, including, without limitation, all applicable environmental, pollution control, health and safety statutes, laws and regulations. The Borrower shall maintain all material rights, liens, franchises, permits, certificates of compliance or grants of authority required or useful in the conduct of its business. The Borrower agree that the real property and its intended use will comply at all times with all material applicable laws, governmental regulations and the terms of any enforcement action now or hereafter commenced by any Federal, state, regional or local governmental agency, including, without limitation, all applicable Federal, state and local laws pertaining to air and water quality, hazardous waste, waste disposal and other environmental matters (including, but not limited to, the Clean Water, Clean Air, Federal Water Pollution Control, Solid Waste Disposal, Resource Conservation and Recovery and Comprehensive Environmental Response, Compensation, and Liability Acts, as said acts may be amended from time to time), and the rules, regulations and ordinances of all applicable Federal, state and local agencies and bureaus.

5.6 Books and Records; etc. The Borrower shall keep (i) a system of accounting administered in accordance with GAAP and (ii) books and records accurately reflecting in all material respects all of its business affairs and transactions, which shall be maintained in accordance with GAAP (where applicable). The Borrower shall permit the Lender and its representatives, from time to time at reasonable times and upon reasonable notice to the Borrower, to visit the offices of the Borrower, discuss financial matters with officers of the Borrower and with its independent public accountants (and by this provision the Borrower authorizes their independent public accountants to participate in such discussions) and examine any of the Borrower's books, corporate records and assets.

5.7 Insurance. The Borrower will:

(a) Maintain insurance including, but not limited to, business interruption coverage and public liability coverage insurance from responsible companies in such amounts and against such risks to the Borrower as the Borrower reasonably determines are prudent consistent with past business practice and giving due consideration to growth in the Borrower's business (including, without limitation, larceny, embezzlement, employee fidelity, and other criminal misappropriation insurance);

(b) Keep its assets insured by nationally recognized and responsible companies against loss or damage by fire, theft, burglary, pilferage, loss in transit, explosions and hazards in amounts which are prudent for the restaurant industry, in accordance with industry standards, and on terms and in a manner reasonably satisfactory to the Lender (it being acknowledged that the insurance policies delivered to the Lender prior to the Agreement Date are reasonably satisfactory to the Lender based upon the Borrower's business on the Agreement Date), all premiums thereon to be paid by the Borrower;

(c) Require that each insurance policy for the Borrower provides for at least thirty (30) days prior written notice to the Lender of any termination of or proposed cancellation or nonrenewal of such policy, or material reduction in coverage.

5.8 Maintain Business and Fiscal Year End. The Borrower shall continue to engage primarily, in the business or businesses being conducted on the date of this Agreement. The Borrower will maintain its fiscal year and fiscal quarter consistent with their practice as of the Agreement Date except that, if the Borrower intends or is required to change any such fiscal period, it will so notify Lender.

5.9 ERISA.

The Borrower agrees that all assumptions and methods used to determine the actuarial valuation of employee benefits, both vested and unvested, under any Plan, and each such Plan, will comply in all material respects with ERISA and other applicable laws.

(a) The Borrower will not at any time permit any Plan to:

(1) engage in any "prohibited transaction" as such term is defined in Section 4975 of the Code or in Section 406 of ERISA;

(2) incur any "accumulated funding deficiency" as such term is defined in Section 302 of ERISA, whether or not waived;

(3) be terminated under circumstances which are likely to result in the imposition of a lien on the property of the Borrower pursuant to Section 4068 of ERISA, if and to the extent such termination is within the control of the Borrower; or

(4) be operated or administered in a manner which is not in compliance with ERISA or any applicable provisions of the Code;

if the event or condition described in (1), (2), (3) or (4) above is likely to subject Borrower or any Subsidiary or ERISA Affiliate to a Material Adverse Occurrence.

(b) Upon the request of the Lender, the Borrower will deliver to the requesting party a copy of the annual report of each Plan (Form 5500) required to be filed with the Internal Revenue Service. Copies of such annual reports shall be delivered no later than thirty (30) days after the date the copy is requested.

5.10 Changes to GAAP. In the event that the Borrower makes any changes to the generally accepted accounting principles used in the preparation of the Borrower's books and/or financial statements such that such principles are not applied consistently with any such principles applied during any prior period, (i) such change shall be in accordance with GAAP in effect at the time of such change and shall be concurred in by the certified public accountants certifying the financial statements of the Borrower and its Subsidiaries, and (ii) the Borrower shall give the Lender prompt written notice thereof as far in advance thereof as practicable. The Lender is hereby authorized to adjust the financial covenants of this Agreement to reflect the effect of such changes and such adjustments shall become effective as indicated by the Lender.

5.11 Use of Proceeds. The Borrower will use the proceeds of the Advances only for lawful purposes and in accordance with the terms of this Agreement. No proceeds of any Loans

hereunder shall be used for the purchase or carrying or the extension of credit for the purpose of purchasing or carrying any margin stock within the meaning of Regulations T, U and X.

5.12 Payment of Indebtedness; Loans. Subject to any provisions regarding subordination herein or as set forth in any other Loan Document, the Borrower will pay any and all of its Indebtedness when and as it becomes due, other than amounts diligently disputed in good faith and for which adequate reserves have been set aside in accordance with GAAP.

5.13 Subsidiary Guaranty. Intentionally Omitted.

5.14 Survival of Warranties and Representations. The Borrower covenants, warrants and represents to the Lender that all representations and warranties of the Borrower contained in this Agreement and in the other Loan Documents shall be true at the time of Borrower's execution of this Agreement and (except as otherwise agreed to by the Lender, in writing) in all material respects on the date of each Advance, Loan or issuance of a Letter of Credit hereunder and shall survive the execution, delivery and acceptance hereof and thereof by the parties thereto and the closing of the transactions described herein and therein or related hereto and thereto, and any investigation at any time made by or on behalf of the Lender shall not diminish their rights to rely thereon.

ARTICLE VI.
CERTAIN FINANCIAL COVENANTS AND NEGATIVE COVENANTS

The Borrower agrees with the Lender that, from the date hereof and thereafter for so long as any portion of any Advance, any Letter of Credit or any Obligations shall be outstanding or any Lender shall have any Commitment hereunder, unless the Lender shall otherwise consent in writing:

6.1 Fixed Charge Coverage Ratio. For each twelve-month period ending on the last day of each fiscal quarter of the Borrower, the Borrower shall maintain a Minimum Fixed Charge Coverage Ratio of 1.50 to 1.00.

6.2 Maximum Adjusted Total Leverage Ratio. For each twelve-month period ending on the last day of each fiscal quarter of the Borrower, the Borrower shall maintain a maximum Adjusted Total Leverage Ratio of 3.00 to 1.00. For purposes of this Section 6.2, Funded Debt shall not include the commitments and contingent liabilities relative to the operating leases for the former Au Bon Pan Division and its franchisees which are described in Note 9 found on page 40 of the 2002 Panera Bread Company annual report.

6.3 Limitations on Indebtedness. The Borrower will not create, assume, incur, issue, guarantee or otherwise become or remain obligated in respect of, or permit to be outstanding, any Indebtedness, except:

(a) Indebtedness existing on the date hereof, and if in excess of One Million and No/100 Dollars (\$1,000,000.00) disclosed on Annex III hereto;

(b) Indebtedness owed to the Lender and represented by the Notes or any other Loan Document;

(c) Current accounts payable and accrued expenses incurred in the ordinary course of business consistent with past practice;

(d) Rate Hedging Obligations, if permitted hereunder;

(e) Indebtedness, in addition to Indebtedness permitted by clauses (a), (b), (c), and (d) above, in an aggregate principal amount incurred during any fiscal year or at any one time outstanding not to exceed \$10,000,000.00.

6.4 Liens. The Borrower will not create, incur, assume or permit to exist or to be created or assumed any Lien on its Property, whether now owned or hereafter acquired, or upon any income or profits therefrom, or own or acquire or agree to acquire Property of any kind subject to any Lien (including by way of creating, acquiring or investing in any Person who is or becomes a Subsidiary), except the following (the "Permitted Liens"):

(a) Liens arising in the ordinary course of business by operation of law on real property for real estate taxes and Liens arising in the ordinary course of business by operation of law securing taxes, assessments or governmental charges or levies or the claims or demands of contractors, materialmen, mechanics, carriers, warehousemen, landlords and other like Persons;

(b) Liens incurred or deposits made in the ordinary course of business (1) in connection with workmen's compensation, unemployment insurance, social security and other like laws or (2) to secure the performance of letters of credit, bids, tenders, sales contracts, leases, statutory obligations, surety, appeal and performance bonds and other similar obligations not incurred in connection with the borrowing of money, the obtaining of advances or the payment of the deferred purchase price of Property and not in excess of \$500,000 in the aggregate outstanding at any one time;

(c) Attachments, judgments and other similar Liens arising in connection with court proceedings, provided the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings in such manner as not to have the Property subject to such Liens forfeitable or sold;

(d) Easements, rights-of-ways, reservations, exceptions, minor encroachments, restrictions and similar charges created or incurred in the ordinary course of business and not in connection with Indebtedness, and which in the aggregate do not materially detract from the value of such Properties or materially impair or interfere with their use in the business operations of the Borrower;

(e) Liens existing on the date hereof and if over One Million and No/100 Dollars (\$1,000,000.00) disclosed on Annex III hereto;

(f) Liens securing purchase money Indebtedness permitted pursuant hereto;

(g) Liens in favor of the Borrower which are assigned to the Lenders as Collateral; and

(h) Liens in favor of the Lender.

For purposes of this Section 6.4, (A) all Liens of a Person which becomes a Subsidiary and which are outstanding as of the date such Person becomes a Subsidiary shall be deemed to have been incurred as of the date such Person becomes a Subsidiary; and (B) the Borrower and its Subsidiaries shall not be deemed to permit to exist a Lien created or incurred by a Person (other than the Borrower and its Subsidiaries, and Affiliates of any of them) with respect to real Property owned by such other Person in which the Borrower and their Subsidiaries have a leasehold interest.

6.5 Dividends, Stock Purchase and Distributions. The Borrower will not, except as hereinafter provided: (i) declare or pay any dividends, either in cash or Property, on any shares of its capital stock of any class (except dividends payable by the Borrower solely in shares of common stock of the Borrower and dividends if paid would not violate the financial ratios contained in this Agreement); or (ii) directly or indirectly, or through any Subsidiary, purchase, redeem, retire, or otherwise acquire any shares of its capital stock, or other equity interests therein, of any class or any warrants, rights or options to purchase or acquire any shares of its capital stock, or other equity interests therein, the aggregate cost of which shall exceed Two Million Five Hundred Thousand Dollars (\$2,500,000.00); or (iii) make any other distribution, either directly or indirectly or through any Subsidiary, in respect of its capital stock, or other equity interests therein.

6.6 Sales of Assets. The Borrower will not sell, lease, abandon, transfer or otherwise dispose of any material assets (including without limitation the capital stock of any Subsidiary), without the prior written consent of Lender which consent shall not be unreasonably withheld or conditioned.

6.7 Liquidations, Mergers and Consolidations. The Borrower will not liquidate or dissolve itself (or suffer any liquidation or dissolution) or otherwise wind up, or to consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into it, except that a Subsidiary may consolidate with or liquidate or merge into Borrower as long as Borrower is the surviving entity; provided that (A) immediately after the consummation of the transaction and after giving effect thereto, no condition or event shall exist which constitutes a Default, an Event of Default, a Change of Control or a Material Adverse Occurrence, (B) the merger or other transaction documents include a written provision whereby the surviving entity expressly acknowledges and reaffirms its Obligations under the Loan Documents (and copies thereof are delivered to the Lender), and (C) the Borrower executes and delivers such agreements as may be requested by the Lender in connection therewith; and provided further, that with respect to transactions described in clause (ii) above the Borrower gives the Lender written notice of any such permitted transaction as promptly as practicable in advance of such transaction and, in any event, within ten (10) Business Days of such transaction.

6.8 Disposition of Securities of a Subsidiary. The Borrower will not, and will not permit any of its Subsidiaries to, sell or otherwise dispose of (or enter into any agreement for any of the foregoing) any shares of the stock or other equity interests therein (or any options or warrants to purchase stock or other equity interests therein or other securities convertible or exchangeable therefor) of a Subsidiary (said stock, options, warrants and other securities herein called "Subsidiary Stock"), nor will the Borrower permit any of its Subsidiaries to issue, sell or otherwise dispose of any Subsidiary Stock (or enter into any agreement for any of the foregoing),

if the effect of the transaction would be to reduce the proportionate interest of the Borrower in the Subsidiary whose shares are the subject of the transaction.

6.9 Investments. The Borrower will not make or permit to exist any Investment, except that, so long as no Default or Event of Default then exists or is caused thereby, the Borrower may make Permitted Investments.

6.10 Transactions with Affiliates. The Borrower will not enter into any material transaction (including, without limitation, the purchase, sale or exchange of Property, the rendering of any service, the making of any Investment in an Affiliate or the repayment of any Indebtedness owed to an Affiliate) with any of their Affiliates, except for transactions between and among the Borrower, any Subsidiary or any one or more of them in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's business, upon terms which are fair and reasonable to the Borrower and which are not less favorable to the Borrower or such Subsidiary than would be obtained in a comparable transaction with a Person not an Affiliate.

6.11 Acquisitions. The Borrower will not make any Acquisitions, except that, so long as no Default or Event of Default then exists or is caused thereby, the Borrower and their Subsidiaries may make the Acquisitions described on Annex IV.

6.12 Rate Hedging Obligations. Without the written consent of the Lender, which consent shall not be unreasonably withheld, the Borrower will not create, incur, guarantee or otherwise become liable on or in respect of any Rate Hedging Obligations.

6.13 Amendment and Waiver. The Borrower will not enter into any amendment of any of the material provisions of (whether through the filing of a certificate of designation or otherwise), or agree to or accept or consent to any waiver of any of the material provisions of, its articles or certificate of incorporation, bylaws, or other charter document as appropriate, in each case in any manner materially adverse to the Borrower, any of their Subsidiaries, or the Lender, or any of them.

6.14 Limitation on Guarantees. The Borrower will not, and will not permit any of their Subsidiaries to, at any time guarantee, assume, be obligated with respect to, or permit to be outstanding any Guarantee of, any obligation for the payment of money or any other Person other than (i) a guarantee by endorsement of negotiable instruments for collection in the ordinary course of business, or (ii) obligations under agreements of the Borrower or any of their Subsidiaries entered into in connection with leases of real Property or the acquisition of services, supplies and equipment in the ordinary course of business of the Borrower or any of their Subsidiaries, or (iii) Guarantees permitted or required by this Agreement or Loan Document.

6.15 ERISA Liabilities. The Borrower will not (i) permit the assets of any of their respective Plans to be less than the amount necessary to provide all accrued benefits under such Plans on an ongoing basis, or (ii) enter into any Multiemployer Plan.

6.16 Material Contracts. The Borrower will not terminate or agree to terminate any Material Contract to which Borrower is a party (other than Material Contracts covering supplies or services in the ordinary course of the Borrower's business which are terminated without

material liability to the Borrower and for which a reasonably equivalent substitute or replacement contract has been obtained and no material adverse effect on the Borrower, their Subsidiaries, the Lender, or any of them, occurs or is caused thereby), or amend, modify or grant a waiver of any provisions of any such Material Contract in any manner materially adverse to the Borrower, their Subsidiaries, the Lender, or any of them.

ARTICLE VII.
EVENTS OF DEFAULT

7.1 Events of Default. The term "Event of Default" shall mean any of the following events occurring for whatever reason, whether voluntary or involuntary, effected by operation of law, judgment, order or otherwise:

(a) Any failure to pay any of the principal amount of any of the Loans when and as due and such failure continues for period of five (5) days after delivery of written notice to Borrower. Borrower shall only be entitled to two (2) notices in any calendar year pursuant to this paragraph;

(b) Any failure to pay any interest on any of the Loans or any fees or other amounts payable to the Lenders pursuant to this Agreement when and as due and such failure continues for period of five (5) days after delivery of written notice to Borrower. Borrower shall only be entitled to two (2) notices in any calendar year pursuant to this paragraph;

(c) A failure to perform or observe any of the covenants or agreements contained in Sections 5.1(d), 5.1(e), 5.1(f), 5.1(g), 5.1(h) and 5.1(i) or Article VI (except Borrower shall be entitled to the notice and cure provided for in Section 7.1(d) for any failure by Borrower to perform and observe the covenants set forth in Sections 6.3, 6.4 and 6.9);

(d) Any failure (other than those defaults specifically described in other subsections of this Section 7.1) by the Borrower to perform and observe any of the covenants contained in this Agreement or any other Loan Document and such default shall continue unremedied for a period of thirty (30) days from the earlier of (A) Lender giving notice thereof to the Borrower and (B) the date on which the Borrower knew of the occurrence of such default;

(e) A default by the Borrower or any of their Subsidiaries on any Indebtedness; or any event occurs or any condition exists in respect of any Indebtedness of the Borrower or such Subsidiaries, or under any agreement securing or relating to such Indebtedness, the effect of which is (1) to result in the failure to pay when due of at least \$250,000 in aggregate principal amount of such Indebtedness or (2) to cause or permit any holder of such Indebtedness or a trustee to accelerate the maturity of such Indebtedness prior to its stated maturity or prior to its regularly scheduled dates of payment. Any Event of Default shall constitute a default under any Indebtedness and any agreements related thereto, now or hereafter outstanding at any time between any of the Borrower or their Subsidiaries and the Lender or their Affiliates;

(f) An involuntary case under any applicable Federal or state bankruptcy, insolvency or similar laws is commenced against either the Borrower or any of their Subsidiaries and the petition is not dismissed, stayed, bonded or discharged within thirty (30) days after the commencement of the case; the entry of a decree or order by a court having jurisdiction in the

premises in respect of the Borrower or any of their Subsidiaries under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law; or the entry of a decree or order by a court having jurisdiction in the premises appointing a receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Borrower or any of their Subsidiaries or of any substantial part of the property of the Borrower or any of their Subsidiaries, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of thirty (30) consecutive days;

(g) The commencement by the Borrower or any of their Subsidiaries of or consent to a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law or the request or consent by it to the appointment of a receiver, liquidator, assignee, trustee, sequestrator or other similar official of either of the Borrower or any of their Subsidiaries or of any substantial part of the property of the Borrower or any of their Subsidiaries, or the making by it of an assignment for the benefit of creditors, or the failure by the Borrower or any of their Subsidiaries to pay its debts generally as they become due, or the taking of any action by the Borrower or any of their Subsidiaries in furtherance thereof;

(h) Any judgments, writs, warrants of attachment, executions or similar process is issued or levied against the Borrower, any of their Subsidiaries, or any of them or any of the assets of the Borrower or any of their Subsidiaries where the amount of such judgments, writs, warrants of attachment, executions or similar process (1) is not covered by insurance or (2) exceeds \$250,000 in the aggregate and where such judgments, writs, warrants of attachment, executions or similar process are not discharged, released, vacated, suspended, stayed, abated or fully bonded prior to any sale and in any event within thirty (30) days after issue or levy;

(i) Any representation or warranty set forth in this Agreement or any other Loan Document is untrue, incorrect or misleading in any material respect on the date as of which the matters set forth are stated or certified or deemed stated or certified, or any event or circumstance exists on the date as of which the matters set forth are stated or certified or deemed stated or certified which constitutes an exception in any material respect to any such representation or warranty as set forth in this Agreement or such other Loan Document (other than such event or circumstance as exists on the Agreement Date and is disclosed on a Schedule to this Agreement or such other Loan Document as of the Agreement Date);

(j) There shall be at any time any "accumulated funding deficiency," as defined in ERISA or in Section 412 of the Code, with respect to any Plan maintained by the Borrower or to which the Borrower or any of the Borrower's Subsidiaries has any liabilities, or any trust created thereunder; or a trustee shall be appointed to administer any such Plan; or PBGC shall institute proceedings to terminate any such Plan; or the Borrower or any of the Borrower's Subsidiaries shall incur any liability to PBGC in connection with the termination of any such Plan; or any Plan or trust created under any Plan of the Borrower or any of the Borrower's Subsidiaries shall engage in a "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) which would subject any such Plan, any trust created thereunder, any trustee or administrator thereof, or any party dealing with any such Plan or trust to the tax or

penalty in any material amount on "prohibited transactions" imposed by Section 502 of ERISA or Section 4975 of the Code;

(k) There shall occur any default (other than defaults described elsewhere in this Section 7.1) under any Material Contract which remains unremedied for any cure period applicable thereto under such agreement, or which causes or permits another party to such agreement to seek damages in excess of \$250,000 in the aggregate or to terminate or otherwise materially adversely affect the rights and interests of the Borrower thereunder;

(l) A Change of Control shall occur; or

(m) Any Loan Document or provision thereof shall cease to be in full force and effect or any obligor thereon (including the Borrower and their Subsidiaries) shall seek to establish the invalidity or unenforceability thereof or otherwise deny liability thereunder.

7.2 Action if Event of Default. If an Event of Default described in Section 7.1(f) or (g) shall occur, the full unpaid principal amount of and interest on the Loans and all other amounts due and owing and Obligations hereunder shall automatically be due and payable without any declaration, notice, presentment, protest or demand of any kind (all of which are hereby waived) and the obligation of the Lender to make additional Advances or to issue Letters of Credit shall automatically terminate. If any Event of Default other than pursuant to Section 7.1(f) or (g) shall occur and be continuing, upon written notice to the Borrower, the Lender may terminate the Lender's obligation to make additional Advances and to issue Letters of Credit and may declare the outstanding principal amount of and interest on the Loans, all other amounts due and owing and all other Obligations hereunder to be immediately due and payable without other notice to the Borrower or any other obligor on the Loans, presentment, protest or demand of any kind (all of which are hereby waived), whereupon the full unpaid amount of the Loans and any and all other amounts and Obligations, which shall be so declared due and payable shall be and become immediately due and payable.

7.3 Remedies.

(a) Upon acceleration of the Loans, as provided in Section 7.2, the Lender shall have all of the post-default rights granted to Lender under the Loan Documents and under applicable law.

(b) The Lender, personally or by attorney, may in its discretion, proceed to protect and enforce its rights by pursuing any available remedy including a suit or suits in equity or at law, whether for damages or for the specific performance of any obligation, covenant or agreement contained in this Agreement or in the Notes, or in aid of the execution of any power herein or therein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Lender shall deem most effectual to collect the payments then due and thereafter to become due on the Notes or under this Agreement, to enforce performance and observance of any obligation, agreement or covenant of the Borrower hereunder or under the Notes or to protect and enforce any of the Lender's rights or duties hereunder.

(c) No remedy herein conferred upon or reserved to the Lender is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative,

and shall be in addition to every other remedy given hereunder or under any other Loan Document now or hereafter existing at law, in equity or by statute.

ARTICLE VIII.
MISCELLANEOUS

8.1 Waivers, Amendments; etc. The provisions of this Agreement, including the closing conditions set forth herein, may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Borrower and the Lender; provided, that no amendment, waiver or consent shall, unless in writing and signed by the Lender, do any of the following: (i) waive or amend any of the conditions specified in Article III, any of the covenants set forth in Articles V and VI or any Event of Default specified in Sections 7.1(a) or 7.1(b) (ii) increase the Revolving Loan Commitment of the Lender or subject the Lender to any additional obligations, (iii) reduce the principal of, or interest on, the Notes or any fees or other amounts payable to the Lender hereunder, (iv) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable to the Lender hereunder, (v) amend this Section 8.1 or (vi) except as specifically permitted hereby or thereby, release or discharge Borrower or other obligor on the Loans.

No failure or delay on the part of the Lender, or the holder of any Note in exercising any power or right under this Agreement or any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Borrower in any case shall entitle it to any notice or demand in similar or other circumstances.

8.2 Payment Dates. Except as expressly provided in this Agreement, whenever any payment to be made hereunder by or to the Lender or to the holder of any Note shall otherwise be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in computing the fees or interest payable on such next succeeding Business Day.

8.3 Notices. All communications and notices provided under this Agreement shall be in writing by certified or registered mail, telecopy or personal delivery and, if to the Borrower, addressed or delivered to the Borrower at its address shown on the signature page hereof or, if to the Lender delivered to it at the address shown on signature page hereof (to the attention of the representative of Lender who executes this Agreement), or to any party at such other address as may be designated by such party in a notice to the other parties. Any notice shall be deemed given when transmitted by telecopier or when personally delivered, if mailed properly addressed, shall be deemed given upon the third Business Day after the placing thereof in the United States mail, postage prepaid.

8.4 Costs and Expenses. The Borrower agrees to pay, or reimburse, the Lender for all expenses reasonably incurred for the preparation of this Agreement, including exhibits, and the Loan Documents and any amendments hereto or thereto or consents or waivers hereunder or thereunder as may from time to time hereafter be required thereby or by the transactions contemplated hereby, including, but not limited to, the fees and out-of-pocket expenses of the Lender, charges and disbursements of special counsel to the Lender from time to time incurred in

connection with the preparation and execution of this Agreement and any document relevant to this Agreement, including the Loan Documents, any amendments hereto or thereto, or consents or waivers hereunder or thereunder, and the consideration of legal questions relevant hereto and thereto. The Borrower agrees to pay, or reimburse, the Lender upon demand for all costs and expenses (including attorneys', auditors' and accountants' fees and expenses) reasonably incurred and arising out of the transactions contemplated by this Agreement and the Loan Documents, in connection with any work-out or restructuring of the transactions contemplated hereby and by the Loan Documents and any collection or enforcement of the obligations of the Borrower hereunder or thereunder, whether or not suit is commenced, including, without limitation, attorneys' fees and legal expenses in connection with any appeal of a lower court's order or judgment. The obligations of the Borrower under this Section 8.4 shall survive any termination of this Agreement.

8.5 Indemnification. In consideration of the execution and delivery of this Agreement by the Lender, the Borrower for itself and on behalf of each of its Subsidiaries, agrees to indemnify, protect, defend, exonerate and hold the Lender and its Affiliates, officers, directors, employees, shareholders, representatives, agents, trustees, successors and assigns (the "Indemnified Parties") free and harmless from and against any and all actions, causes of action, suits, judgments, losses, claims, obligations, demands, damages, costs, penalties, judgments, liabilities and damages, and expenses and disbursements in connection therewith, including, without limitation, reasonable fees, expenses and disbursements of counsel, agents, consultants and experts and all expenses of litigation or preparation therefor (as any such fees, expenses and disbursements are incurred), whether or not the Lender is a party thereto and whether or not the Borrower or the Person seeking indemnification is the prevailing party (the "Indemnified Liabilities"), imposed on, incurred by or asserted against the Indemnified Parties or any of them as a result of, or in any way arising out of or relating to:

(a) the execution, delivery, performance or enforcement of this Agreement, the Loan Documents or any document executed pursuant hereto or thereto by any of the Indemnified Parties, or

(b) any breach or alleged breach by the Borrower of any representation, warranty, or covenant made hereunder or under any other Loan Document, or

(c) the Commitment, the Loans or otherwise under this Agreement or any other Loan Document (including the taking of Collateral for the Obligations), including, without limitation, the use of the proceeds of Loans hereunder in any fashion by the Borrower or the performance of the obligations under the Loan Documents by the Borrower, or

(d) allegations of any participation by the Indemnified Parties, or any of them, in the affairs of the Borrower, or allegations that any of them has any liability, jointly or otherwise, with the Borrower for any reason, or

(e) any claims against the Indemnified Parties, or any of them, by any shareholder, member, partner, Affiliate or other investor in or lender to the Borrower or any Subsidiary of the Borrower, by any brokers or finders or investment advisers or investment bankers retained by the

Borrower or by any other third party, arising out of the Commitment, the Loans or otherwise under this Agreement or any other Loan Document, or

(f) in connection with taxes (other than income taxes), fees, and other charges payable in connection with the Loans, or the execution, delivery, and enforcement of this Agreement, the other Loan Documents, and any amendments thereto or waivers of any of the provisions thereof, or

(g) any other matter, action or failure to act by the Indemnified Parties in connection with this Agreement, any other Loan Document or the transactions contemplated hereby or thereby,

except for any such Indemnified Liabilities arising on account of such Indemnified Party's willful misconduct or gross negligence, as determined by a final non-appealable order of a court with proper jurisdiction over the subject matter. The provisions of this Section 8.5 shall survive termination of this Agreement, payment in full of the Notes and satisfaction of all Obligations. The obligations of the Borrower under this Section 8.5 are in addition to, and shall not otherwise limit, any liabilities which the Borrower might otherwise have in connection with any warranties or similar obligations of the Borrower in any other agreement or instrument or for any other reason.

8.6 Severability. Any provision of this Agreement, the Notes or any other Loan Document executed pursuant hereto which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, the Notes or any other Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction. If any such provision is determined by a court or by an arbitrator appointed pursuant to this Agreement to be prohibited or unenforceable, then upon the initial determination of such prohibition or unenforceability the Borrower and the Lender will promptly commence negotiations and will negotiate in good faith for a minimum period of thirty (30) days in an attempt to modify such prohibited or unenforceable provision in a way that would render such provision valid and enforceable and that would, as nearly as possible, have the effect that was originally intended by the Borrower and the Lender; provided, however, that nothing in this Section will stay, limit, modify or otherwise affect, during the period of negotiation or otherwise, any rights or obligations of the Borrower or the Lender under this Agreement, the Notes or any other Loan Document including, without limitation, the right to pursue any remedies that they may have, or the obligation to perform, under any Loan Document.

8.7 Governing Law. This Agreement and the Notes shall each be deemed to be a contract made under, governed by and interpreted pursuant to the internal laws (and not the law of conflicts) of the State of Georgia.

8.8 Successors and Assigns.

(a) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns except that: (1) the Borrower may not assign or transfer their rights hereunder without the prior written consent of the Lender; and (2) Lender

may at any time, without the consent of Borrower, assign all or any portion of its rights under this Agreement and the Notes to an Affiliate of Lender or if an Event of Default has occurred and is continuing hereunder; otherwise, the Borrower must give its prior written consent to such assignment, which will not be unreasonably withheld, conditioned or delayed. Except to the extent otherwise required by its context, the word "Lender" where used in this Agreement shall mean and include any such assignee and such assignee shall be bound by and have the benefits of this Agreement the same as if such holder had been a signatory hereto. The Borrower shall not be required to pay the costs and expenses of the assigning Lender incurred to complete the assignment or participation made by such Lender pursuant to clause (2) of this subsection (a).

(b) Lender may, without the consent of the Borrower, sell participations to one or more banks or other entities having a minimum capital and surplus, total assets, or total assets under management of \$100,000,000 or similar financial capabilities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment, the Loans owing to it, and its interest as an issuer with respect to Letters of Credit); provided, however, that (1) Lender's obligations under this Agreement shall remain unchanged, (2) Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (3) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Section 2.3 to the extent of the Lender selling such participation and the Borrower's aggregate obligations with respect to Section 2.3 shall not be increased by reason of such participation, and (4) the Borrower shall continue to deal solely and directly with Lender in connection with Lender's rights and obligations under this Agreement, and Lender shall retain the sole right (and shall not limit its rights) to enforce the obligations of the Borrower relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers with respect to any fees payable hereunder (to the extent such participants are entitled to such fees) or the amount of principal of or the rate at which interest is payable on the Loans, or the dates fixed for payments of principal of or interest on the Loans).

(c) Except as specifically set forth in this Section 8.8, nothing in this Agreement, expressed or implied, is intended to or shall confer on any Person other than the respective parties hereto and thereto and their successors and assignees permitted hereunder and thereunder any benefit or any legal or equitable right, remedy or other claim under this Agreement or any Notes.

8.9 Execution in Counterparts; Facsimile. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signatures delivered by facsimile shall be enforceable against the signing Person in the same manner as an original signature.

8.10 Financial Information. The Borrower assumes responsibility for keeping itself informed of its own financial condition and the financial condition of any and all Subsidiaries, endorers and/or other guarantors of all or any part of the Obligations, and of all other circumstances bearing upon the risk of nonpayment of the Obligations, or any part thereof, that diligent inquiry would reveal, and the Borrower agrees that the Lender shall have no duty to

advise the Borrower of information known to it regarding such condition or any such circumstances.

8.11 Entire Agreement. Except as otherwise expressly provided herein, this Agreement and the other documents described or contemplated herein embody the entire agreement and understanding among the parties hereto and thereto and supersede all prior agreements and understandings relating to the subject matter hereof and thereof.

8.12 Other Relationships. No relationship created hereunder or under any other Loan Document shall in any way affect the ability of the Lender or its Affiliates and Lender or its respective Affiliates to enter into or maintain business relationships with the Borrower or any of their respective Subsidiaries beyond the relationships specifically contemplated by this Agreement and the other Loan Documents.

8.13 Directly or Indirectly. If any provision in this Agreement refers to any action taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person, whether or not expressly specified in such provision.

8.14 Arbitration.

(a) CLAIM OR CONTROVERSY. IN LIEU OF PROCEEDING AT LAW AS CONTEMPLATED HEREINABOVE AND EXCEPT AS PROVIDED IN SECTION 8.14(c) BELOW, ANY CONTROVERSY OR CLAIM BETWEEN OR AMONG THE PARTIES HERETO ARISING OUT OF A BREACH OR AN ALLEGED BREACH OF THE PROVISIONS OF THIS AGREEMENT, INCLUDING ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT (OR IF NOT APPLICABLE, THE APPLICABLE STATE LAW), THE RULES OF PRACTICE AND PROCEDURE FOR THE ARBITRATION OF COMMERCIAL DISPUTES OF J.A.M.S./ENDISPUTE OR ANY SUCCESSOR THEREOF ("J.A.M.S."), AND THE PROVISIONS OF SECTION 8.14(b) BELOW. IN THE EVENT OF ANY INCONSISTENCY AMONG SUCH RULES OF PRACTICE OR PROCEDURE AND THIS AGREEMENT, THE PROVISIONS OF SECTION 8.14(b) BELOW SHALL CONTROL. JUDGMENT UPON ANY ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION, INCLUDING AS CONTEMPLATED BY SECTION 8.15. ANY PARTY TO THIS INSTRUMENT, AGREEMENT OR DOCUMENT MAY BRING AN ACTION, INCLUDING A SUMMARY OR EXPEDITED PROCEEDING, TO COMPEL ARBITRATION OF ANY CONTROVERSY OR CLAIM TO WHICH THIS AGREEMENT APPLIES IN THE COURTS CONTEMPLATED BY SECTION 8.15.

(b) SPECIAL RULES. THE ARBITRATION SHALL BE CONDUCTED IN ATLANTA, GEORGIA AND ADMINISTERED BY J.A.M.S. WHO WILL APPOINT THREE (3) ARBITRATORS; PROVIDED, HOWEVER, THAT IF J.A.M.S. IS UNABLE OR LEGALLY PRECLUDED FROM ADMINISTERING THE ARBITRATION, THEN THE AMERICAN ARBITRATION ASSOCIATION WILL SERVE. ALL ARBITRATION HEARINGS WILL BE COMMENCED WITHIN THIRTY (30) DAYS OF THE DEMAND

FOR ARBITRATION; FURTHER, THE ARBITRATOR SHALL ONLY, UPON A SHOWING OF CAUSE, BE PERMITTED TO EXTEND THE COMMENCEMENT OF SUCH HEARING FOR UP TO AN ADDITIONAL FIFTEEN (15) DAYS.

(c) RESERVATION OF RIGHTS. NOTHING IN THIS SECTION 8.14 SHALL BE DEEMED TO (i) LIMIT THE APPLICABILITY OF ANY OTHERWISE APPLICABLE STATUTES OF LIMITATION OR REPOSE AND ANY WAIVERS CONTAINED IN THIS AGREEMENT; (ii) BE A WAIVER BY THE LENDERS OF THE PROTECTION AFFORDED TO THEM BY 12 U.S.C. SEC. 91 OR ANY SIMILAR STATE LAW; (iii) LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT AND THE LENDERS IN THE EVENT OF A DEFAULT IN THE PAYMENT OF PRINCIPAL, INTEREST OR OTHER AMOUNTS OWED BY THE BORROWER TO, IN LIEU OF ARBITRATION (EVEN IF ALREADY COMMENCED), PROCEED TO A COURT OF COMPETENT JURISDICTION, INCLUDING AS CONTEMPLATED BY SECTION 8.15, TO ENFORCE THEIR RIGHTS AND REMEDIES, IN WHICH EVENT THIS SECTION 8.14 SHALL NOT APPLY TO SUCH MATTER; OR (iv) LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT AND THE LENDERS (A) TO EXERCISE SELF HELP REMEDIES INCLUDING, BUT NOT LIMITED TO, SETOFF, OR (B) TO FORECLOSE AGAINST ANY REAL OR TANGIBLE OR INTANGIBLE PERSONAL PROPERTY COLLATERAL, OR (C) TO OBTAIN FROM A COURT PROVISIONAL OR ANCILLARY REMEDIES SUCH AS (BUT NOT LIMITED TO) INJUNCTIVE RELIEF, WRIT OF POSSESSION OR THE APPOINTMENT OF A RECEIVER. THE ADMINISTRATIVE AGENT AND THE LENDERS MAY EXERCISE SUCH SELF HELP RIGHTS, FORECLOSE UPON SUCH PROPERTY, OR OBTAIN SUCH PROVISIONAL OR ANCILLARY REMEDIES BEFORE, DURING OR AFTER THE PENDENCY OF ANY ARBITRATION PROCEEDING BROUGHT PURSUANT TO THIS AGREEMENT. NEITHER THE EXERCISE OF SELF HELP REMEDIES NOR THE INSTITUTION OR MAINTENANCE OF AN ACTION FOR FORECLOSURE OR PROVISIONAL OR ANCILLARY REMEDIES SHALL CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE CLAIMANT IN ANY SUCH ACTION, TO ARBITRATE THE MERITS OF THE CONTROVERSY OR CLAIM OCCASIONING RESORT TO SUCH REMEDIES.

8.15 Consent to Jurisdiction. EACH BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY GEORGIA STATE OR FEDERAL COURT SITTING IN FULTON COUNTY, GEORGIA, OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTES OR ANY OTHER LOAN DOCUMENT AND EACH BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH GEORGIA STATE OR FEDERAL COURT. EACH BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING. EACH PARTY IRREVOCABLY CONSENTS TO THE SERVICE OF COPIES OF THE SUMMONS AND COMPLAINT AND ANY OTHER PROCESS WHICH MAY BE SERVED IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING BY UNITED STATES CERTIFIED MAIL, RETURN RECEIPT REQUESTED, OF COPIES OF SUCH PROCESS TO SUCH BORROWER'S ADDRESS REFERENCED HEREIN. EACH PARTY AGREES THAT A JUDGMENT,

FINAL BY APPEAL OR EXPIRATION OF TIME TO APPEAL WITHOUT AN APPEAL BEING TAKEN, IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION 8.15 SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST SUCH BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

8.16 Waiver of Jury Trial. THE BORROWER, FOR ITSELF AND ON BEHALF OF ITS SUBSIDIARIES, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY NOTE, LOAN DOCUMENT OR ANY OTHER INSTRUMENT OR DOCUMENT DELIVERED HEREUNDER OR THEREUNDER. THE BORROWER (A) CERTIFIES THAT NEITHER THE ADMINISTRATIVE AGENT NOR ANY REPRESENTATIVE, AGENT OR ATTORNEY OF THE ADMINISTRATIVE AGENT HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE ADMINISTRATIVE AGENT WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS OR OTHER WAIVERS CONTAINED IN THIS AGREEMENT, AND (B) ACKNOWLEDGES THAT, IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH THE ADMINISTRATIVE AGENT IS A PARTY, THE ADMINISTRATIVE AGENT IS RELYING UPON, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION 8.16.

8.17 Rules of Construction. Each party hereto acknowledges and agrees that it has been represented by counsel during the negotiation and execution of the Loan Documents, and that the Loan Documents are the product of the negotiations of all parties and their respective counsel. Accordingly, all parties waive with respect to the Loan Documents the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

BORROWER:

PANERA, LLC, A DELAWARE LIMITED
LIABILITY COMPANY

By: /s/ Mark Hood

Mark Hood, Senior Vice President and
Chief Financial Officer

By: /s/ Neal Yanofsky

Neal Yanofsky, Executive Vice President
and Chief Corporate and Administrative
Staff Officer

Address: 6710 Clayton Road
St. Louis, Missouri 63117

LENDER:

BANK OF AMERICA, N.A.

By: /s/ Bobby Ryan Oliver, Jr.

Name: Bobby Ryan Oliver, Jr.

Title: Vice President

Address: GA1-006-13-20
600 Peachtree Street, NE
Atlanta, GA 30308

SIGNATURE PAGES
REVOLVING CREDIT AGREEMENT

S-1

ANNEX I

JURISDICTION AND QUALIFICATION OF BORROWER

To be inserted by amendment as provided for in Post Closing Agreement

A-I

ANNEX II

SUBSIDIARIES; JURISDICTION; QUALIFICATION

To be inserted by amendment as provided for in Post Closing Agreement

A-II

ANNEX III

INDEBTEDNESS; LIENS

To be inserted by amendment as provided for in Post Closing Agreement

A-III

ANNEX IV

APPROVED ACQUISITIONS

Borrower shall be permitted to acquire Panera's Bread franchisees and their markets in increments of up to \$25,000,000 each with an aggregate total investment in such acquisitions over the term of the Loan of \$75,000,000, without the prior written consent of, but with notice to, Lender.

A-IV

EXHIBIT A

FORM OF NOTICE OF BORROWING
as of _____, 200__

TO LENDER UNDER THE UNDERSIGNED'S REVOLVING CREDIT
AGREEMENT DATED AS OF _____, 2003

Re: Revolving Credit Loans to Panera, LLC

Ladies and Gentlemen:

We refer to the Revolving Credit Agreement dated as of _____, 2003 (as amended, modified or supplemented from time to time, the "Credit Agreement") by and among Panera, LLC, a _____ limited liability company (the "Borrower") and Bank of America, N.A., as Lender (as defined in the Credit Agreement). Unless otherwise defined herein, capitalized terms used herein shall have the meanings given thereto in the Credit Agreement.

The Borrower hereby certifies to the Lender that:

1. The Borrower hereby requests an Advance in the aggregate amount of \$_____ to be made on _____, under the Revolving Credit Commitment. Such Advance shall be a [BASE RATE LOAN] [LIBOR BASE LOAN]. [SUCH ADVANCE, IF A LIBOR BASE LOAN, SHALL HAVE AN INTEREST PERIOD OF _____ MONTHS BEGINNING ON _____.] The proceeds of the Advance shall be wired to the Borrower [OR FOR THE ACCOUNT OF THE BORROWER, TO OTHER PERSONS], as requested on Schedule 1 attached hereto. The foregoing instructions shall be irrevocable.
2. All of the representations and warranties of the Borrower and the other obligors made under the Credit Agreement and any other Loan Document which, pursuant to Article IV of the Credit Agreement, are deemed made at and as of the time of any Advance, are true and correct as of the date hereof in all material respects, both before and after giving effect to the application of the proceeds of the Advance in connection with which this Notice of Borrowing is given.
3. As of this date, and after giving effect to the Advance requested in this Notice of Borrowing, (i) there does not and will not exist any Default or Event of Default under the Credit Agreement and (ii) no Material Adverse Occurrence has occurred.
4. All other conditions precedent to the Advance requested hereby, including those set forth in Article III of the Credit Agreement, have been satisfied.

Exhibit A

5. Attached to this Notice of Borrowing on Schedule 2 are calculations demonstrating compliance with each of the applicable financial covenants set forth in Article VI of the Credit Agreement for the fiscal period ended as of _____, 200_.

6. A complete sources and uses of funds statement for the making of the Advance(s) requested hereby is attached hereto as Schedule 3. No proceeds of Advance(s) hereunder shall be used for the purchase or carrying or the extension of credit for the purpose of purchasing or carrying any margin stock within the meaning of Regulations T, U and X of the Board of Governors of the Federal Reserve System.

PANERA, LLC

By: _____
Name: _____
Title: _____

Exhibit A

EXHIBIT B

FORM OF REVOLVING CREDIT NOTE

U.S. \$ _____ as of _____, 200_

FOR VALUE RECEIVED, the undersigned, PANERA, LLC., a Delaware limited liability company (hereinafter, together with its successors and assigns, the "Borrower") hereby promises to pay to the order of BANK OF AMERICA, N.A. (hereinafter, together with its successors and assigns, the "Lender"), at the offices of the Lender or such other place as the Lender may designate in writing to the Borrower, the principal sum of _____ AND ____/100s DOLLARS (U.S. \$ _____), or, if less, so much thereof as may from time to time be outstanding hereunder, plus interest until all sums owed hereunder are paid in full as hereinafter provided. Both principal and interest are payable in lawful money of the United States of America and in immediately available funds to the Lender to such domestic account as the Lender may designate. Advances made by the Lender to the Borrower may be endorsed from time to time on the schedule attached hereto, but the failure to make any such recordation or notation (or any error in such notation) shall not affect the Obligations of the Borrower hereunder or under the Credit Agreement (as hereinafter defined) to repay principal and interest hereunder.

This Note is a Revolving Credit Note (the "Note") referred to in that certain Revolving Credit Agreement dated as of _____, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") by and between the Borrower and the Lender. Except as otherwise defined or limited herein, capitalized terms used herein shall have the meanings ascribed to them in the Credit Agreement.

The Borrower shall repay principal outstanding hereunder from time to time as provided in the Credit Agreement, including, without limitation, as provided in Section 2.1 and Section 2.2 of the Credit Agreement. A final payment of all principal amounts and other Obligations then outstanding hereunder shall be due and payable in full on the Maturity Date.

The Borrower shall be entitled to borrow, repay, and re-borrow the Revolving Credit Loans hereunder pursuant to the terms and conditions of the Credit Agreement. Prepayment of the principal amount hereof may be made only as provided in the Credit Agreement.

The Borrower promises to pay interest on the unpaid principal amount of the Revolving Credit Loans outstanding hereunder until paid in full as provided in Article II of the Credit Agreement. Interest under this Note shall also be due and payable when this Note shall become due (whether at maturity, by reason of acceleration or otherwise).

No provision of the Credit Agreement or this Note shall require the payment or permit the collection of interest in excess of that permitted by applicable law. If any excess amount of interest in such respect is provided for, or shall be adjudicated to be so provided in connection with the portion of the Revolving Credit Loans outstanding hereunder, the provisions of this paragraph shall govern and prevail and neither the Borrower nor any sureties, guarantors, successors or assigns of the Borrower shall be obligated to pay the excess amount of such

Exhibit B

interest or any other excess sum paid for the use, forbearance, or detention of sums loaned pursuant hereto. In the event that the Borrower ever pays, or the Lender ever receives, collects or applies as interest, any such sum, such amount which would be in excess of the maximum amount permitted by applicable law shall be applied as a payment in reduction of the principal, unless the Borrower shall notify the Lender in writing that it elects to have such excess returned forthwith; and, if the principal has been paid in full, any remaining excess shall forthwith be returned to the Borrower.

All parties now or hereafter liable with respect to this Note, whether the Borrower, any guarantor, endorser, or any other person or entity, hereby waive presentment for payment, demand, notice of non-payment or dishonor, protest and notice of protest.

No delay or omission on the part of the Lender or any holder hereof in exercising its rights under this Note, or delay or omission on the part of the Lender in exercising its or their rights under the Credit Agreement or any other Loan Document, or course of conduct relating thereto, shall operate as a waiver of such rights or any other right of the Lender or any holder hereof, nor shall any waiver by the Lender or any holder hereof, of any such right or rights on any one occasion be deemed a bar to, or waiver of, the same right or rights on any future occasion.

Time is of the essence of this Note.

This Note evidences the Lender's portion of the Revolving Credit Loans under, and is entitled to the benefits and subject to the terms of, the Credit Agreement, which contains provisions with respect to the acceleration of the maturity of this Note upon the happening of certain stated events, and provisions for prepayment.

This Note shall be construed in accordance with and governed by the internal laws of the State of Georgia applicable to contracts made and to be performed within the State of Georgia.

IN WITNESS WHEREOF, a duly authorized officer of the Borrower has executed this Note as of the day and year first above written.

Exhibit B

EXHIBIT C
FORM OF LEGAL OPINION
[LETTERHEAD]

_____, 200__

Bank of America, N.A.
GA 1-006-13-20
600 Peachtree Street, NE
Atlanta, Georgia 30308-2214
Attention: _____

Re: Revolving Credit Agreement by and among Panera, LLC (the
"Borrower") and Bank of America, N.A. (the "Lender") dated as of
_____, 2003.

Ladies and Gentlemen:

I have acted as counsel to the Borrower and Panera Bread Company, Inc. ("Parent") in connection with the financing transactions described in that certain Revolving Credit Agreement, dated the date hereof (the "Credit Agreement"), by and between the Borrower and the Lender and the transactions contemplated thereby. Unless otherwise provided herein: capitalized terms used but not defined herein shall have the meanings given thereto in the Credit Agreement. This letter is delivered to you in compliance with Section 3.1(a) of the Credit Agreement.

As the basis for the conclusions expressed in this opinion letter, I have examined, considered and relied upon execution copies of the documents set forth below as of the Agreement Date. In doing so, I have assumed the genuineness of signatures of all persons signing any documents, the authority of all persons signing any document on behalf of parties thereto other than the Borrower and the Parent, the authority of all public officials and governmental authorities, the authenticity of all documents submitted to us as originals, the conformity to authentic originals of all documents submitted to us as copies, and the correctness of public files, records and certificates of, or furnished by, governmental or regulatory agencies or authorities.

DOCUMENTS

1. Credit Agreement;
2. Note;
3. Parent Guaranty;
4. Notice(s) of Borrowing for the initial Advance of the Loans;
5. Closing Certificate;

Exhibit C

6. A certificate of good standing of the Borrower and Parent issued as of a recent date by the appropriate authority of its jurisdiction of formation;

7. The Certificate of Formation and Certificate of Incorporation and the Limited Liability Agreement and the Bylaws of the Borrower and Parent certified by the Secretary or other authorized representative of the Borrower and Parent as being true, complete and correct as of the Agreement Date;

8. Certificates, dated the date hereof, of the Secretary of the Borrower and Parent certifying: (i) a true copy of the resolutions of the board of directors of such Person authorizing, among other things, the execution, delivery and performance of the Loan Documents to which it is a party; and (ii) the incumbency, authority and true signatures of the officers or other representatives of such Person authorized to sign the Loan Documents to which it is a party and to give notices and other communications in connection with the Credit Agreement and the transactions contemplated thereby, together with a sample of the true signature of such officers or other representatives; and

9. Such other documents and matters of law as I have considered necessary or appropriate for the expression of the opinions contained herein.

For the purposes of this opinion letter, the documents and information referred to above in 1 through 5 inclusive are herein collectively referred to as the "Loan Documents" and all of the documents and information referred to above are collectively referred to as the "Documents."

No other investigation has been undertaken in connection with this opinion, and in particular, I have made no independent audit of any of the Borrower's, Parent's or its Subsidiaries' businesses or operations. As to any facts material to these opinions that I did not establish by relying upon documents or records, I have relied upon statements, representations and/or certificates of officers, directors, principals, or agents of the Borrower and Parent, or in certifications delivered to us for this purpose. To the extent that certain factual matters are stated "to the best of my knowledge," or a similar phrase, it is intended to indicate that those attorneys in this firm who have rendered legal services to the Borrower and Parent on a regular basis or in connection with the Loan Documents do not have current actual knowledge of the inaccuracy of such statement.

In rendering my opinions herein, I have relied solely upon the information described explicitly above, and on no other information. I disclaim any responsibility or duty to investigate, ascertain or report on any document, matter, condition or proceeding which is outside the scope of my review described in this letter, or which may develop subsequently to the date of this letter, including any amendments or revisions to any of the Loan Documents made after the date hereof. This disclaimer includes, but is not limited to, judicial proceedings involving other parties.

I am admitted to the bars of the States of Massachusetts and North Carolina. I render no opinion as to the laws of any of those states other than as discussed in the next sentence. This opinion is based on the general corporate laws of the State of Missouri and the laws of the State of Delaware and for this purpose I have assumed that the application of the laws of any other

Exhibit C

state would not have a materially different effect on this transaction, and I am not aware of any matters that would make this assumption inappropriate or knowingly false.

OPINION

Based upon my examination and consideration of the Documents, I am of the opinion that as of the date hereof:

1. The Borrower is a limited liability company validly organized and existing and in good standing under the laws of the State of Delaware, has full power and authority to own its property and conduct its business as conducted by it and is duly qualified and licensed to do business and, except for the State of Alabama and the Commonwealth of Pennsylvania, is in good standing as a foreign company in each jurisdiction where the nature of its business or the character of its property makes such qualification or licensing necessary. A list of jurisdictions in which the Borrower is qualified or licensed to do business is set forth in Annex I of the Credit Agreement. The Borrower has full power and authority to enter into and to perform its obligations under the Loan Documents and to request Advances and Letters of Credit under the Credit Agreement.

2. The execution, delivery and performance by the Borrower and Parent of each of the Loan Documents to which it or they are a party, and the consummation by the Borrower and Parent of each of the transactions contemplated by such Loan Documents to which it or they are a party and the covenants and agreements contained therein, (i) are within the corporate or company power, as the case may be, of the Borrower and Parent; (ii) have been duly authorized by all necessary corporate or company action, as the case may be, of the Borrower and Parent; (iii) do not require any approval or consent of, or any registration, qualification or filing with, any governmental agency or authority or any approval or consent of any other Person; and (iv) do not and will not conflict with, result in any violation of or constitute any default under, any provision of the organizational, constitutive or governing documents (including, as applicable, certificates and articles of incorporation, bylaws, operating agreements and partnership agreements) of the Borrower and Parent or any of its Subsidiaries, any agreement binding on or applicable to the Borrower and Parent, or any law or governmental regulation or court decree or order binding upon or applicable to the Borrower and Parent.

3. Each Loan Document (i) has been duly executed and delivered by the Borrower and Parent; (ii) constitutes the legal, valid and binding obligation of the Borrower and Parent; and (iii) is enforceable in accordance with its terms except that, as to enforcement of remedies, enforcement may be limited by bankruptcy, insolvency or similar laws affecting enforcement of creditors' rights generally.

4. Based upon my review of the Borrower's company minute book and membership transfer ledger, the membership units of the Borrower, as described on Schedule I hereto, constitute all of the authorized, issued and outstanding membership units of the Borrower and all membership units are fully paid and non-assessable.

5. Based upon my review of the Parent's corporate minute book and stock transfer ledger, the shares of the Parent, as described on Schedule I hereto, constitute all of the

Exhibit C

authorized, issued and outstanding shares of the Parent and all such shares are fully paid and non-assessable.

6. The Loans, as made pursuant to the terms of the Loan Documents, comply with, or are exempt from, all applicable state or Federal laws, regulations or other requirements pertaining to usury.

7. None of the transactions contemplated in the Loan Documents (including, without limitation, the use of the proceeds of Loans and Advances thereunder), will violate or result in violation of Section 7 of the Securities Exchange Act of 1934, as amended, any regulations issued pursuant thereto, or Regulations G, T, U, and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Sections 207, 220, 221, and 224, respectively.

8. The Borrower is not an "investment company", or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended (15 U.S.C. Section 80(a)(1), et seq.). The making of the Loans pursuant to the Loan Documents, the application of the proceeds and repayment thereof, and the performance by the Borrower of the transactions contemplated by the Loan Documents will not violate any provision of said Investment Company Act of 1940 or any rule, regulation, or order issued by the Securities and Exchange Commission thereunder.

9. Neither the Borrower nor Parent has (i) offered, sold or issued any securities in violation of the registration requirements of the Securities Act of 1933, as amended, or any other Federal or state law concerning the offer and sale of securities; or (ii) violated any rule, regulation or requirement under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

10. I have not been engaged as counsel with respect to, and to the best of my knowledge there is no pending or threatened action, suit, claim, proceeding, demand or investigation at law or equity, or before or by any Federal, state, local or other governmental department, commission, court, board, bureau, agency, tribunal or instrumentality, or before any arbitration or arbitration board, domestic or foreign, against the Borrower or Parent or any of their respective Properties, which if determined adversely could result in a Material Adverse Occurrence.

11. In rendering the opinions in this letter, I am engaged solely as counsel for the Borrower and Parent, and I am not engaged or acting as counsel for the Lender, or any other Person. This opinion letter is provided to Lender and its participants, assignees, or other transferees, by us in my capacity as counsel to the Borrower and Parent and can be relied upon, on a confidential basis, in connection with the transactions contemplated by the Loan Documents solely by such Persons.

[SUCH OPINION MAY CONTAIN SUCH OTHER ASSUMPTIONS, QUALIFICATIONS AND LIMITATIONS AS REASONABLY ACCEPTABLE TO THE LENDER AND ITS COUNSEL.]

Exhibit C

EXHIBIT D

LOAN CERTIFICATE
[LIMITED LIABILITY COMPANY]

I, _____, do hereby certify that I am the duly elected and qualified _____ and keeper of the company records of Panera, LLC, a limited liability company organized and existing under the laws of the State of _____ (the "Company"). In connection with that certain Revolving Credit Agreement of even date herewith (the "Credit Agreement") by and among the Company and Bank of America, N.A., ("Lender"). I hereby certify to the foregoing Lender that:

(1) Attached hereto as Exhibit A are (i) a true, complete and correct copy of the articles or certificate of organization of the Company, together with all amendments thereto, each as in full force and effect on the date hereof, certified to be true, complete and correct by the Secretary of State for the State of _____ and (ii) a true, complete and correct copy of the operating agreement of the Company, together with all amendments thereto, each as in full force and effect on the date hereof.

(2) Attached hereto as Exhibit B are certificates of good standing for the Company, issued by the Secretaries of State for each jurisdiction in which the Company is required to qualify or has qualified to do business. The Company has, from the date of such certificates through the date hereof, remained in good standing under the laws of such states.

(3) Attached hereto as Exhibit C is a true, complete and correct copy of resolutions of the members of the Company duly adopted as of the _____ day of _____, 200_, such corporate action having been duly taken in accordance with the provisions of applicable law, the certificate or articles of organization and the operating agreement of the Company, and being now in full force and effect, without any modifications in any respect. Such resolutions authorize the Company and the members designated therein to execute, deliver and perform the other Loan Documents to which the Company is a party, including but not limited to the [CREDIT AGREEMENT] [GUARANTY].

(4) Attached hereto as Exhibit D are true, complete and correct copies of all membership agreements or voting agreements in effect with respect to the ownership interests of the Company. [NO STOCKHOLDERS' AGREEMENT OR VOTING TRUST AGREEMENT IS IN EFFECT WITH RESPECT TO THE STOCK OF THE CORPORATION.]

(5) Attached hereto as Exhibit E is a true, complete and correct list of the Federal Employee Identification Number (FEIN) and Organizational Identification Numbers of the Company.

(6) No suit or proceeding for the dissolution or liquidation of the Company has been instituted or is now threatened. There are no actions, suit or proceedings pending or threatened against the Company or any of its properties before any court, arbitrator or governmental department, commission, bond, bureau, agency or other instrumentality, domestic or foreign, and

Exhibit D

no such action, suit or proceeding if adversely determined, would cause or constitute a Material Adverse Occurrence.

(7) The following persons have been duly elected to the offices of the Company set forth beside their names, have been duly qualified, and as of the date hereof are members of the Company, holding the offices set forth opposite their respective names below, and the signatures set forth opposite their respective names are their respective genuine signatures:

<TABLE> <CAPTION>		
Name	Title	Signature
-----	-----	-----
<S>	<C>	<C>
_____	_____	_____
_____	_____	_____
_____	_____	_____
</TABLE>		

Unless otherwise defined herein, capitalized terms used herein shall have the meanings given thereto in the Credit Agreement.

IN WITNESS WHEREOF, I have signed this Loan Certificate on behalf of the Company as of the ____ day of _____, 200_.

PANERA, LLC, a _____ limited
liability company

By: _____
_____, _____

I, _____, am the _____ of the Company and I do hereby certify effective as of the date hereof that _____ is the duly elected and qualified _____ of the Company as of the date hereof and the signature set forth opposite his or her name is his or her genuine signature.

By: _____
Title: _____

EXHIBITS

Exhibit A - Certificate or Articles of Organization and Operating Agreement
Exhibit B - Good Standing and Tax Certificates
Exhibit C - Authorizing Resolutions
Exhibit D - Member/Voting Agreements
Exhibit E - FEIN and Organizational ID Nos.

Exhibit D

LOAN CERTIFICATE
[CORPORATION]

I, _____, do hereby certify that I am the duly elected and qualified Secretary and keeper of the corporate records of _____ a corporation organized and existing under the laws of the State of _____ (the "Corporation"). In connection with that certain Revolving Credit Agreement of even date herewith (the "Credit Agreement") by and among the Corporation and Bank of America, N.A., ("Lender"). I hereby certify to the foregoing Lender that:

(8) Attached hereto as Exhibit A are (i) a true, complete and correct copy of the articles or certificate of incorporation of the Corporation, together with all amendments thereto, each as in full force and effect on the date hereof, certified to be true, complete and correct by the Secretary of State for the State of _____ and (ii) a true, complete and correct copy of the bylaws of the Corporation, together with all amendments thereto, each as in full force and effect on the date hereof.

(9) Attached hereto as Exhibit B are certificates of good standing and tax certificates for the Corporation, issued by the Secretaries of State for each jurisdiction in which the Corporation is required to qualify or has qualified to do business. The Corporation has, from the date of such certificates through the date hereof, remained in good standing under the laws of such states.

(10) Attached hereto as Exhibit C is a true, complete and correct copy of resolutions of the board of directors of the Corporation duly adopted as of the ____ day of _____, 200_, such corporate action having been duly taken in accordance with the provisions of applicable law, the certificate or articles of incorporation and the bylaws of the Corporation, and being now in full force and effect, without any modifications in any respect. Such resolutions authorize the Corporation and the officers designated therein to execute, deliver and perform the other Loan Documents to which the Corporation is a party, including but not limited to the [CREDIT AGREEMENT] [GUARANTY].

(11) Attached hereto as Exhibit D are true, complete and correct copies of all stockholder agreements or voting agreements in effect with respect to the stock of the Corporation. [NO STOCKHOLDERS' AGREEMENT OR VOTING TRUST AGREEMENT IS IN EFFECT WITH RESPECT TO THE STOCK OF THE CORPORATION.]

(12) Attached hereto as Exhibit E is a true, complete and correct list of the Federal Employee Identification Number (FEIN) and Organizational Identification Numbers of the Corporation.

(13) No suit or proceeding for the dissolution or liquidation of the Corporation has been instituted or is now threatened. There are no actions, suit or proceedings pending or threatened against the Corporation or any of its properties before any court, arbitrator or governmental department, commission, bond, bureau, agency or other instrumentality, domestic or foreign, and no such action, suit or proceeding if adversely determined, would cause or constitute a Material Adverse Occurrence.

Exhibit D

(14) The following persons have been duly elected to the offices of the Corporation set forth beside their names, have been duly qualified, and as of the date hereof are officers of the Corporation, holding the offices set forth opposite their respective names below, and the signatures set forth opposite their respective names are their respective genuine signatures:

<TABLE>

<CAPTION>

Name	Title	Signature
-----	-----	-----
<S>	<C>	<C>
_____	_____	_____
_____	_____	_____
_____	_____	_____

</TABLE>

Unless otherwise defined herein, capitalized terms used herein shall have the meanings given thereto in the Credit Agreement.

IN WITNESS WHEREOF, I have signed this Loan Certificate on behalf of the Corporation as of the ___ day of _____, 200_.

_____, a _____
corporation

By: _____
_____, Secretary

I, _____, am the _____ of the Corporation and I do hereby certify effective as of the date hereof that _____ is the duly elected and qualified Secretary of the Corporation as of the date hereof and the signature set forth opposite his or her name is his or her genuine signature.

By: _____
Title: _____

EXHIBITS

Exhibit A - Certificate or Articles of Incorporation and Bylaws
Exhibit B - Good Standing and Tax Certificates
Exhibit C - Authorizing Resolutions
Exhibit D - Stockholder/Voting Agreements
Exhibit E - FEIN and Organizational ID Nos.

Exhibit D

EXHIBIT E

FORM OF COMPLIANCE CERTIFICATE

The undersigned, being the President and Chief Financial Officer of Panera Bread Company, Inc., a Delaware corporation (the "Parent") hereby certify, pursuant to Section 5.1(c) of the Revolving Credit Agreement dated as of _____, 200_, (as in effect on the date hereof, the "Credit Agreement") by and between Panera, LLC ("Borrower") and Bank of America, N.A., as Lender:

1. The accompanying [AUDITED/UNAUDITED] financial statements of the Parent and its Subsidiaries on a consolidated and consolidating basis as of _____, _____, for the [QUARTER/YEAR] ended, are complete and correct in all material respects and present fairly, in accordance with GAAP, the financial condition of the Parent and its Subsidiaries, as applicable, as of the end of such period, and the results of operations for such period then ended, in each case on the basis presented and subject, in the case of interim statements, only to normal year-end adjustments that are not material in amount or type.

2. Attached hereto as Schedule 1 are calculations performed by the undersigned or under the undersigned's supervision demonstrating what the "Applicable Margin" should be pursuant to Section 2.1(j) of the Credit Agreement.

3. Attached hereto as Schedule 2 are calculations performed by the undersigned or under the undersigned's supervision demonstrating the Borrower's compliance with each of the financial covenants set forth in Sections 6.1 and Section 6.2 of the Credit Agreement, during the [QUARTER/YEAR] being reported and as of the end of such period.

4. To the best of the undersigned's knowledge, after reasonable investigation, no Default or Event of Default has occurred and is continuing, or if a Default or an Event of Default has occurred or is continuing.

Capitalized terms used herein and not otherwise defined are used as defined in the Credit Agreement.

IN WITNESS WHEREOF, the undersigned have signed this Compliance Certificate as of the _____ day of _____, ____.

By: _____
Name: _____
Chief Financial Officer

Exhibit E

EXHIBIT F

FORM OF APPLICATION AND AGREEMENT
FOR STANDBY LETTER OF CREDIT

Exhibit F

[BANK OF AMERICA LOGO]

FOR BANK OF AMERICA USE ONLY
L/C No.

APPLICATION AND AGREEMENT FOR STANDBY
LETTER OF CREDIT
TO: Bank of America, N.A. ("Bank of America")

A. APPLICATION.

1. _____ ("Applicant") requests Bank of America to issue an irrevocable standby letter of credit ("Letter of Credit") as follows:

- | | |
|---|---|
| ☐ Full text teletransmission | ☐ Airmail with brief preliminary teletransmission advice |
| ☐ Airmail | ☐ Courier |

2. Applicant Address:

3. For Account of (Name and address, if different from Applicant):

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

4. Advising Bank:

5. In favor of (Beneficiary Name and Address):

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

6. Amount: _____ (_____)
(in words and figures)

Currency _____
(if left blank, U.S. Dollars)

EXPIRATION DATE. Drafts to be drawn on and presented at Bank of America's Address set forth in the Letter of Credit on or before: _____

☐ If this box is marked, Applicant authorizes Bank of America to effect payment of any sums due under this Application and Agreement by means of debiting Applicant's account with Bank of America set forth below. This authorization does not effect the obligation of Applicant to pay such sums when due, if there are insufficient funds in such account to make such payment when due, or if Bank of America fails to debit the account, and this authorization does not affect any setoff rights of Bank of America at law or in equity. Applicant's account number with Bank of America is _____.

7. Available by drafts drawn at sight on Bank of America when accompanied by the following documentation:

- a. The original Letter of Credit.
- b. The signed statement of the Beneficiary worded as follows (state wording that is to appear in the statement accompanying the draft; specify if such wording must be exact):

Exhibit F

8. Special Instructions:

Bank of America, N.A.
(c) 2000 BANK OF AMERICA CORPORATION
00-35-0521NSBW 12-2000

Exhibit F

B. AGREEMENT.

In consideration of Bank of America's issuing the Letter of Credit at the request of Applicant, Applicant agrees to the following:

1. APPLICANT PAYMENTS.

(a) Applicant shall pay Bank of America, on demand, all amounts paid by Bank of America under or in respect of the Letter of Credit.

(b) On each fee payment date, so long as any undrawn amount of the Letter of Credit remains available, Applicant shall pay Bank of America a Letter of Credit fee. The fee payment date(s) shall be the date(s) as Applicant and Bank of America may agree, or in the absence of such agreement, the fee payment date shall be the date on which Bank of America issues the Letter of Credit. The fee shall be at such rate per annum as Applicant and Bank of America may agree or, in the absence of such agreement, at the rate customarily charged by Bank of America at the time such fee is payable, based upon Applicant's creditworthiness, as determined by Bank of America in its sole discretion. The applicable Letter of Credit fee shall be calculated and payable on the undrawn amount of the Letter of Credit as of each fee payment date, and shall be for the period commencing on such fee payment date and ending on the day preceding the next fee payment date (or the expiration date of the Letter of Credit, as the case may be), both dates inclusive. The Letter of Credit fee will be computed on the basis of a 360-day year and actual days elapsed. Bank of America shall not be required to refund any portion of the Letter of Credit fee paid for any period during which (a) the Letter of Credit expires or otherwise terminates or (b) the undrawn amount of the Letter of Credit is reduced by drawings or by amendment.

(c) Applicant shall pay Bank of America, on demand, commissions and fees for amendments to, payments under, extensions of or cancellation of the Letter of Credit, and other services in the amounts Applicant and Bank of America may agree or, in the absence of such agreement, in the amounts customarily charged by Bank of America on the date of Bank of America's demand.

(d) All payments and deposits of any kind by Applicant under this Application and Agreement, including prepayments, shall be made at the banking center or office Bank of America may designate from time to time. Bank of America shall have no obligation to pay Applicant interest on any such payment, prepayment or deposit made by Applicant under this Application and Agreement.

(e) (i) All payments and deposits by Applicant under this Application and Agreement shall be in the currency in which the Letter of Credit is payable, except that Bank of America may, at its option, require payments and deposits by Applicant under this Application and Agreement to be made in U.S. Dollars if the Letter of Credit is payable in a foreign currency.

(ii) The amount of each payment and each deposit by Applicant under this Application and Agreement in U.S. Dollars for a Letter of Credit payable in a foreign currency shall be determined by converting the relevant amount to U.S. Dollars at the Conversion Rate in effect:

(A) with respect to each payment under Section 1(a) of this Agreement, on the date the payment is made by Bank of America under or in respect of the Letter of Credit; and

(B) with respect to each payment not falling under the preceding clause (A) and each deposit, on the date of Bank of America's demand for such payment or deposit.

(iii) If a U.S. Dollar deposit by Applicant under this Application and Agreement for a Letter of Credit payable in a foreign currency becomes less than the U.S. Dollar equivalent of the undrawn amount of the Letter of Credit because of any variation in rates of exchange, Applicant shall deposit with Bank of America, on demand, additional amounts in U.S. Dollars so that the total amount deposited by Applicant under this Application and Agreement is not less than the U.S. Dollar equivalent of the undrawn amount of the Letter of Credit, determined by using the Conversion Rate on the date of Bank of America's latest demand.

(iv) "Conversion Rate" means the rate quoted by Bank of America for the purchase from Bank of America of the relevant foreign currency with U.S. Dollars.

(f) Applicant shall reimburse or compensate Bank of America, on demand, for all costs incurred, losses suffered and payments made by Bank of America which are applied or allocated by Bank of America to the Letter of Credit (as determined by Bank of America) by reason of any and all present or future reserve, capital, deposit, assessment or similar requirements against (or against any class of or change in or in the amount of) assets or liabilities of, or commitments or extensions of credit by, Bank of America.

(g) Applicant shall pay interest, on demand, on any amount not paid when due under this Application and Agreement from the due date until payment in full at a rate per annum equal to the rate of interest publicly announced from time to time by Bank of America as its prime rate, plus three percentage points (not to exceed the maximum rate permitted by applicable law). The prime rate is set by Bank of America based on various factors, including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some credits. Bank of America may price credit at, above or below the prime rate. Any change in Bank of America's prime rate shall take effect at the opening of business on the day specified in Bank of America's public announcement of a change in Bank of America's prime rate. Interest will be computed on the basis of a 360-day year and actual days elapsed.

2. DEPOSIT EVENTS. Upon the occurrence of any of the following events, Applicant shall deposit with Bank of America, on demand (except that such demand shall not be required in the event of an occurrence described in (b) below) and as cash security for Applicant's obligations to Bank of America under this Application and Agreement, an amount equal to the undrawn amount of the Letter of Credit:

(a) Applicant defaults under any provision of this Application and Agreement;

(b) Any bankruptcy or similar proceeding is commenced with respect to Applicant;

(c) Any default occurs under any other agreement involving the borrowing of money or the extension of credit under which Applicant may be obligated as borrower, installment purchaser or guarantor, if such default consists of the failure to pay any indebtedness when due or if such default permits or causes the acceleration of any indebtedness or the termination of any commitment to lend or to extend credit;

(d) Applicant or any of its affiliates defaults on any other obligation to Bank of America;

(e) Any guarantee of Applicant's obligations under this Application and Agreement terminates, is revoked or its validity is contested by the guarantor, or any of the events set forth in (b) through (d) above occur with respect to the guarantor rather than the Applicant; or

(f) Any court order, injunction or other legal process is issued restraining or seeking to restrain drawing or payment under the Letter of Credit.

3. CHARGE TO ACCOUNTS. If Bank of America is unable to debit the account, if any, specified on the Application, Applicant authorizes Bank of America to charge any of Applicant's accounts with Bank of America, or any affiliate of Bank of America, for all amounts then due and payable to Bank of America under this Application and Agreement.

4. INDEMNITIES.

(a) Applicant will indemnify and hold Bank of America (such term to include for purposes of this Section 4 affiliates of Bank of America and its affiliates' officers, directors, employees and agents) harmless from and against (i) all loss or damage arising out of the issuance by Bank of America, or any other action taken by any such indemnified party in connection with the Letter of Credit including any loss or damage arising in whole or in part from the negligence of the party seeking indemnification, but excluding any loss or damage resulting from the gross negligence or willful misconduct of the party seeking indemnification, and (ii) all costs and expenses (including reasonable attorneys' fees and allocated costs of in-house counsel and legal expenses) of all claims or legal proceedings arising out of the issuance by Bank of America of the Letter of Credit or incident to the collection of amounts owed by Applicant hereunder or the enforcement of the rights of Bank of America hereunder, including, without limitation, legal proceedings related to any court order, injunction, or other process or decree restraining or seeking to restrain Bank of America from paying any amount under the Letter of Credit. Additionally, Applicant will indemnify and hold Bank of America harmless from and against all claims, losses, damages, suits, costs or expenses (including reasonable attorneys' fees and allocated costs of in-house counsel, and legal expenses) arising out of Applicant's failure to timely procure licenses or comply with applicable laws, regulations or rules, or any other conduct or failure of Applicant relating to or affecting the Letter of Credit.

(b) If any award, judgment or order is given or made for the payment of any amount due under this Application and Agreement and such award, judgment or order is expressed in a currency other than the currency required under this Application and Agreement, Applicant shall indemnify Bank of America against and hold Bank of America harmless from all loss and damage incurred by Bank of

America as a result of any variation in rates of exchange between the date of such award, judgment or order and the date of payment (or, in the case of partial payments, the date of each partial payment thereof) in the required currency

(c) Each of these indemnities shall constitute an obligation separate and independent from the other obligations contained in this Application and Agreement, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by Bank of America from time to time, and shall continue in full force and effect notwithstanding any award, judgment or order for a liquidated sum in respect of an amount due under this Application and Agreement.

5. GOVERNING LAW AND RULES. The Letter of Credit will be subject to, and performance under the Letter of Credit by Bank of America, its correspondents, and the beneficiary will be governed by, the rules of the "International Standby Practices 1998" ("ISP98") or such later revision as may be published by the Institute of International Banking Law & Practice, subject to applicable laws. The Letter of Credit and this Application and Agreement shall be governed by and construed under the laws of the state in the United States where Bank of America issues the Letter of Credit, without reference to that state's provisions regarding conflicts of laws, to the jurisdiction of which the parties hereto submit. If the Letter of Credit is not issued in any state, the law of the State of California will govern.

6. APPLICANT STATUS. The word "Applicant" in this Application and Agreement refers to each signer (other than Bank of America) of this Application and Agreement. If this Application and Agreement is signed by more than one Applicant, their obligations under this Application and Agreement shall be joint and several.

7. REPRESENTATIONS AND WARRANTIES. Applicant represents and warrants to Bank of America that it has the authority to enter into this Application and Agreement and that such Agreement will not violate or conflict with any of the provisions of its constituent documents or any other agreement or undertaking to which it is a party or to which it is bound.

8. MISCELLANEOUS.

(a) No delay, extension of time, renewal, compromise or other indulgence which may occur or be granted by Bank of America shall impair the rights and powers of Bank of America hereunder. Bank of America shall not be deemed to have waived any of its rights hereunder, unless Bank of America shall have signed such waiver in writing.

(b) Any notice from Bank of America to Applicant shall be sent to the address of Applicant set forth on the Application and shall be effective upon receipt by Applicant. Any notice from Applicant to Bank of America shall be sent to the address of Bank of America specified by Bank of America to Applicant and shall be effective upon receipt by Bank of America.

(c) Each provision of this Application and Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Application and Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Application and Agreement.

(d) Any and all payments made to Bank of America hereunder shall be made free and clear of and without deduction for any present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding income or franchise taxes imposed by the United States and any political subdivisions thereof (such nonexcluded taxes being herein called "Taxes"). If Applicant shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8(d)), Bank of America shall receive an amount equal to the sum Bank of America would have received had no such

deductions been made, (ii) Applicant shall make such deductions, and (iii) Applicant shall pay the full amount deducted to the relevant authority in accordance with applicable law. Applicant will indemnify Bank of America for the full amount of Taxes (including, without limitation, any Taxes imposed by any jurisdiction on amounts payable under this Section 8(d)) paid by Bank of America and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date Bank of America makes written demand therefor. Within 30 days after the date of any payment of Taxes, Applicant will furnish to Bank of America the original or a certified copy of a receipt evidencing payment thereof.

(e) This Application and Agreement shall be binding upon Applicant, its successors and assigns, and shall inure to the benefit of Bank of America, its successors, transferees and assigns; provided that any assignment by Applicant of any of its rights or obligations under this Application and Agreement without the prior written consent of Bank of America shall be void.

(f) Unless the Applicant has specified in the Application that the wording of the Letter of Credit must be exact, Applicant understands that the final form of the Letter of Credit may vary from the wording specified in the Application, and Applicant authorizes Bank of America to make such changes, not materially inconsistent with the Application, which Bank of America deems necessary or appropriate. Applicant understands that the risk to Applicant is greater if Applicant requests a standby letter of credit which requires only a draft, rather than a standby letter of credit which requires supporting documentation.

(g) In the event of any change or modification, with the consent of Applicant, which consent may be given by any means of submission acceptable to Bank of America, including, without limitation, computer, facsimile or telex, relative to the Letter of Credit or any instrument called for hereunder, including any waiver made or in good faith believed by Bank of America to have been made by Applicant of any term hereof or the noncompliance of any such instruments with the terms of the Letter of Credit, this Application and Agreement shall be binding upon Applicant with regard to the Letter of Credit as so changed or modified, and to any action taken by Bank of America or any of its correspondents relative thereto. No term or provision of this Application and Agreement can be changed orally, but only in a writing and signed by Applicant and Bank of America.

(h) Bank of America assumes no liability or responsibility for the consequences arising out of delay and/or loss in transit of any message, letter or documentation, or for delay, mutilation or other error arising in the transmission of any teletransmission. In no event shall Bank of America be liable for any special, indirect, consequential or exemplary damages.

(i) If Applicant includes in the Application any language describing events or conditions that would not be possible for Bank of America to verify solely from the documents required to be presented under the Letter of Credit, Applicant acknowledges and agrees that Bank of America has no obligation to verify compliance with such requirements.

NOTICE OF FINAL AGREEMENT. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

THIS APPLICATION AND AGREEMENT IS EXECUTED BY APPLICANT ON _____.

Exhibit F

Name of Applicant

By: Title

Name of Applicant (if any, co-signing with the Applicant above)

By: Title

(Where specimen signatures of the applicant named above are not on file with Bank of America, the following signature verification is required.)

The above signature of an officer, partner or agent of each Applicant indicated above confirms to that on file with us and such officer, partner or agent is fully authorized to sign this Agreement for such Applicant.

By: BANK (Full Name) (Bank Address)

Authorized Signature/Title (Specimen signature of the signer must be on file with Bank of America)

FOR OFFICE USE ONLY

[] Trade Operations Mail Code#

[] Per Standard Fee Schedule [] Other [] Charge Banking Center
[] Charge Directly [] Commissions and Charges only [] Drawings,
Commissions and Charges

Approving Officer (Printed Name) Phone #

Officer Telephone # FAX #

DDA Applicant A/C #

Approving Bank Officer Signature

Officer - Interoffice Address

Officer Number and Cost Center Number

Bank of America, N.A.

Exhibit F

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REGISTRANT'S SUBSIDIARIES
PANERA BREAD COMPANY
LIST OF DIRECT SUBSIDIARIES
AS OF MARCH 1, 2004

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<CAPTION>

Entity Name	% Ownership	Jurisdiction of Organization
-------------	-------------	------------------------------

Panera, LLC	100	Delaware
Pumpernickel, Inc.	100	Delaware

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PANERA BREAD COMPANY
LIST OF INDIRECT SUBSIDIARIES
AS OF MARCH 1, 2004

<TABLE>

<CAPTION>

Entity Name	Parent	% Ownership	Jurisdiction of Organization
-------------	--------	-------------	------------------------------

Artisan Bread, LLC	Panera, LLC	100	Delaware
Panera Enterprises, Inc.	Panera, LLC	100	Delaware
Pumpernickel Associates, LLC	Panera, LLC	100	Delaware
Cap City Bread, LLC	Artisan Bread, LLC	100	Delaware
Asiago Bread, LLC	Panera, LLC	100	Delaware

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 33-41989, 33-41990, 33-46682, 33-96506, 333-01668, 333-31855, 333-31857 and 333-64222) and Form S-3 (File Nos. 33-82292 and 333-80927) of Panera Bread Company and Au Bon Pain Co. of our report dated March 9, 2004 relating to the financial statements and financial statement schedule, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

St. Louis, Missouri
March 10, 2004

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CERTIFICATION

I, Ronald M. Shaich, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 27, 2003 of Panera Bread Company;
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 periods 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 officers 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; and
 - (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 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 officers 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:
 - (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.

Dated: March 10, 2004

/s/ RONALD M. SHAICH

Ronald M. Shaich
Chairman and Chief Executive Officer

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CERTIFICATION

I, Mark E. Hood, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 27, 2003 of Panera Bread Company;
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 periods 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 officers 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; and
 - (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 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 officers 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:
 - (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.

Dated: March 10, 2004

/s/ Mark E. Hood

Mark E. Hood
Senior Vice President, Chief Financial Officer

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<TYPE> EX-32
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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Panera Bread Company on Form 10-K for the fiscal year ended December 27, 2003, as filed with the Securities and Exchange Commission, we, Ronald M. Shaich, Chief Executive Officer, and Mark E. Hood, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Annual Report fully complies with the requirements of Section 13(a) of the Securities and Exchange Act of 1934; and
2. The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operation of Panera Bread Company.

A signed original of this written statement required by Section 906 has been provided to Panera Bread Company and will be retained by Panera Bread Company and furnished to the Securities and Exchange Commission or its Staff upon request.

Dated: March 10, 2004

/s/ RONALD M. SHAICH

Ronald M. Shaich
Chairman and Chief Executive Officer

Dated: March 10, 2004

/s/ Mark E. Hood

Mark E. Hood
Senior Vice President, Chief Financial Officer

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