



May 11, 2009

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MEMBERSHIP UPDATE - OPERATORS OWNING

██████████% OF THE SYSTEM HAVE JOINED THE CO-OP !!!

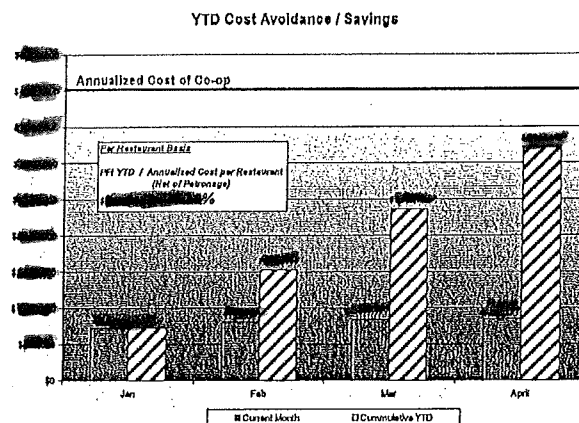
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PERFORMANCE MEASURES UPDATE

CSCS is working with your Co-op Board of Directors to finalize the metrics that will be used to measure the Co-op's performance. Once these metrics are approved, we will begin reporting our progress against them.

To give you a perspective on your return on your investment, positive financial impact (savings & cost avoidances) on an annual basis generated from the initial work of the Co-op already covers ██████████ of the annual cost of your sourcing fee. You'll see in the following pages the activities that are generating these benefits..



Calendar:

- May 21-22, 2009 Supplier Distributor Summit, Lenexa, KS
- Annual Shareholder Meeting is being scheduled for late July 2009
- Pancake Board Meeting is being scheduled for late July 2009
- Next newsletter June 12, 2009

██████████ UPDATE

Because of the critical nature of this product to your business, we will continue to provide separate updates on the status of securing new pricing.

For background, the ██████████ system entered into an agreement 5 years ago with a single supplier - ██████████ - to supply ██████████ at a fixed price through June 2009. As we approach the end of this agreement, using information supplied by ██████████, CSCS is estimating an increase of ██████████%. This increase of approximately ██████████/lb is scheduled for July 1, 2009. The estimated annual cost increase for each ██████████ restaurant is approximately \$██████████.

Without question, the ██████████ pricing you have enjoyed in the last several years has been at below market levels. The drivers of egg costs - ██████████ - spiked dramatically in early 2008, and although those markets have come off their record highs, they are still at relatively high levels, and are primary drivers of higher ██████████ prices. They represent ██████████% of the cost.

The Co-op's most valuable tool is the ability to leverage the buying power of the entire ██████████ brand with multiple suppliers in the marketplace. This creates competition among suppliers to earn our business. We have been engaged with ██████████'s Food, Beverage and Innovation group (██████████), Quality Assurance and ██████████ Operations to gain approval of additional sources of supply for ██████████. We are currently reviewing proposals from three additional sources of supply. As we validate supplier viability, and receive approval from ██████████ that product meets ██████████ specifications; we will be positioned to leverage these options to drive improved pricing.

For your planning purposes, we suggest a worst case scenario is for early July increases on ██████████ as indicated above. However, we are optimistic we will do better and will update you in late May. If you have any questions, please contact ██████████.

# PROCUREMENT AND COMMODITY UPDATE

The Procurement Committee began transitioning the accountability for purchasing to the soon-to-be CSCS team in the Fall of 2008. During this transition period we have been successful in reducing costs on several items. These include packaging, pork and steaks. Upon formation of the Co-op and attaining % membership, we have begun to work with the Brand to develop product specifications and alternate suppliers. This will ensure we have multiple vendors competing for our collective business.

It is critically important that we connect each to the system as it will allow CSCS to know volume and pricing for all items. This information will ensure's are buying the correct items and at prices negotiated by CSCS. An update on this project is on page 5.

Many members have asked how the Co-op will communicate negotiated pricing. Next week you will receive a link to a Co-op member only website where you can pull pricing similar to what you were able to do on .com.

The CSCS Team is working hard to manage costs on your behalf. We look forward to improving the profitability of each restaurant. The following are key category highlights. We will expand upon these updates in future newsletters.

## BEEF / PORK

CSCS negotiated savings in addition to the recent declines in commodity values directly resulting in annualized savings of \$ in the Total Steak Complex. This equates to almost \$ per store. These prices are locked into Q1 2010. No changes in the supplier base or designation were required.

Bacon

CSCS

In December, Year to Date our price is % below the prior year's and approximately % below the December quote. There is still some work to do regarding consolidation (6 different bacon products/packaging in the system) in order to further deliver costs savings.

Ham

The Q2 2009 pricing was reduced \$/lb from February 2009 levels. The estimated system wide savings for Q2 is \$, or approximately \$ per store savings just for Q2. CSCS will look to take some summer coverage in order to maintain current price levels for the balance of 2009.

Swine Flu

This well publicized outbreak of H1N1 virus has hit the pork industry hard. Even with scientific proof that you cannot develop swine flu from consuming properly cooked pork products; consumers have quickly adjusted purchase intent away from pork. CSCS will continue to monitor these events and capture favorable purchase of required products when available.

Product	2008-2009 Price Reduction	Annualized System Savings
T-Bone	\$/lb	\$
Top Sirloin Steak	\$/lb.	\$
Omelet strips	\$/lb.	\$
Tips	\$/lb.	\$

Total Steak Complex annualized system savings = \$

## DAIRY

Cheese is approximately % hedged for Q2 and %, for the balance of year for volumes from and only. CSCS is collaborating with IHOP on product alignment in order to leverage spend and hedge the balance of the volume. We have negotiated lower butter coverage (cost of production) with an existing supplier, which lowered the cost by \$/lb. for an annual system savings of \$. The anticipated launch of the new butter pricing is June 1, 2009. CSCS is near completion of a project to standardize product and reduce costs for. It is expected to launch in July 1, 2009 with an estimated annual savings of \$.