

“Firm to Acquire Garden Fresh”

By Karen Robinson

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Fairmont Capital values the deal for the buffet eateries at \$140 million to \$150 million. The chain's shares rise 45%.

Garden Fresh Restaurant Corp., the San Diego-based operator of the Souplantation and Sweet Tomatoes salad buffet restaurants, will be acquired by an investment firm in a \$140 million deal, the company said Tuesday.

Anaheim-based Fairmont Capital, Inc. will offer Garden Fresh shareholders \$16.35 a share in cash for their common stock – a premium of nearly 50% over the company's closing price Monday of \$10.98.

News of the deal drove Garden Fresh shares to a 52-week high of \$16.10 on Tuesday before ending the day at \$15.91, up 54.93, or 45%, on NASDAQ.

Michael Gibbons, president of Fairmont, put the final value of the deal at \$140 million to \$150 million, including refinancing of existing debt.

Gibbons said Garden Fresh's management team, led by Chief Executive Michael Mack, would remain in place. The company has 97 restaurants in 15 states, including 33 Souplantation locations in Southern California and 64 Sweet Tomatoes sites in Northern California.

“They have a great concept and a great management team... and they are on focus in terms of offering a healthy, smart eating opportunity for today's consumer,” Gibbons said.

But consumers have been bombarded with salad options and other healthful-dining choices. The added competition has hurt Garden Fresh, whose restaurants feature a 55-foot buffet with lettuce and pasta salads, soups, pizza and desserts.

The company was co-founded in 1983 by Mack, a management consultant. Garden Fresh went public in 1995 at \$9 a share and saw its share price climb to \$20 by 1999. But in the last two years, rising expenses for utilities and insurance, coupled with a too-rapid expansion and added competition, hurt the company's profit. Garden Fresh's stock had languished at \$9 to \$10 since December.

In 2000, Garden Fresh profit was \$1.02 a share, then dropped nearly 60% to 42 cents a share in 2001. Last year Garden Fresh's earnings crept back up to 98 cents a share.

Although sales at the salad chain slipped earlier in the year, there has been an uptick in the last few months. Mack told analysts that sales at restaurants open at least a year – a key measure of chain health – were down 3.6% in April but gained 1.2% in May and 3.3% in June compared with a year earlier.

For the first nine months of its fiscal year, through June 30, the company's net income fell 21% to \$3.1 million, or 53 cents a share, as sales gained 2% to \$162.8 million.

Garden Fresh plans a special meeting with shareholders, who must approve the deal, before year's end.

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Note: Fairmont Capital, Inc. and its co-investors acquired Garden Fresh Restaurant Corp. in March 2004. Michael Gibbons is a founder of Fairmont.