

“Investment Firm Scoops Up San Diego-Based Garden Fresh”

By Michael Kinsman

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Garden Fresh Restaurant Corp., the homegrown San Diego company that operates the Souplantation and Sweet Tomatoes restaurant chains, was acquired yesterday by an Anaheim investment firm for \$94.8 million.

Fairmont Capital agreed to pay \$16.35 a share for Garden Fresh to take the company private, a 49 percent premium over its closing stock price Monday.

News of the deal sent the stock soaring. By the end of trading yesterday, Garden Fresh shares stood at \$15.91, up 45 percent.

“This is a good deal for shareholders,” said Michael Smith, an analyst with Oppenheimer & Co. in New York. “The stock wasn’t really getting the valuation it deserved, so you kind of expected something like this to happen.”

Garden Fresh operates 97 Souplantation and Sweet Tomatoes restaurants in 15 states. The restaurants are centered on mammoth salad bars, offering a variety of soups, pastas, pizza, breads and desserts.

The buffet chain’s financial success has been limited in recent years, suffering with the economy and facing competition from fast-food and other restaurants offering more health-oriented fare.

For the nine months ended June 30, the company reported net income of \$3.1 million on revenue of \$162.8 million. For the comparable period a year ago, Garden Fresh earned \$3.9 million on revenue of \$159.5 million. In fiscal 1999, the company had earned \$6.9 million.

“It’s a well-run company,” said **Michael Gibbons**, president of Fairmont Capital. “We like the way it is operated, and that’s one of the things that attracted us.”

Fairmont Capital started tracking the company in early 2001 but only entered into formal negotiations in June, Gibbons said.

The investment firm owns **Shari’s**, a chain of 24-hour family-style restaurants in the Pacific Northwest, and formerly owned **Vicorp**, parent of the Bakers Square and Village Inn chains. Fairmont Capital sold Denver-based Vicorp in June.

Gibbons said Fairmont Capital would put up some cash for the deal and borrow the rest, but he wouldn’t say how much debt the company would incur.

He said no changes are planned in the management or operations of Garden Fresh, which employs about 5,000 full-and part-time workers.

Michael Mack, president of Garden Fresh, refused to discuss details of the transaction, citing Securities and Exchange Commission rules.

Over the past year, Garden Fresh’s stock price has fluctuated from a high of \$12 in November to a low of \$8.10 in April. The shares closed Monday at \$10.98.

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Bob Derrington, an analyst with Morgan Keegan & Co. in Memphis, said Garden Fresh was ripe for an acquisition because of its potential and relatively low stock price.

“Beauty is in the eye of the beholder,” Derrington said. “Fairmont Capital is coming in with cash, so they must think it is a good deal.”

Garden Fresh was founded in San Diego in 1978 with two Souplantation buffet restaurants. The company expanded the concept and later introduced the Sweet Tomatoes brand in markets outside California.

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Note: Fairmont Capital, Inc. and its co-investors acquired Garden Fresh Restaurant Corp. in March 2004, VICORP Restaurant Corp. in May 2001 and Shari’s Management Corp. in February 1999. Michael Gibbons is a founder of Fairmont.