

Centre Tends To Garden

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Centre Partners Management, along with minority investor **Fairmont Capital**, completed the taking-private purchase of **Garden Fresh Restaurant Corp.**, acquiring the salad-buffet restaurant chain in a transaction totaling \$94.8 million.

The deal was originally made public over five months ago, although at the time, Centre Partners' name was absent from the agreement and Fairmont Capital was the apparent lead in the transaction.

"This deal was done as an auction and the original merger agreement was signed with Fairmont," Garden Fresh CEO Michael Mack said. "Their intention, though, was always to bring in another partner."

Robert Bergmann, a managing director at Centre Partners, added, "When Fairmont originally signed the merger agreement, we had not been on the scene, but once we came on board we got very involved and took part in the full-scale due diligence and also brought the debt to the table."

The transaction, valued at \$16.35 a share, represented a premium of roughly 50% over the stock's closing price the session prior to the deal's announcement. To finance the acquisition, Fleet Bank provided a senior credit facility totaling roughly \$70 million, including an undrawn revolver, while Northwestern Mutual also chipped in with a mezzanine package. Additionally, Garden Fresh coordinated a sale/leaseback of about 20 properties that yielded \$46 million in financing from CNL Restaurant Capital. Centre's equity stake, meanwhile, will rest at approximately \$15 million, according to Bergmann.

The decision to go private came from the relative lack of attention Garden Fresh received from analysts and investors. "There were a number of factors that played into it, but first and foremost we were just thinking about what we could do to return value to shareholders," Mack said. "It's also about how much we can grow earnings, and will we even get recognition if we execute our strategy. Ultimately, we were spending too much time on the administrative functions of being a public company, largely because of Sarbanes Oxley, and we weren't able to pay enough attention to longer-term growth strategies since we had to be so quarterly focused."

Going forward, Centre intends to help Garden Fresh grow slowly, and will target the markets where the restaurant already has a presence. "The plan is to engage in solid, steady growth, and we'll add new restaurants in the markets where we already have existing clusters, such as California, Arizona, the Sun Belt states, Florida, and even Chicago," Bergmann said. "Our goal isn't necessarily to open new territories, but to fill in the markets where we've seen success."

Garden Fresh currently controls 97 company-owned units, which operate under the Souplantation and Sweet Tomatoes names. In fiscal year 2003, Garden Fresh reported net income of \$3 million on \$220.5 million in sales.

For Centre Partners, the transaction represents a return to the restaurant space, and follows investments in Buca Inc., the owner and operator of Buca di Beppo Italian-style restaurants, in 1998, and The Johnny Rockets Group in 1995. The firm last made news in the foods industry with the merger of its Bumble Bee Holdings tuna processor platform with canned sardine maker Connors Bros. in a \$385 million deal.

The Garden Fresh deal is the first transaction to be made out of the firm's Centre Capital Investors IV fund, which has already closed on around \$750 million, and is expected to hold a final close in April.