

“Garden Fresh Restaurant Corporation Proxy Statement for Special Meeting to be Held March 9, 2004”

Schedule 14A filed February 27, 2004

Excerpts from page 14

Purpose And Structure Of The Merger

We entered into the merger agreement, which contemplates the acquisition of us by GF Holdings (an LLC controlled by **Fairmont Capital, Inc.**), to permit our stockholders to realize a significant premium over historical market prices for our shares. The transaction has been structured as a merger to facilitate completion of the transaction in an efficient manner as part of a single-step acquisition process. Structuring the transaction as a merger will give our stockholders the opportunity to vote on the transaction, and the merger will be completed only if holders of a majority of our outstanding shares vote to adopt the merger agreement.

Excerpts from pages 16-23

Background Of The Merger

On August 18, 2003, our special committee met to review the status of discussions with various third parties interested in a possible transaction with Garden Fresh. SG Cowen reported to our special committee on its efforts so far in connection with the solicitation of interest from both strategic acquirors and financial acquirors. SG Cowen indicated that it had contacted 43 parties during the solicitation process and that during this process a number of these parties had indicated a preliminary interest in pursuing a transaction with Garden Fresh... At the time of our special committee meeting, five letters of interest had been received by SG Cowen and a sixth letter of interest was expected by the end of that business day.

SG Cowen then provided our special committee with background information on each of the interested parties and summarized for our special committee the terms of the five letters that had been received as of the meeting as well as the expected terms of the letter which had not yet arrived. The letter of interest from Fairmont proposed a per share purchase price of \$14.00, a financing structure as described above and a proposed time period of three to five weeks to present a definitive transaction proposal...

At the request of our special committee, SG Cowen contacted each bidder to request that they reconsider and improve their bids. All six bidders submitted revised proposals to acquire Garden Fresh.

On August 22, 2003, our special committee met to discuss the revised terms of the indications of interest reviewed earlier that week. SG Cowen reported on its discussions with the various interested parties and summarized the revised terms of the six letters of interest. It presented a list of revised bids that ranged from \$14.00 per share to a range of \$14.75 to \$17.00 per share (Fairmont's letter proposed a purchase price that ranged from \$14.75 to \$17.00) and did not contain any significant changes to either the proposed structure or timing of the transaction... Based upon the expressions of interest submitted to our special committee and based upon our special committee's discussions regarding those materials, our special committee determined that it would be in the best interests of Garden Fresh and our stockholders to continue discussions with four of the bidders (including Fairmont).

On August 26, 2003, our board of directors met and our special committee updated the full board of directors on the status of the ongoing bidding process. Robert A. Gunst, the chairman of our special committee, reviewed the events leading up to the delivery of written indications of interest to SG Cowen, as well as the review and clarification process undertaken by our special committee once those letters of interest were received. Mr. Gunst gave our board of directors a general summary of terms proposed by the remaining bidders, including a range of proposed per share purchase prices. Mr. Gunst identified the parties that would continue to participate in the bid process but did not give particular details about any one party's specific bid terms.

On August 29, 2003, the written bid guidelines were distributed along with a draft merger agreement by SG Cowen to each of the remaining bidders. After the distribution of these bidding guidelines, Garden Fresh provided all of the remaining bidders with access to additional due diligence materials. The remaining bidders conducted a number of due diligence meetings with our executive officers, all of which were attended by SG Cowen, prior to the date that definitive bids were submitted to Garden Fresh.

Between September 10 and September 15, 2003, Mr. Mack and Mr. Qualls met in person with representatives of three of the bidders, including Fairmont. The purpose of these meetings, which were not attended by representatives of SG Cowen, was to discuss the potential employment and equity participation terms for the executive officers after a transaction...

Between September 18 and September 24, 2003, Messrs. Mack and Qualls held further discussions with each of the three bidders, including one in-person meeting and two telephonic meetings with Fairmont, relating to the employment and compensation arrangements for the executive officers following the completion of a transaction with any of the bidders.

On September 25, 2003, our special committee met to discuss the definitive bids submitted by the three remaining bidders. SG Cowen indicated that each of the three remaining parties in the bidding process had provided written bid packages, including debt financing commitment letters, on September 24, 2003. The proposed per share purchase price in two of the bids had increased and the per share purchase price in the third bid had been reduced. Fairmont had increased its bid to \$16.00 per share, one other bidder had increased its bid to \$15.75 per share and the remaining bidder had reduced its bid to \$12.75 per share. Gray Cary indicated that two of the remaining bidders (including Fairmont) had provided suggested comments to the agreement, while one party (the party with the lowest proposed per share purchase price) had not provided any comments. Gray Cary then reviewed for the special committee the material revisions contained in the two sets of comments to the agreement and the areas where the two sets of comments were similar and dissimilar. Gray Cary indicated that the comments to the agreement provided by Fairmont were few in number and could likely be resolved in a short period of time while the comments provided by the other bidder were more extensive and would likely involve a longer process for negotiation and resolution...

Later on September 26, 2003, our special committee met to discuss the status of the two remaining bids in the bidding process. SG Cowen reported that it had spoken with the two remaining parties in the bidding process and that each had increased their proposed purchase price to acquire all shares of Company stock. SG Cowen reported that Fairmont had increased its bid from \$16.00 per share to \$16.35 per share and, in response to a request for their best price, the other bidder had offered a price of \$16.00 per share. SG Cowen also reported that the other bidder had indicated that it was not willing to negotiate concerning material changes to its mark-up of the draft merger agreement without an agreement that we would negotiate exclusively with that bidder. Our special committee discussed the terms of the two revised bids and, along with its advisors, discussed various issues including Fairmont's higher per share purchase price, the amount and content of proposed substantive changes to the agreement made by the other bidder and the expected likelihood and timing of negotiating a final transaction document with each party.

Our special committee concluded that the bid package from Fairmont was economically superior to the bid received from the other bidder... Our special committee also concluded that the legal issues presented by Fairmont's comments to the agreement were likely to be resolved in a much shorter time period than the issues raised by the other bidder's comments. Our special committee directed Gray Cary to contact Fairmont's legal counsel to discuss and attempt to resolve the open legal issues presented by Fairmont's comments, and to report back to our special committee regarding the status of such issues within 48 hours. Our special committee directed SG Cowen, pending resolution of open legal issues, to prepare for the delivery of a fairness opinion in connection with Fairmont's proposal.

Also on September 26, 2003, the executive officers received from Fairmont an outline of its proposed terms regarding the employment and compensation of the executive officers following a transaction with Garden Fresh. Based on discussions with Fairmont prior to and on that day regarding Fairmont's proposed terms, the executive officers and Fairmont became confident that they would reach final agreement if a transaction between Garden Fresh and Fairmont proceeded, and determined to postpone further discussion regarding specific employment terms until such time, if any, as definitive documents regarding a proposed transaction were completed and executed by Garden Fresh and Fairmont.

On September 29, 2003, our special committee met to discuss the status of Fairmont's proposal and the status of negotiations between Gray Cary and Fairmont's legal counsel. Our special committee reviewed a proposed transaction summary and draft merger agreement that had been distributed that day to all directors, together with the written materials prepared by SG Cowen in connection with the meeting. Gray Cary reported that, in accordance with the direction of our special committee, it had conveyed to Fairmont that a per share cash purchase price of \$16.35 was acceptable to our special committee and had been advised that this price was acceptable to Fairmont. Gray Cary indicated that it had engaged in continued negotiations regarding the merger agreement with Fairmont's legal counsel and reviewed the provisions of the merger agreement that had changed as a result of further negotiations during the course of the day. Gray Cary reported on discussions with Fairmont and its counsel regarding the status of financing conditions in the merger agreement and Fairmont's request for the inclusion of a standard closing condition regarding Fairmont's ability to obtain financing.

SG Cowen then reviewed the materials circulated to our special committee prior to the meeting which related to the valuation analyses that SG Cowen had performed in connection with its willingness to issue an opinion that, as of the date of the meeting, the proposed cash purchase price of \$16.35 per share was fair from a financial point of view to the stockholders of Garden Fresh, other than Fairmont, its affiliates and certain other investors in the transaction who will have an equity participation in the ongoing entity (as to the fairness to whom it would not be opining), from a financial point of view...

Mr. Gunst then related to our special committee that he had spoken to senior members of the management team and these members had indicated a willingness to proceed with Fairmont in their individual capacities as employees and prospective equity participants in the post-transaction form of the Company...

On September 29, 2003, immediately after the meeting of our special committee, our board of directors met to consider the proposed transaction between Garden Fresh and certain affiliates of Fairmont. The members of our board of directors reviewed the materials that had been distributed earlier that day to our special committee...

Following further discussion, our board of directors, by the unanimous vote of the independent directors, approved the merger agreement with the affiliates of Fairmont and, having determined that it is advisable, fair to, and in the best interests of our stockholders, authorized our chairman to execute the merger agreement and recommended adoption of the merger agreement by our stockholders. Furthermore, our board of directors believes that the merger is procedurally and substantively fair to those of our stockholders who are not affiliated with Garden Fresh.

On September 30, 2003 we issued a press release announcing execution of the original merger agreement...