RYANS RESTAURANT GROUP INC
Form DEFM14A
September 06, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Ryan s Restaurant Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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RYAN S RESTAURANT GROUP, INC.
405 Lancaster Avenue (29650)
Post Office Box 100 (29652)
Greer, South Carolina

September 5, 2006

To Our Shareholders:

We invite you to attend a special meeting of the shareholders of Ryan s Restaurant Group, Inc., a South Carolina corporation to be held on October 5, 2006 at 10:00 a.m. local time. The meeting will be held at Ryan s corporate headquarters, 405 Lancaster Avenue, Greer, South Carolina.

At the special meeting, you will be asked to adopt the agreement and plan of merger, dated July 24, 2006, by and among Ryan s, Buffets, Inc. and Buffets Southeast, Inc., a wholly-owned subsidiary of Buffets, and to approve the merger of Buffets Southeast, Inc. with and into Ryan s. **If the merger is completed, each holder of shares of our common stock will be entitled to receive $16.25 in cash in exchange for each share of our common stock held, as more fully described in the enclosed proxy statement, and Ryan s will become a wholly-owned subsidiary of Buffets.**

After careful consideration, our board of directors approved the merger agreement and the merger and has declared the merger agreement and the merger advisable and in the best interests of Ryan s and our shareholders. **Our board of directors recommends that you vote FOR the adoption of the merger agreement and the approval of the merger.**

The merger agreement must be adopted and the merger approved by the affirmative vote of holders of at least two-thirds of our outstanding shares of common stock that are entitled to vote at the special meeting. If the merger agreement is adopted and the merger is approved, the merger agreement provides that the closing of the merger will occur no later than the third business day after the other conditions to the closing of the merger are satisfied or waived.

The accompanying notice of special meeting of shareholders provides specific information concerning the special meeting. The enclosed proxy statement provides you with a summary of the merger and the merger agreement and additional information about the parties involved. We urge you to read carefully the enclosed proxy statement and the merger agreement, a copy of which is included in the proxy statement as Exhibit A, and the fairness opinion of Brookwood Associates, LLC, a copy of which is included in the proxy statement as Exhibit B.

Your vote is very important. Whether you plan to attend the special meeting or not, please either complete the enclosed proxy card and return it as promptly as possible or submit your proxy or voting instructions by telephone or Internet. The enclosed proxy card contains instructions regarding voting. If you attend the special meeting, you may continue to have your shares voted as instructed in the proxy or you may withdraw your proxy at the special meeting and vote your shares in person. **If you fail to vote by proxy or in person, or fail to instruct your broker on how to vote, it will have the same effect as a vote against adoption of the merger proposal.**

Sincerely,

Charles D. Way
Chairman and Chief Executive Officer

This Proxy Statement is dated September 5, 2006 and is first being mailed, along with the attached proxy card, to our shareholders on or about September 6, 2006.

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RYAN S RESTAURANT GROUP, INC.
405 Lancaster Avenue (29650)
Post Office Box 100 (29652)
Greer, South Carolina

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD OCTOBER 5, 2006

To Our Shareholders:

NOTICE IS HEREBY GIVEN that Ryan s Restaurant Group, Inc. will hold a Special Meeting of Shareholders at Ryan s corporate headquarters at 405 Lancaster Avenue, Greer, South Carolina, on October 5, 2006, at 10:00 a.m. local time for the following purposes:

(1) to consider and vote upon a proposal to adopt the agreement and plan of merger, dated July 24, 2006, by and among Ryan s Restaurant Group, Inc. (Ryan s), Buffets, Inc., a Minnesota corporation (Buffets), and Buffets Southeast, Inc., a South Carolina corporation (Merger Sub), a wholly-owned subsidiary of Buffets, which we refer to as the merger agreement, including approval of the merger of Buffets Southeast with and into Ryan s (the merger), pursuant to which each holder of shares of our common stock, will be entitled to receive $16.25 in cash, without interest, in exchange for each share held;

(2) to consider and vote upon a proposal to grant discretionary authority to the proxy holders to vote for the adjournment or postponement of the special meeting if there are insufficient votes at the time of the meeting to approve the merger proposal; and

(3) to consider and act upon any other business properly presented at the special meeting or any adjournment or postponement thereof.

All holders of record of shares of our common stock as of the close of business on August 28, 2006 are entitled to notice of and to vote at the special meeting or any postponements or adjournments of the special meeting. **Regardless of the number of shares you own, your vote is important.** If you do not plan to attend the meeting and vote your shares of common stock in person, please cast your vote by either marking, signing, dating and promptly returning the enclosed proxy card in the postage-paid envelope or by submitting your proxy or voting instructions by telephone or Internet.

Any proxy may be revoked at any time prior to its exercise by delivery of a later-dated proxy card or by voting in person at the special meeting.

After careful consideration, our board of directors approved the merger agreement and the merger and has declared the merger agreement and the merger advisable and in the best interests of Ryan s and our shareholders. Our board of directors recommends that you vote FOR the adoption of the merger agreement and the approval of the merger, FOR the proposal to grant discretionary authority to the proxy holders to vote for adjournment of the special meeting for the purpose of soliciting additional proxies if there are insufficient votes at the special meeting to approve the merger proposal and FOR the authorization of the proxies to vote on such other matters as may properly come before the special meeting or any adjournment or postponement

thereof.

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We encourage you to read this proxy statement carefully. If you have any questions or need assistance, please call our proxy solicitor, W. F. Doring & Company at (201)-823-4300. These documents may also be obtained for free from Ryan s by directing a request to Ryan s Restaurant Group, Inc., Investor Relations, Ryan s Restaurant Group, Inc., Post Office Box 100, Greer, South Carolina 29652 or at our Investor Relations page on our corporate website at www.ryans.com.

By Order of the Board of Directors,

Janet J. Gleitz
Secretary

September 5, 2006
Greer, South Carolina

IMPORTANT:

Whether or not you plan to attend the special meeting, please promptly either complete, sign, date and mail the enclosed form of proxy or submit your proxy or voting instructions by telephone or Internet. A self-addressed envelope is enclosed for your convenience. Details are outlined in the enclosed proxy card. If you hold your shares through a broker, dealer, trustee, bank or other nominee, you may be also able to submit your proxy or voting instructions by telephone or by Internet in accordance with the instructions your broker, dealer, trustee, bank or other nominee provides. Returning a signed proxy will not prevent you from attending the meeting and voting in person, if you wish to do so. Please note that if you execute multiple proxies for the same shares, the last proxy you execute revokes all previous proxies.

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SUMMARY

This summary highlights material information in this proxy statement relating to the merger contemplated by the merger agreement, which we refer to in this proxy statement as the merger, and may not contain all of the information that is important to you. To understand the merger and the related transactions fully and for a more complete description of the legal terms of the transactions contemplated by the Agreement and Plan of Merger, which we refer to in this proxy statement as the merger agreement, dated July 24, 2006, by and among Buffets, Inc., which we refer to in this proxy statement as Buffets, Buffets Southeast, Inc., a wholly-owned subsidiary of Buffets, which we refer to in this proxy statement as Merger Sub and Ryan s Restaurant Group, Inc., which we refer to in this proxy statement as we, us, our or Ryan s, you should carefully read this entire document as well as the additional documents to which refers, including the merger agreement, which is attached to this proxy statement as ***Exhibit A*** *and incorporated herein by reference. For instructions on obtaining more information, see Where You Can Find Additional Information on page 43. This proxy statement is first being mailed on or about September 6, 2006.*

The Parties (Page 12)

Ryan s Restaurant Group, Inc.
405 Lancaster Avenue (29650)
Post Office Box 100 (29652)
Greer, South Carolina
(864) 879-1000

Ryan s Restaurant Group, Inc., is a South Carolina corporation that owns and operates a chain of restaurants located principally in the southern and midwestern United States. As of September 1, 2006, Ryan s operated 261 Ryan® brand restaurants and 72 Fire Mountain® brand restaurants.

Buffets, Inc.
1460 Buffet Way
Eagan, Minnesota 55121
(651) 994-8608

Buffets, Inc., is a Minnesota corporation that currently operates 337 restaurants in 33 states comprised of 328 buffet restaurants and nine Tahoe Joe s Famous Steakhouse® restaurants. The buffet restaurants are principally operated under the Old Country Buffet® or HomeTown Buffet® brands. Buffets also franchises 18 buffet restaurants in seven states.

Buffets Southeast, Inc
1460 Buffet Way
Eagan, Minnesota 55121
(651) 994-8608

Buffets Southeast, Inc., is a South Carolina corporation and was organized solely for the purpose of acquiring Ryan s pursuant to the merger agreement. Merger Sub has not conducted any activities to date other than activities incidental to its formation and in connection with the proposed merger. Merger Sub is wholly-owned by Buffets.

The Merger (Page 12).

If the merger is completed, Merger Sub will be merged with and into Ryan s with the result that Ryan s will become a wholly-owned subsidiary of Buffets. We sometimes use the term surviving corporation in this proxy statement to describe Ryan s as the surviving entity following the merger.

The merger will become effective when we file articles of merger with the Secretary of State of the State of South Carolina, or at such later time that we and Buffets specify in the articles of merger. We sometimes use the term effective time in this proxy statement to describe the time the merger becomes effective under South Carolina law.

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Merger Consideration (Page 32).

If the merger is completed, each share of our common stock that is issued and outstanding immediately prior to the effective time of the merger (other than shares of our common stock owned by Ryan s, Buffets or Merger Sub or any of their respective subsidiaries), together with any associated rights under Ryan s rights agreement, will be cancelled and automatically converted into the right to receive an amount in cash equal to $16.25, without interest, less any required withholding taxes.

The Special Meeting (Page 9)

Place, Date and Time of the Special Meeting (Page 9)

The special meeting will be held at Ryan s corporate headquarters at 405 Lancaster Avenue, Greer, South Carolina, on Thursday, October 5, 2006, at 10:00 a.m. local time.

Purpose (Page 9)

The purpose of the special meeting is for you to consider and vote upon a proposal to adopt the merger agreement and to approve the merger and to vote upon a proposal to grant discretionary authority to the proxy holders to vote for adjournment of the special meeting for the purpose of soliciting additional proxies if there are not sufficient votes at the special meeting to approve the merger proposal.

Record Date and Quorum (Page 9)

The holders of record of Ryan s common stock as of the close of business on the record date which was August 28, 2006 are entitled to receive notice of, and to vote at, the special meeting. On the record date, there were 42,377,109 shares of Ryan s common stock outstanding. The holders of a majority of the outstanding shares of Ryan s common stock on the record date, represented in person or by proxy, will constitute a quorum for purposes of the special meeting. For purposes of determining whether a quorum exists, broker non-votes and abstentions will be counted. Each holder will have one vote at the special meeting for each share of Ryan s common stock held on the record date.

Required Vote; Abstentions and Broker Non-Votes (Page 9)

Completion of the merger requires approval of the merger by the affirmative vote of the holders of two-thirds of the outstanding shares of Ryan s common stock entitled to vote at the special meeting. **Because the required vote is based on the number of shares of Ryan s common stock outstanding rather than on the number of votes cast, failure to vote your shares (including as a result of broker non-votes) and abstentions will have the same effect as voting against approval of the merger contemplated by the merger agreement.**

Share Ownership of Directors and Executive Officers (Page 42)

As of the record date, our executive officers and directors beneficially owned an aggregate of approximately 1,348,248 shares of Ryan s common stock (in the form of 154,287 shares and stock options with respect to an additional 1,193,961 shares), representing 3.1% of the total beneficial ownership of Ryan s common stock and entitling them to exercise approximately 0.4% of the voting power of Ryan s common stock entitled to vote at the special meeting. The executive officers and directors of Ryan s have advised us that they intend to vote their shares of Ryan s common stock in favor of approval of the merger.

Interests of Ryan s Directors and Executive Officers in the Merger (Page 27)

When you consider the recommendation of Ryan s board of directors that you vote for the adoption of the merger agreement and approval of the merger, you should be aware that certain of our directors and

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executive officers may have interests in the merger that are different from, or in addition to, yours, including the following:

- certain Ryan s executive officers who are not directors hold unvested stock options of Ryan s common stock (with respect to 1,500 shares in the aggregate), and these options will become fully vested immediately prior to the effective time of the merger and will be cancelled at the effective time of the merger in exchange for the payment of $8,685 in the aggregate under the merger agreement;

- Ryan s executive officers generally are party to employment agreements that provide, among other things, for severance payments in certain circumstances following changes of control such as the proposed merger; and

- the merger agreement provides for indemnification and insurance arrangements for our current and former directors and officers that will continue for six years following the effective time of the merger.

Opinion of Ryan s Fairness Advisor (Page 21)

In connection with the merger, Brookwood Associates, LLC delivered its written opinion to our board of directors that, based upon and subject to the various qualifications and assumptions described therein, the consideration of $16.25 per share to be received by Ryan s shareholders in the merger is fair from a financial point of view to Ryan s shareholders. The full text of the Brookwood opinion is attached as Exhibit B to this proxy statement. We encourage you to read the Brookwood opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken by Brookwood. The opinion of Brookwood is directed to our board of directors and does not constitute a recommendation to any shareholder of Ryan s as to how to vote in connection with the merger.

Buffets Financing (Page 36)

Buffets and Merger Sub have obtained a debt commitment letter from Drawbridge Special Opportunity Fund, LLC and a debt commitment letter from Credit Suisse Securities (USA) LLC, UBS Securities LLC, Goldman Sachs Credit Partners L.P. and Piper Jaffray & Co. providing for debt financing in an aggregate principal amount of up to $1.5 billion for the completion of the merger and other costs such as transaction costs relating to the merger. In the event the committed amounts become unavailable for any reason, Buffets and Merger Sub will use their respective commercially reasonable efforts to arrange alternative financing on terms and conditions that are not less favorable in substance to Buffets and Merger Sub to those contained in the commitment letters mentioned above.

Limitation on Considering other Takeover Proposals (Page 36)

The merger agreement contains restrictions on our ability to solicit or engage in discussions or negotiations with a third party regarding specified transactions involving Ryan s or our subsidiaries. Notwithstanding these restrictions, under certain circumstances, our board of directors may respond to an unsolicited written bona fide proposal for an alternative acquisition or terminate the merger agreement and enter into an acquisition agreement with respect to a superior proposal.

Conditions to Merger (Page 38)

Completion of the merger is subject to the satisfaction or waiver of a number of conditions, such as:

- the affirmative vote of the holders of at least two-thirds of the outstanding shares of Ryan s common stock entitled to vote at the special meeting to adopt the merger agreement and approve the merger;

there must be no order, decree, ruling, judgment or injunction by any governmental authority of competent jurisdiction making illegal or preventing the merger substantially on the terms contemplated in the merger agreement;

the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (referred to in this proxy statement as the HSR Act) must have expired or been terminated;

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the representations and warranties of Ryan s set forth in the merger agreement, regardless of any materiality or material adverse effect qualification, must be true and correct in all respects as of the date the merger closes (except for any representations or warranties made as of a specified date, which must only be true as of such specified date), except for any failures of such representations and warranties to be true and correct as would not individually or in the aggregate reasonably be expected to have a material adverse effect on Ryan s;

Ryan s must have performed or complied with, in all material respects, all obligations under the merger agreement at or prior to the effective time of the merger; and

Ryan s, Buffets or Merger Sub, as applicable, must have received the proceeds of the financing contemplated by the financing commitment letters described under Buffets Financing or alternative financing, in each case, no less favorable in substance to Buffets, Merger Sub or the surviving corporation, as applicable.

Termination of the Merger Agreement (Page 39)

We and Buffets may agree in writing to terminate the merger agreement at any time without completing the merger whether before or after the adoption of the merger agreement and approval of the merger by Ryan s shareholders.

Under certain circumstances, prior to the closing of the merger, either we or Buffets may terminate the merger agreement without the consent of the other party.

Termination Fees (Page 40)

Upon termination of the merger agreement following the occurrence of certain events, we may be required to pay Buffets a termination fee and to reimburse Buffets for its documented out-of-pocket expenses in connection with the merger in an aggregate amount equal to $25,000,000. Upon termination of the merger agreement following the occurrence of certain events, Buffets may be required to pay us a termination fee of $7,500,000.

Certain Material United States Federal Income Tax Consequences (Page 30)

If you are a U.S. holder of our common stock, receipt of the merger consideration will be a taxable transaction to you for federal income tax purposes. Although your tax consequences will depend on your particular situation, you will generally recognize gain or loss measured by the difference, if any, between the cash you receive in the merger and your adjusted tax basis in your shares of Ryan s common stock. If you are a non-U.S. holder of our common stock, the merger will generally not be a taxable transaction to you under federal income tax laws unless you have certain connections to the United States. **You should consult your own tax advisor for a full understanding of the tax consequences of the merger to you.**

Regulatory Approvals (Page 29)

Other than approval pursuant to the HSR Act, no other material federal or state regulatory approvals are required to be obtained by us, Buffets or Merger Sub in connection with the merger. On August 7, 2006, Ryan s and Buffets each filed a Notification and Report Form with the Antitrust Division of the Department of Justice and the Federal Trade Commission. Under the HSR Act and related rules, the merger may not be completed until the expiration or termination of the statutory waiting period. The waiting period is scheduled to expire at 11:50 p.m. (EDT) on September 6, 2006, unless early termination is granted or unless extended by a request for additional information.

Litigation Challenging the Merger (Page 29)

On July 28, 2006, a putative shareholder class action, *Marjorie Fretwell v. Ryan s Restaurant Group, Inc. et. al.* Case No. 06-CP-23-4828, was filed against Ryan s and its directors in the Greenville County, South Carolina Circuit Court.

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The complaint alleges that each of the directors of Ryan s individually breached the fiduciary duties owing to the Ryan s shareholders by voting to approve the merger agreement and alleges that Ryan s aided and abetted such alleged breach of fiduciary duties. The complaint seeks, among other relief, the court s designation of class action status, a declaration that entry into the merger agreement was in breach of the defendants fiduciary duties and therefore was unlawful and unenforceable, and entry of an order enjoining the defendants from taking further action to consummate the proposed merger. Ryan s and its board of directors believe that the action is without merit and will vigorously defend it.

Market Price of Ryan s Common Stock (Page 41)

Our common stock is listed on the NASDAQ National Market (NASDAQ) under the trading symbol RYAN. On July 24, 2006, which was the last trading day before we made a public announcement about the merger, the closing price of Ryan s common stock was $11.22 per share. On September 1, 2006, which was the last trading day before this proxy statement was finalized, the closing price of Ryan s common stock was $15.78 per share.

Appraisal Rights (Page 29)

Under applicable provisions of South Carolina law, no dissenters or appraisal rights are available with respect to the merger because our common stock is designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers address briefly some questions you may have regarding the special meeting and the proposed merger. These questions and answers may not address all questions that may be important to you as a shareholder of Ryan s. Please refer to the more detailed information contained elsewhere in this proxy statement, as well as the additional documents to which it refers or which it incorporates by reference, including the merger agreement, a copy of which is attached to this proxy statement as **Exhibit A.**

Q: Why am I receiving this proxy statement?

A: You are receiving this proxy statement because you are being asked to vote to adopt the merger agreement and approve the merger and to consider the grant of discretionary authority to the proxy holders to vote for adjournment of the special meeting for the purpose of soliciting additional proxies if they are insufficient votes at the time of the meeting to approve the merger proposal.

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of Ryan s by Buffets under an agreement and plan of merger, dated July 24, 2006, by and among Buffets, Inc., Buffets Southeast, Inc., a wholly-owned subsidiary of Buffets and Ryan s. Once the merger has been approved by Ryan s shareholders and the other closing conditions under the merger agreement have been satisfied or waived, Merger Sub will merge with and into Ryan s. Ryan s will be the surviving corporation in the merger, but the shares of its common stock will not be publicly traded after the merger.

Q: What will I receive in the merger?

A: You will be entitled to receive $16.25 in cash, without interest, less any required withholding taxes, for each outstanding share of Ryan s common stock that you own as of the effective time of the merger.

Q: When do you expect to complete the merger?

A: We are working toward completing the merger as promptly as practicable. If our shareholders vote to adopt the merger agreement and approve the merger, and the other conditions to the merger are satisfied or waived, then we intend to complete the merger as soon as possible after the special meeting. The merger agreement provides that the closing will occur no later than the third business day after the other conditions to the closing of the merger are satisfied or waived. We expect to complete the merger in the fourth quarter of 2006.

Q: Will I have appraisal rights in connection with the merger?

A: No. Under applicable provisions of South Carolina law, no dissenters or appraisal rights are available in connection with the merger because our common stock is designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers.

Q: What vote of our shareholders is required to adopt the merger agreement?

A: Approval of the merger requires the affirmative vote of at least two-thirds of the shares of Ryan s common stock that are outstanding and entitled to vote at the special meeting. **Because the required vote is based on the**

number of shares of Ryan s common stock outstanding and not the number of votes cast, failure to vote your shares (including as a result of broker non-votes) and abstentions will have the same effect as voting against approval of the merger. We urge you to either complete, sign and return the enclosed proxy card or submit your proxy or voting instructions by telephone or Internet to assure the representation of your shares of Ryan s common stock at the special meeting.

Q: How does Ryan s board of directors recommend that I vote?

A: Our board of directors unanimously recommends that our shareholders vote **FOR** the adoption of the merger agreement and approval of the merger and **FOR** the granting of discretionary authority to the proxy holders to vote for adjournment of the special meeting for the purpose of soliciting additional proxies if there are insufficient votes to approve the merger proposal at the time of the special meeting. For a description of the factors considered by our board of directors, please see Reasons for the Merger and Recommendation of Our Board of Directors beginning on page 19.

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Q: What should I do now?

A: This proxy statement contains important information regarding the special meeting, the merger agreement and the merger, as well as information about Ryan s, Buffets and Merger Sub. It also contains important information about some of the factors our board of directors considered in approving the merger agreement and the merger. We urge you to carefully read this proxy statement, including its exhibits, and to consider how the merger affects you. You may also want to review the documents referenced in the section captioned Where You Can Find More Information beginning on page 43.

Q: If my Ryan s shares are held in street name by my broker, will my broker vote my shares for me if I do not give instructions?

A: If you hold your shares in street name through a broker or other nominee, your broker or nominee will not vote your shares unless you provide instructions on how to vote. You should instruct your broker or nominee how to vote your shares by following the directions your broker or nominee will provide to you. **If you do not provide instructions to your broker or nominee with respect to the merger proposal, your shares will not be voted and this will have the same effect as a vote against the proposal to adopt the merger agreement and approve the merger.** If a quorum is present, but you did not provide instructions to your broker or nominee with respect to the granting of discretionary authority with respect to adjournment, your shares will not be voted and this will have no effect on the outcome of the adjournment proposal.

Q: Can I change my vote?

A: Yes. You may change your vote at any time before the shares reflected on your proxy are voted at the special meeting. If you own your shares in your name, you can do this in one of three ways. First, you can send a written notice of revocation to our secretary at our principal executive offices. Second, you can either mark, sign, date and return a new proxy card or submit your proxy or voting instructions by telephone or Internet at a later date than your previously submitted proxy. Third, you can attend the meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker, dealer, trustee, bank or other nominee to vote your shares, you must follow the directions received from the broker, dealer, trustee, bank or other nominee to change your instructions.

Q: Should I send in my Ryan s stock certificates now?

A: No. You should not send in your Ryan s stock certificates now. After we complete the merger, the paying agent, American Stock Transfer & Trust Company, will send you a letter of transmittal describing how you may exchange your Ryan s stock certificates for the merger consideration. At that time, you must send in your share certificates or execute an appropriate instrument of transfer of your shares of Ryan s common stock, as applicable, with your completed letter of transmittal to the paying agent to receive the merger consideration. If you do not hold any physical share certificates, you must execute a properly completed letter of transmittal and arrange to electronically transfer your shares of Ryan s common stock.

Q: Have any shareholders already agreed to approve the merger?

A: No. There are no agreements between the Merger Sub or Buffets and any Ryan s shareholder in which that shareholder has agreed to vote in favor of adopting the merger agreement and approving the merger.

Q: What are the financial interests of Ryan s directors, officers and employees in the merger?

A: Our directors and executive officers also hold shares of Ryan s common stock and options to purchase shares of Ryan s common stock which will be converted in the same manner as other shareholders and option holders of Ryan s. For more information on the holdings of stock and options by directors and executive officers, see Security Ownership of Management and Certain Beneficial Owners , beginning on page 42. In addition, the merger agreement provides for certain indemnification arrangements for our current and former directors and officers, and our executive officers could be entitled to severance payments under certain circumstances if their employment with Ryan s or the surviving corporation ends at or following the merger. See Interests of Certain Persons in the Merger , beginning on page 27.

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Q: Will I owe taxes as a result of the merger?

A: The receipt of cash in exchange for shares of Ryan s common stock or options to purchase Ryan s common stock pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes. In general, you will recognize a capital gain or loss equal to the difference between the amount of merger consideration you receive for your shares and the adjusted tax basis of your shares. See Material U.S. Federal Income Tax Consequences , beginning on page 30. You should consult your tax advisor for a complete understanding of the specific tax consequences of the merger to you.

Q: What if I have additional questions?

A: If you have questions about the merger agreement, the special meeting or where to send your proxy, or if you would like additional copies of this proxy statement, you should contact the following: Secretary, Janet Gleitz, at (864) 879-1000.

Q: Where can I find more information about Ryan s?

A: We file certain information with the SEC under the Exchange Act. You may read and copy this information at the SEC s public reference facilities. You may call the SEC at 1-800-SEC-0330 for information about these facilities. This information is also available at the Internet site the SEC maintains at www.sec.gov and at our Investor Relations page on our corporate website at www.ryans.com. Information contained on our website is not part of, or incorporated in, this proxy statement. You can also request copies of these documents from us. See Where You Can Find More Information beginning on page 43.

Q: Who will solicit and pay the cost of soliciting proxies?

A: Ryan s board of directors is soliciting your proxy. Ryan s will bear the cost of soliciting proxies. In addition to solicitation by mail and, without additional compensation for these services, proxies may be solicited by telephone and facsimile, by mail, on the Internet or in person. We will pay approximately $7,500 to our proxy solicitor. We will also request that banking institutions, brokerage firms, custodians, directors, nominees, fiduciaries and other like parties forward the solicitation materials to the beneficial owners of shares of common stock held of record by such person, and we will, upon request of such record holders, reimburse reasonable forwarding charges and out-of-pocket expenses.

If you have further questions, you may contact W. F. Doring & Company by phone at (291) 823-4300 or by mail at 866-868 Broadway, Bayonne, New Jersey, 07002.

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THE SPECIAL MEETING OF RYAN S SHAREHOLDERS

The Proposal

This proxy statement is being furnished to our shareholders in connection with the solicitation of proxies by the Ryan s board of directors for use at a special meeting to be held at Ryan s executive offices, 405 Lancaster Avenue, Greer, South Carolina on October 5, 2006, at 10:00 a.m. local time. The purpose of the special meeting is for you to consider and vote upon a proposal to adopt the merger agreement, which provides for the merger of Merger Sub with and into Ryan s with the result that Ryan s will become a wholly-owned subsidiary of Buffets, to consider and vote upon a proposal to grant discretionary authority to the proxy holders to adjourn the special meeting for the purpose of soliciting additional proxies and to transact any other business that may properly come before the special meeting or any adjournment or postponement thereof. A copy of the merger agreement is attached as **Exhibit A** to this proxy statement.

Record Date; Stock Entitled to Vote; Quorum

The holders of record of our common stock as of the close of business on August 28, 2006, which is the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting.

On the record date, there were 42,377,109 shares of our common stock outstanding held by approximately 2,988 shareholders of record. The presence in person or by proxy of the holders entitled to cast a majority of the total votes of our common stock as of the record date will constitute a quorum for purposes of the special meeting. Each holder of our common stock is entitled to one vote per share of our common stock held. Both abstentions and broker non-votes will be counted as present for purposes of determining the existence of a quorum. In the event that a quorum is not present at the special meeting, we currently expect that we will adjourn or postpone the meeting to solicit additional proxies. Broker non-votes result when the beneficial owners of shares of common stock do not provide specific voting instructions to their brokers. Under the rules of The Nasdaq Stock Market, brokers are precluded from exercising their voting discretion with respect to the approval of non-routine matters.

Vote Required

Completion of the merger requires the approval of the merger by the affirmative vote of the holders of two-thirds of Ryan s common stock entitled to vote at the special meeting. Approval of the grant of discretionary authority to the proxy holders to vote for adjournment of the special meeting for the purpose of soliciting additional proxies will require the affirmative vote of holders of a majority of the shares voting on the issue at the special meeting.

Our board of directors recommends that you vote FOR the adoption of the merger agreement and the approval of the merger, FOR the proposal to grant discretionary authority to the proxy holders to vote for adjournment of the special meeting for the purpose of soliciting additional proxies if there are insufficient votes at the special meeting to approve the merger proposal and FOR the authorization of the proxies to vote on such other matters as may properly come before the special meeting or any adjournment or postponement thereof.

Each holder of shares of Ryan s common stock that was outstanding on the record date is entitled to one vote at the special meeting for each share held. **Because the required vote with respect to the merger is based on the number of shares of Ryan s common stock outstanding rather than on the number of votes cast, failure to vote your shares (including as a result of broker non-votes) and abstentions with respect to the merger proposal will have the same effect as voting *against* approval of the merger.** Accordingly, in order for your shares of common stock to

be included in the vote, if you are a shareholder of record, you must either have your shares voted by returning the enclosed proxy card or by following voting instructions by telephone or Internet, or you must vote in person at the special meeting.

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Proxies

Record holders may cause their shares of Ryan s common stock to be voted using one of the following methods:

mark, sign, date and return the enclosed proxy card by mail;

submit your proxy or voting instructions by telephone or Internet by following the instructions included with your proxy card; or

appear and vote in person by ballot at the special meeting.

Regardless of whether you plan to attend the special meeting, we request that you complete and return a proxy for your shares of Ryan s common stock as described above as promptly as possible.

If you hold your shares of Ryan s common stock through a bank, brokerage firm or nominee (*i.e.*, in street name), you must provide voting instructions in accordance with the instructions on the voting instruction card that your bank, brokerage firm or nominee provides to you. You should instruct your bank, brokerage firm or nominee as to how to vote your shares, following the directions contained in such voting instruction card. If you have not received such voting instructions or require further information regarding such voting instructions, contact your broker, who can give you directions on how to vote your shares of Ryan s common stock.

As of the record date, our executive officers and directors beneficially owned an aggregate of approximately 1,348,248 shares of Ryan s common stock (in the form of 154,287 shares and stock options with respect to an additional 1,193,961 shares), representing 3.1% of the total beneficial ownership of Ryan s common stock and entitling them to exercise approximately 0.4% of the voting power of Ryan s common stock entitled to vote at the special meeting.

Shareholders who have questions or requests for assistance in completing and submitting proxy cards should contact our Secretary, Janet Gleitz, at (864) 879-1000.

Revocation

If you submit a proxy, your shares will be voted at the special meeting as you indicate on your proxy. If no instructions are indicated on your signed proxy card, your shares of Ryan s common stock will be voted **FOR** the approval of the merger, **FOR** the proposal to grant discretionary authority to the proxy holders to vote for adjournment of the special meeting for the purpose of soliciting additional proxies if there are insufficient votes at the special meeting to approve the merger proposal and **FOR** the authorization of the proxies to vote on such other matters as may properly come before the special meeting or any adjournment or postponement thereof.

You may revoke your proxy at any time, but only before the proxy is voted at the special meeting, in any of three ways:

by delivering a written revocation dated after the date of the proxy that the proxy is being revoked to the Secretary of Ryan s at 405 Lancaster Avenue, Post Office Box 100, Greer, South Carolina, 29652;

by delivering to the Secretary of Ryan s a later-dated, duly executed proxy or by submitting your proxy or voting instructions by telephone or Internet at a date after the date of the previously submitted proxy relating to the

same shares; or

by attending the special meeting and voting in person by ballot.

Attendance at the special meeting will not, in itself, constitute revocation of a previously granted proxy. If you hold your shares of Ryan s common stock in street name, you may revoke or change a previously given proxy by following the instructions provided by the bank, brokerage firm, nominee or other party that is the registered owner of the shares.

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Solicitation of Proxies

Ryan s will pay the costs of soliciting proxies for the special meeting. In addition, our officers and directors and employees may solicit proxies by telephone, e-mail, telegram or personal interview for no additional compensation. We will also request that individuals and entities holding shares in their names, or in the names of their nominees, that are beneficially owned by others, send proxy materials to and obtain proxies from those beneficial owners, and will reimburse those holders for their reasonable expenses in performing those services. We have engaged W. F. Doring & Company to solicit proxies and distribute materials to brokerage houses, banks, custodians, nominees and fiduciaries for a fee of approximately $7,500. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding solicitation materials to shareholders.

Adjournments and Postponements

Although we do not expect to do so, if we have not received sufficient proxies to constitute a quorum or sufficient votes for approval of the merger at the special meeting of shareholders, the special meeting may be adjourned for the purpose of soliciting additional proxies. Any signed proxies received by us will be voted in favor of an adjournment in these circumstances. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow shareholders who have already sent in their proxies to revoke them at any time prior to their use.

Other Business

As of the date of this proxy statement, we are not aware of any business other than the proposed merger that may be presented for consideration at the special meeting. If any other business properly comes before the meeting, the shares represented by proxies will be voted in the discretion of, and according to the best judgment of, the proxy holders.

HOUSEHOLDING OF PROXY MATERIALS

Some banks, brokerages and other nominee record holders may be participating in the practice of householding proxy statements. This means that only one copy of this proxy statement may have been sent to multiple shareholders in your household. Ryan s will promptly deliver a separate copy of this proxy statement to you if you call or write Ryan s at the following address or telephone number: Ryan s Restaurant Group, Inc., 405 Lancaster Avenue, Post Office Box 100, Greer, South Carolina, 29652, telephone 864-879-1000, Attention: Janet J. Gleitz. If you want to receive separate copies of Ryan s proxy statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or you may contact Ryan s at the above address and telephone number.

FORWARD-LOOKING STATEMENTS

This document contains statements, which to the extent they are not statements of historical or present fact, constitute forward looking statements. These forward-looking statements are identified by their use of terms and phrases such as anticipate, believe, could, estimate, expect, intend, may, plan, predict, project, will and similar may also include references to assumptions. We or our representatives may also make similar forward-looking statements from time to time orally or in writing. Such statements are based upon our current beliefs and expectations and are subject to significant risks and uncertainties. There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including:

- we may be unable to obtain Ryan s shareholder approval required to consummate the merger;

conditions to the closing may not be satisfied or the merger agreement may be terminated prior to closing;

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failure to obtain regulatory approvals of the merger or otherwise to complete the merger, or any potential adverse conditions to receiving regulatory approvals;

changes in the restaurant operation business;

changes in government regulation, including, but not limited to, environmental, tax laws, and economic policy;

legal actions; and

acts of war or terrorism.

Additional factors that may affect future results are contained in Ryan s filings with the SEC, including Ryan s Annual Report on Form 10-K for the year ended December 28, 2005, which are available at the SEC s Web site www.sec.gov. The information set forth herein speaks only as of the date hereof, and any intention or obligation to update any forward-looking statements as a result of developments occurring after the date hereof is hereby disclaimed except to the extent required by law.

THE PARTIES TO THE MERGER

Ryan s Restaurant Group, Inc.

Ryan s is a South Carolina corporation that owns and operates a chain of restaurants located principally in the southern and midwestern United States. As of September 1, 2006, Ryan s operated 261 Ryan® brand restaurants and 72 Fire Mountain® brand restaurants.

Buffets, Inc.

Buffets is a Minnesota corporation that currently operates 337 restaurants in 33 states comprised of 328 buffet restaurants and nine Tahoe Joe s Famous Steakhouse® restaurants. The buffet restaurants are principally operated under the Old Country Buffet® or HomeTown Buffet® brands. Buffets also franchises 18 buffet restaurants in seven states.

Buffets Southeast, Inc.

Merger Sub is a South Carolina corporation and was organized solely for the purpose of effecting the proposed transaction. Merger Sub has not conducted any activities to date other than activities incidental to its formation and in connection with the proposed transaction. Merger Sub is wholly-owned by Buffets. If the transaction is consummated, Merger Sub would cease to exist after it merges with Ryan s.

THE MERGER

This discussion of the merger is qualified by reference to the merger agreement, which is attached to this proxy statement as Exhibit A. You should read the entire merger agreement carefully as it is the legal document that governs the merger.

Background of the Merger

On December 8, 2005, a representative of an entity with which Ryan s had no prior relationship contacted Ryan s Chief Executive Officer, Charles D. Way, to discuss the interest it and another entity (collectively, Company A) had in Ryan s. On December 12, 2005, Company A sent a letter to Mr. Way suggesting a meeting between representatives of Company A and members of Ryan s executive management team.

On December 21, 2005, members of Ryan s executive management met with representatives of Company A and discussed Company A s interest in Ryan s.

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On December 27, 2005, Ryan s received an unsolicited letter from Company A expressing an interest in a possible acquisition of all of the outstanding shares of Ryan s common stock for a proposed purchase price between $14.50 and $15.00 per share. A copy of this letter was sent to all Ryan s board members and a special board meeting was called for January 4, 2006.

On January 4, 2006, Ryan s board of directors held a special meeting to discuss Company A s letter and whether the sale of Ryan s should be pursued. Ryan s board of directors also discussed the process by which it should evaluate Company A s letter or otherwise pursue the sale of Ryan s, if Ryan s board of directors determined to do so. In order to avoid any potential conflicts of interest which might arise, Ryan s board of directors appointed a special committee of the board consisting of independent directors Barry L. Edwards, Harold K. Roberts, Jr., and Brian S. MacKenzie, with Mr. Edwards serving as chairman. Ryan s board of directors authorized the special committee to (i) consider Company A s letter and any other proposals or alternatives that may be received or sought by the special committee from any other party; (ii) conduct or supervise the conduct of any negotiations with respect to Company A s letter and any such proposals; (iii) review, evaluate and make a determination with respect to Company A s letter or any other proposal; and (iv) make a recommendation to Ryan s board of directors with respect to Company A s letter or any proposed transaction or alternative considered by the special committee. Ryan s board of directors also authorized the special committee to engage advisers, including legal counsel and financial advisers, to assist the special committee in fulfilling its duties.

The special committee retained Rogers & Hardin LLP (Rogers & Hardin) as legal counsel to the special committee.

On January 9, 2006, the special committee held a telephonic meeting in which Rogers & Hardin participated. The special committee summarized for Rogers & Hardin the events to date with regard to Company A s letter. Rogers & Hardin discussed with the special committee the fiduciary duties of directors with respect to a transaction of the type contemplated by Company A s letter and the role of the special committee. The special committee also discussed engaging Brookwood Associates, LLC (Brookwood) as the financial advisor to the special committee.

On January 11, 2006, Company A delivered to Mr. Edwards a request for due diligence and requested that Company A and Ryan s enter into a confidentiality agreement. On January 18, 2006, the special committee, through its representatives provided a form confidentiality agreement to Company A.

On January 13, 2006, the special committee met telephonically with Rogers & Hardin and Brookwood present. Brookwood discussed with the special committee the due diligence process generally, including the due diligence review Brookwood would need to conduct in order to provide an independent valuation of Ryan s. The special committee agreed to make available information which Brookwood requested in order to prepare a preliminary assessment of Ryan s value. Brookwood and Rogers & Hardin further discussed the negotiation and sale process, including the possibility of having Brookwood contact other potential interested parties. Immediately following this meeting, the special committee and Rogers & Hardin met telephonically to discuss the terms of Brookwood s proposed engagement.

From January 13, 2006 through January 24, 2006, the special committee, with the assistance of Rogers & Hardin, negotiated and finalized the terms of Brookwood s engagement as the financial advisor to the special committee, and the special committee and Brookwood executed an engagement agreement dated January 27, 2006.

On January 30, 2006, Ryan s board of directors held a regularly scheduled board meeting at which the special committee reported to Ryan s full board of directors with respect to the special committee s progress. Rogers & Hardin and Brookwood joined this portion of the meeting telephonically.

From January 24, 2006 through February 9, 2006, Brookwood conducted a due diligence investigation of Ryan s, including in-person due diligence meetings at Ryan s corporate headquarters between representatives of Brookwood and Ryan s executive management team.

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On February 1, 2006, following the negotiation of the terms, a confidentiality agreement was executed by Ryan s and Company A.

On February 10, 2006, the special committee held a telephonic meeting at which Brookwood reviewed with the special committee Brookwood s preliminary financial analysis of Ryan s equity value based upon various methodologies, including comparable selected public companies, selected merger and acquisitions, discounted cash flows and premiums paid in selected transactions. The special committee determined that the purchase price proposed by Company A was not adequate and instructed Brookwood to inform Company A of such determination.

Brookwood informed the special committee that it had considered various parties that had sufficient resources and relevant transaction experience to enter into a transaction with Ryan s and that it had identified seven parties, other than Company A, that Brookwood believed would be most likely to have an interest in acquiring Ryan s, taking into account the nature and value of Ryan s assets and business and the parties experience in the restaurant industry. The special committee agreed to have Brookwood solicit indications of interest from these potentially interested parties on a confidential basis.

On February 13, 2006, Brookwood informed Company A that the special committee had determined that Company A s proposed purchase price was too low.

During the end of February 2006, materials to be distributed to the previously identified parties were prepared, including a form confidentiality agreement, summary information regarding Ryan s and a letter inviting the submission of non-binding indications of interest.

In early March, Brookwood contacted the previously identified parties on a confidential basis to determine if they were interested in receiving information. By March 17, 2006, six of the parties which had been contacted by Brookwood had entered into confidentiality agreements with Ryan s and had received summary information and a letter inviting such buyers to submit non-binding indications of interest. Thereafter, during the remainder of March and early April, four of the six parties which had executed confidentiality agreements had various discussions with Brookwood and members of Ryan s management concerning due diligence and other related matters to permit such parties to determine a price range in which they would have an interest in acquiring Ryan s. The other two parties determined, after review of the summary information, that they were not interested in continuing the process.

On March 9, 2006, the special committee received a letter from Company A which reaffirmed Company A s proposal to purchase Ryan s common stock for a purchase price of $14.50 per share, subject to Company A s satisfactory completion of due diligence. Company A requested that Ryan s execute an exclusivity agreement providing for a 45-day exclusivity period, the payment by Ryan s of a $250,000 fee and Ryan s agreement to reimburse Company A for its due diligence expenses up to an additional $750,000.

During March 2006, Mr. Edwards and Brookwood had several discussions with Company A regarding its March 9th letter, including reasons why Company A s proposed purchase price should be increased.

On March 14, 2006, the special committee held a telephonic meeting at which Brookwood and Rogers & Hardin were present. Mr. Edwards updated the special committee with respect to his conversations with Company A, and the special committee discussed Company A s March 9th letter and strategies for negotiating a higher purchase price from Company A. The special committee also discussed Company A s request for exclusivity and for fees and expense reimbursement and agreed that Ryan s should not enter into an exclusivity agreement at that time. Brookwood updated the special committee regarding Brookwood s progress with respect to contacting the previously identified parties. The special committee instructed Brookwood to attempt to obtain indications of interest with price ranges from such parties.

Following the special committee meeting on March 14, 2006, Mr. Edwards had a further conversation with Company A and was informed that, while Company A might increase the range of its proposed purchase price, Company A ultimately would not likely be willing to pay more than $15.00 per share.

At a telephonic meeting of the special committee held on March 16, 2006, at which Brookwood and Rogers & Hardin were present, Mr. Edwards updated the special committee regarding his conversations with

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Company A. Brookwood also updated the special committee regarding the status of Brookwood s efforts to obtain indications of interest from the other previously identified parties, and the special committee instructed Brookwood to continue those efforts.

On March 21, 2006, Caxton-Iseman Capital, Inc., a New York-based private equity firm, began its initial due diligence related to Ryan s business. Buffets is owned by an investment partnership organized by Caxton-Iseman Capital, Inc. and the senior management of Buffets. We refer to Caxton-Iseman Capital, Inc. and Buffets collectively in this proxy statement, as Caxton-Iseman .

In response to the invitation letter, on April 4, 2006, an entity which had no prior relationship to Ryan s, referred herein as Company B , submitted to the special committee an initial indication of interest to acquire all of the outstanding shares of Ryan s common stock for a proposed purchase price between $13.00 and $15.50 per share. Brookwood advised Company B that its proposed price range was too wide.

On April 3, 2006 and April 4, 2006, Mr. Edwards and Brookwood continued discussions with Company A and its representatives regarding its proposal, including advising Company A that the special committee believed its proposed purchase price to be too low, and informed Company A that the special committee was having discussions with other interested buyers.

The special committee held a telephonic meeting on April 5, 2006, at which Brookwood and Rogers & Hardin were present. At the meeting, Brookwood reported that of the six parties who had executed confidentiality agreements (other than Company A), two were not interested in pursuing a transaction; two expressed a general interest in a transaction, but did not submit indications of interest because they did not believe that the value of Ryan s supported a price that would represent a material premium to market; the fifth, Company B, provided an indication of interest between $13.00 and $15.50; and Brookwood expected to receive shortly a written indication of interest from the sixth, Caxton-Iseman. The special committee discussed the proposal from Company B and the continuing discussions with Company A, including the risks that Company B may not be willing to pay at least $15.00 per share and that Company A might decrease its proposed purchase price after completing due diligence.

In response to the invitation letter, on April 7, 2006, Caxton-Iseman submitted to the special committee an initial indication of interest to acquire all of the outstanding shares of Ryan s common stock for a proposed purchase price between $15.25 to $16.00 per share.

At a meeting of Ryan s board of directors held on April 10, 2006 at which Brookwood was present by telephone, Brookwood updated Ryan s board of directors regarding the results of Brookwood s solicitation of indications of interest from the previously identified parties. Brookwood reported that, based on the indications of interest received by the special committee, Brookwood, under the direction of the special committee, was continuing the process with Company A and the two other parties which submitted indications of interest. Brookwood suggested that each of the three parties be invited to Ryan s corporate offices for further discussion.

Between April 24, 2006 and May 10, 2006, Company A, Company B and Caxton-Iseman participated in meetings with Ryan s executive management, conducted site visits of Ryan s restaurants and corporate offices, and were given access to additional due diligence materials. In addition, during April and May 2006, Brookwood and Ryan s had numerous conversations with representatives of Company A, Company B and Caxton-Iseman with respect to such parties due diligence review of Ryan s.

Brookwood, at the request of the special committee, instructed Company A, Company B and Caxton-Iseman to submit to the special committee their highest and final indication of interest no later than May 26, 2006.

On May 5, 2006, the last remaining party originally contacted by Brookwood executed a confidentiality agreement, was provided with the summary information, was asked to provide an indication of interest with a price range and was advised of the May 26 deadline. This company did not provide Brookwood with a price range or indication of interest.

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On May 17, 2006, Company A sent a letter to the special committee increasing Company A s proposed purchase price to $15.10 per share.

Between May 17, 2006 and May 30, 2006, Mr. Edwards and Brookwood had several conversations with Company A and its financial adviser indicating that $15.10 per share was too low and that the fees and reimbursement of expenses requested by Company A were too high.

On May 30, 2006, Company A sent another letter to the special committee increasing Company A s proposed purchase price to $15.25 per share, conditioned upon Ryan s agreeing to a 45-day exclusivity period during which Company A would conduct confirmatory due diligence and negotiate the terms of an acquisition agreement and upon Ryan s agreeing to reimburse Company A for one-half of its costs and expenses up to $500,000 if no acquisition agreement was entered into.

On the morning of June 1, 2006, the special committee had a telephonic meeting with Brookwood and Rogers & Hardin to discuss the proposals from Company A, Company B and Caxton-Iseman. Brookwood informed the special committee that, based on recent discussions with Company B and Caxton-Iseman, Brookwood expected that Company B would be increasing its proposed purchase price to $15.25 per share and that Caxton-Iseman had orally proposed a purchase price of $15.25 per share (both of which would be subject to completion of confirmatory due diligence, negotiation of a definitive acquisition agreement and entering into an exclusivity period). The special committee discussed the advantages and disadvantages of each proposal, including the due diligence conducted by each party, the risks that any particular bidder would reduce its proposed purchase price, the risks associated with the financing needs of each bidder to consummate the proposed transaction and the impact of the respective proposals on Ryan s employees and operations and the related risks to Ryan s if the transaction failed to close (including the potential loss of employees).

On the afternoon of June 1, 2006, Company B submitted to the special committee a draft letter of intent in which Company B increased its proposed purchase price to $15.25 per share. The draft letter of intent included a 45-day exclusivity period for Company B to complete confirmatory due diligence and negotiate the terms of an acquisition agreement. Mr. Edwards, Brookwood and representatives of Company B had discussions regarding Company B s proposal. Company B also had discussions with Mr. Way with regard to Company B s proposal.

On June 2, 2006, Ryan s board of directors held a telephonic meeting with Brookwood present. Mr. Edwards updated Ryan s full board of directors with respect to the status of the negotiations and, based upon the advantages and disadvantages of each proposal as previously discussed by the special committee on June 1, 2006, the special committee determined that Company A s proposal was the most favorable and unanimously recommended that Ryan s enter into an exclusivity agreement with Company A.

Following this meeting, Brookwood informed Company B and Caxton-Iseman that the special committee had determined to enter into exclusive discussions with another party regarding the acquisition of Ryan s. Later on June 2, 2006, Brookwood had further discussions with Caxton-Iseman in which Caxton-Iseman indicated that it might be willing to increase its purchase price.

On the evening of June 2, 2006, Caxton-Iseman contacted Brookwood and increased its proposed purchase price from $15.25 to $16.75 per share. Caxton-Iseman also sent a letter to the special committee reflecting the $16.75 per share purchase price, subject to confirmatory due diligence, and indicating that Caxton-Iseman would provide to Ryan s upon request financing commitments from Caxton-Iseman s lenders. Caxton-Iseman indicated that it was only prepared to move forward on this basis if Ryan s and Caxton-Iseman entered into an exclusivity agreement.

Later that evening, the special committee had a telephonic meeting with Brookwood and Rogers & Hardin present and discussed the increased proposal by Caxton-Iseman and the terms of their exclusivity agreement. The special committee determined that Caxton-Iseman s revised proposal was more favorable than the other proposals and further determined to enter into a 45-day exclusivity period with Caxton-Iseman, subject to Caxton-Iseman s agreement to provide financing commitments from Caxton-Iseman s lenders by June 13, 2006.

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On June 3, 2006, Rogers & Hardin negotiated and finalized with Caxton-Iseman s legal counsel, Paul, Weiss, Rifkind, Wharton & Garrison LLP (Paul Weiss) the terms of an exclusivity agreement, which was executed by Ryan s and Caxton-Iseman on such date. The exclusivity agreement provided, among other things, for a 45-day exclusivity period which would terminate if Caxton-Iseman did not deliver to Ryan s by June 13, 2006 a financing commitment from Credit Suisse or another financial institution reasonably acceptable to Ryan s on terms customary for transactions similar to the proposed merger.

On June 5, 2006, Caxton-Iseman commenced its confirmatory due diligence related to Ryan s business.

On June 7, 2006, Company B sent an unsigned letter to Brookwood indicating that it was having discussions on a no-name basis with a competitor of Ryan s and that it believed that it could increase its purchase price range to between $16 and $17, assuming that it reached an agreement with the competitor. After discussing the letter with Mr. Edwards, Brookwood advised Company B that its unsigned letter was too contingent and uncertain and that Ryan s had entered into an exclusivity agreement with another party.

On June 13, 2006, Caxton-Iseman provided Brookwood with draft financing commitment letters from Credit Suisse and Drawbridge Special Opportunities Fund LP.

On July 7, 2006, Paul Weiss circulated to the special committee an initial draft of the merger agreement. The initial draft did not permit Ryan s to terminate the merger agreement upon expiration or termination of Caxton-Iseman s financing commitments and, upon termination of the merger agreement following certain events, required Ryan s to pay Buffets a termination fee of $25,000,000 and to reimburse Buffets for all documented out-of-pocket expenses incurred by Buffets in connection with the transactions contemplated by the merger agreement, provided the aggregate fee and expenses payable by Ryan s would not exceed $30,000,000. Further, the initial draft did not require Buffets to pay a termination fee to Ryan s in any circumstance.

The special committee met telephonically on July 13, 2006 with Brookwood and Rogers & Hardin present to discuss the principal terms of the merger agreement and to identify the issues raised by the merger agreement. At the meeting, the special committee also discussed the anticipated timeline for the execution of the merger agreement and the pending expiration of the exclusivity agreement and considered the possibility that Caxton-Iseman might request to extend the exclusivity period. Based on these discussions and instructions provided by the special committee, Rogers & Hardin sent a revised merger agreement reflecting the comments of the special committee and Ryan s to Paul Weiss. The revised merger agreement, among other things, proposed to reduce the termination fee payable by Ryan s, reduce the aggregate fee and expenses to be paid by Ryan s and provide Ryan s with the right to terminate the merger agreement if Caxton-Iseman s financing commitments expire or terminate. In addition, the revised merger agreement proposed a termination fee payable by Buffets to Ryan s upon termination of the merger agreement by Ryan s following the occurrence of certain events and reduced the number of conditions to Buffets obligation to close the transaction.

From July 14, 2006 through July 24, 2006, Rogers & Hardin and Paul Weiss engaged in negotiations regarding the merger agreement, including negotiations concerning the termination fees payable by Ryan s and Buffets, expenses payable by Ryan s and closing and termination provisions. During the same time period, Rogers & Hardin conferred with Mr. Edwards regarding each revised draft of the merger agreement circulated by Paul Weiss and discussed with Mr. Edwards the issues raised by such drafts.

On or about July 17, 2006, Caxton-Iseman, through legal counsel, requested that the exclusivity period be extended in order to provide sufficient time to complete due diligence related to Ryan s business, negotiate the remaining terms and conditions of the merger agreement and obtain final financing commitment letters from Caxton-Iseman s lenders.

On July 18, 2006, Caxton-Iseman s financial advisers discussed with Brookwood Caxton-Iseman s concerns regarding Ryan s declining store sales, anticipated expenses and defense or settlement costs with respect to certain wage and hour lawsuits filed against Ryan s, increased financing costs to Caxton-Iseman in connection with the proposed merger and the impact that general economic conditions may have on Ryan s business.

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On July 18, 2006, Brookwood and Rogers & Hardin discussed with Mr. Edwards the unresolved issues in the merger agreement, Caxton-Iseman s concerns regarding Ryan s performance and the increased financing costs and Caxton-Iseman s request to extend the exclusivity period. After conferring with the other members of the special committee, Mr. Edwards informed Brookwood and Rogers & Hardin that the special committee had agreed to extend the exclusivity period through July 24, 2006.

On July 18, 2006, Ryan s and Caxton-Iseman amended the exclusivity agreement to extend the exclusivity period through and including July 24, 2006.

On July 20, 2006, Brookwood and Rogers & Hardin discussed with Mr. Edwards the remaining unresolved issues in the merger agreement, the status of the negotiations and the possibility that Caxton-Iseman might reduce its proposed purchase price in response to the concerns previously expressed by Caxton-Iseman.

On July 21, 2006, Caxton-Iseman notified Brookwood that, as a result of concerns previously raised with Brookwood on July 18, 2006, Caxton-Iseman was reducing its proposed purchase price from $16.75 to $16.25 per share.

On July 23, 2006, Mr. Edwards discussed with Brookwood and Rogers & Hardin the recent revisions to the merger agreement, including how certain issues in the merger agreement had been addressed, and the reduction in Caxton-Iseman s proposed purchase price.

On July 24, 2006, the special committee held a telephonic meeting at which Brookwood and Rogers & Hardin were present. Prior to the meeting, each member of the special committee had received a draft of the most recent version of the proposed merger agreement, a copy of discussion materials prepared by Brookwood and other related materials. Rogers & Hardin reviewed with the special committee the material legal points in the proposed merger agreement, including how certain issues in the merger agreement had been addressed. Rogers & Hardin also reviewed with the special committee the directors fiduciary duties in connection with the proposed transaction. Brookwood then reviewed with the special committee Brookwood s financial analysis of the merger consideration and rendered to the special committee an oral opinion, which was confirmed by delivery of a written opinion later that day, to the effect that, as of the date of its opinion and based on and subject to the matters described in the opinion, the $16.25 per share merger consideration to be paid to Ryan s shareholders was fair, from a financial point of view, to the Ryan s shareholders.

After an extensive discussion in which the special committee, together with Brookwood and Rogers & Hardin, discussed, among other things, the potential risks and benefits of the merger transaction, the reduction in the maximum aggregate amount of the termination fee and expenses payable by Ryan s from $30,000,000 to $25,000,000, the size of the proposed termination fee as compared to similar transactions, the requirement that Buffets pay a termination fee of $7,500,000 to Ryan s in certain circumstances, the possibility of Ryan s terminating the merger agreement for a superior proposal subject to the termination fee, the possibility of Ryan s terminating the merger agreement if Buffets financing commitments expire or terminate and replacement financing reasonably acceptable to Ryan s is not obtained within 30 days, and the closing conditions to the merger, the special committee unanimously approved a motion recommending that Ryan s full board of directors approve and adopt the merger agreement and approve the merger.

Following the meeting of the special committee, Ryan s full board of directors also met telephonically to review the recommendation of the special committee and the proposed sale of Ryan s to Caxton-Iseman. Brookwood reviewed with Ryan s board of directors its financial analysis of the merger consideration as presented to the special committee earlier in the day. Ryan s board of directors was also informed by Mr. Edwards of the special committee s recommendation and that Brookwood had rendered an oral opinion to the special committee, which would be confirmed by the delivery of a written opinion later that day, that based upon and subject to the various qualifications

and assumptions described therein, the consideration of $16.25 per share to be received by Ryan s shareholders in the merger is fair from a financial point of view to Ryan s shareholders.

Ryan s board of directors then discussed the proposed transaction, the opinion of Brookwood and the recommendation of the special committee. Ryan s board of directors unanimously determined that the merger

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and the merger agreement are advisable, fair to and in the best interest of the Ryan s shareholders, approved the merger and the merger agreement, and resolved to recommend that Ryan s shareholders adopt the merger agreement and approve the merger.

Later on the night of July 24, 2006, the merger agreement was executed by Ryan s, Buffets and Merger Sub.

On July 25, 2006, prior to the opening of the trading markets, Ryan s issued a press release announcing the execution of the merger agreement with Buffets. Later that day, Ryan s filed a Current Report on Form 8-K with the SEC reporting the execution of the merger agreement and related matters. The press release, the Merger Agreement and the amendment to Ryan s Shareholder Rights Agreement were filed as exhibits to the Current Report on Form 8-K.

Reasons for the Merger and Recommendation of Our Board of Directors

The special committee unanimously recommended that Ryan s full board of directors approve and adopt the merger agreement and approve the merger.

Based, in part, on the unanimous recommendation of the special committee, the board of directors of Ryan s determined that the merger and the merger agreement are advisable and are fair to, and in the best interest of, Ryan s and its shareholders and that the consideration to be paid for each share of Ryan s common stock in connection with the merger is fair to Ryan s shareholders. Ryan s board of directors recommends that Ryan s shareholders vote to approve and adopt the merger agreement and the transactions contemplated thereby.

In making these determinations, the special committee and the board of directors consulted with legal and financial advisors and with management and considered a number of factors and potential benefits of the merger, including those discussed below:

- the value of the consideration to be received by Ryan s shareholders pursuant to the merger agreement, as well as the fact that Ryan s shareholders will receive the consideration in cash, which provides liquidity and certainty of value to Ryan s shareholders;

- the risks and uncertainties associated with continuing to operate on a stand-alone basis, including the uncertainty regarding future operating results and value after considering Ryan s current and historical financial performance and condition, operations, management and competitive position, and current industry, economic and market conditions;

- the current and historical market prices of Ryan s common stock, including the fact that the merger consideration of $16.25 per share represents a 45% premium over the closing stock price of $11.22 on the last trading day prior to Ryan s public announcement on July 25, 2006 that it had executed a merger agreement with Buffets;

- the fact that, of the potentially interested parties identified by the special committee and its financial advisor prior to entering into the merger agreement who conducted due diligence and made proposals, Buffets proposed purchase price was the highest, as described under Background of the Merger;

- the fact that $16.25 per share represented an increase from Buffets original proposed price of $15.25 per share and is greater than the proposed purchase price of Company A and Company B, as described under Background of the Merger;

- the level of certainty that Buffets would have sufficient cash to complete the merger based on the financing commitment letters provided by Drawbridge Special Opportunity Fund, LLC and Credit Suisse Securities

(USA) LLC and UBS Securities, LLC with respect to the financing of the merger;

the fact that, under certain circumstances described under The Merger Agreement Termination Fees, Buffets may be required to pay a termination fee of $7.5 million if Buffets exercises its right not to complete the merger based on the failure to complete its financings on terms no less favorable to Buffets than those terms set forth in the commitment letters;

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the presentation of Brookwood (including the assumptions and methodologies underlying the analyses in connection therewith) and the opinion, dated July 24, 2006, of Brookwood as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be paid to the holders of Ryan s common stock, as more fully described below under Opinion of the Special Committee s Financial Advisor;

the ability of Ryan s, under the terms of the merger agreement, to terminate the merger agreement if Ryan s board of directors determines in good faith that any unsolicited proposal constitutes a superior proposal, and authorizes Ryan s to enter into a definitive agreement with respect to such superior proposal, subject to payment to Buffets of a termination fee and expenses not to exceed $25 million in the aggregate, in accordance with the terms of the merger agreement;

the belief of the special committee, after consultation with its legal and financial advisors, that the termination fee was within the range of termination fees observed in similar transactions; and

the other terms and conditions of the merger agreement and the fact that the merger agreement was the product of arms -length negotiations between representatives of Buffets and representatives of the special committee.

The special committee and Ryan s board of directors also considered and balanced against the foregoing factors a number of risks and other countervailing factors concerning the merger, including those described below:

the risk that the merger might not be completed in a timely manner or at all as a result of the failure of any of the closing conditions to be satisfied or waived, including as a result of the failure of Buffets to complete its financings as described below;

the fact that completion of the financings contemplated by the commitment letters issued to Buffets, or alternate financing on terms and conditions no less favorable to Buffets, is a condition to Buffets obligation to complete the merger;

the risks to Ryan s if the merger does not close as a result of the diversion of management, employees and resources from other opportunities and from operational matters, the potential loss of employees and the effect on business and employee relationships;

the fact that following the merger, Ryan s shareholders will not participate in any future earnings or growth of the business; and

the restrictions in the merger agreement on Ryan s ability to solicit or engage in negotiations with other third parties regarding other proposals with regard to specified transactions and the requirement that Ryan s pay Buffets a $25 million termination fee if Ryan s board of directors terminates the merger agreement as the result of a superior proposal.

After considering these factors, the special committee and Ryan s board of directors determined that the positive factors relating to the merger outweighed the risks and countervailing factors.

The foregoing discussion of the factors considered by the special committee and the board of directors is not intended to be exhaustive, but rather includes the material factors considered by the special committee and the board of directors. The special committee and the board of directors did not assign relative weights to the above factors or the other factors considered by them. In addition, the special committee and the board of directors did not reach any specific conclusion on each factor considered, but, with the assistance of their advisors, conducted an overall analysis

of these factors. Individual members of the special committee and the board of directors may have given different weights to different factors.

Ryan s board of directors has unanimously determined that the merger is fair to and in the best interests of Ryan s shareholders and has approved the merger. Ryan s board of directors unanimously recommends that Ryan s shareholders vote FOR the approval of the merger agreement and the merger.

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Fairness Opinion of Brookwood Associates

The special committee retained Brookwood to act as its financial advisor and, if requested, to render to the special committee an opinion as to the fairness, from a financial point of view, of the merger consideration to be received by Ryan s shareholders pursuant to the merger agreement, other than Buffets, Merger Sub and their respective subsidiaries.

On July 24, 2006, the special committee met to review the proposed merger. During this meeting, Brookwood reviewed with the special committee certain financial analyses, which are summarized below. Also at this meeting, Brookwood delivered its oral opinion, which was subsequently confirmed in writing, to the effect that, as of July 24, 2006, and based upon and subject to the factors, assumptions and limitations set forth in its opinion, the $16.25 per share cash merger consideration proposed to be paid by affiliates of Buffets pursuant to the merger agreement was fair, from a financial point of view, to Ryan s shareholders, other than Buffets, Merger Sub and their respective subsidiaries.

The full text of the opinion, dated July 24, 2006, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Brookwood, is attached to this proxy statement as *Exhibit B* and is incorporated in its entirety herein by reference. You are urged to carefully read the opinion in its entirety. The opinion addresses only the fairness, from a financial point of view as of the date of the opinion, of the merger consideration to Ryan s shareholders, other than Buffets, Merger Sub and their respective subsidiaries. It does not address any other terms or agreements related to the merger. The opinion does not address, the basic business decision to proceed with or effect the merger, or the merits of the merger relative to any alternative transaction or business strategy that may be available to Ryan s. The opinion was addressed to the special committee and was not intended to be, and does not constitute, a recommendation as to how any shareholder should vote or act on any matter relating to the proposed merger. The summary of Brookwood s opinion in this proxy statement is qualified in its entirety by reference to the full text of the opinion.

In arriving at its opinion, Brookwood, among other things, reviewed:

- the financial terms of the July 24, 2006 draft of the merger agreement;
- certain publicly available financial, business and operating information related to Ryan s;
- certain internal financial, operating and other data with respect to Ryan s prepared and furnished to Brookwood by the management of Ryan s;
- certain internal financial projections for Ryan s that were prepared for financial planning purposes and furnished to Brookwood by the management of Ryan s;
- certain publicly available market and securities data of Ryan s;
- certain financial data and the imputed prices and trading activity of certain other publicly-traded companies that Brookwood deemed relevant for purposes of its opinion;
- the financial terms, to the extent publicly available, of certain merger transactions that Brookwood deemed relevant for purposes of its opinion; and

other information, financial studies, analyses and investigations and other factors that Brookwood deemed relevant for purposes of its opinion.

In addition, Brookwood performed a discounted cash flow analysis for Ryan s on a stand-alone basis. Brookwood also conducted discussions with members of the senior management of Ryan s concerning the financial condition, historical and current operating results, business and prospects for Ryan s. The analyses performed by Brookwood in connection with this opinion were going-concern analyses.

Brookwood relied upon and assumed the accuracy, completeness and fair presentation of the financial, accounting and other information provided to it by Ryan s or otherwise made available to it, and did not independently verify this information. Brookwood also assumed, in reliance upon the assurances of

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management, that the information provided by Ryan s was prepared on a reasonable basis in accordance with industry practice and, with respect to financial forecasts, projections and other estimates and other business outlook information, reflected the best currently available estimates and judgments of management, was based on reasonable assumptions, and that there was not, and the management of Ryan s was not aware of, any information or facts that would make the information provided to Brookwood incomplete or misleading. The forecasts and estimates of Ryan s future performance provided by Ryan s management in or underlying Brookwood s analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates. Brookwood expressed no opinion as to such financial forecasts, projections and other estimates and business outlook information or the assumptions on which they are based. Furthermore, in arriving at its opinion, Brookwood was not requested to make, and did not make, any physical inspection of the properties or facilities of Ryan s.

Brookwood did not perform any appraisals or valuations of any specific assets or liabilities (fixed, contingent or other) of Ryan s, and has not been furnished with any such appraisals or valuations. Brookwood did not undertake any independent analysis of any outstanding, pending or threatened litigation, regulatory action, possible unasserted claims or other contingent liabilities to which Ryan s, or any of its respective affiliates is a party or may be subject. With the consent of the special committee, Brookwood relied upon and assumed the accuracy of information provided by senior management as to *Walker v. Ryan s Family Steak Houses, Inc.,* No. 3 D2 1078 (M.D. Tenn. Apr. 19, 2006), but Brookwood s opinion made no assumption concerning, and therefore did not consider, the possible assertion of claims, outcomes or damages arising out of any other pending or threatened litigation, regulatory action, unasserted claims or other contingent liabilities, or the outcomes or damages arising out of any such matters.

Brookwood assumed that the final form of the merger agreement would be substantially similar to the last draft it had reviewed. Brookwood also assumed that all necessary regulatory approvals and consents required for the merger would be obtained in a manner that would not result in the disposition of any material portion of the assets of Ryan s, or otherwise adversely affect Ryan s, and that would not alter the terms of the merger agreement.

Brookwood s opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Ryan s as of, the date of its opinion. In performing its analyses, Brookwood considered industry performance, general business and economic conditions and other matters, many of which are beyond Ryan s control. Estimates of the financial value of companies do not purport to be appraisals or reflect the prices at which companies may actually be sold.

The following is a summary of the material financial analyses performed by Brookwood in connection with the preparation of its fairness opinion. The preparation of analyses and a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, this summary does not purport to be a complete description of the analyses performed by Brookwood or of its presentation to the special committee on July 24, 2006.

Accordingly, Brookwood believes that its analyses and the summary below must be considered as a whole and that selecting portions of its analyses and factors, without considering all analyses and factors, could create a misleading or incomplete view of the processes underlying Brookwood s analyses and opinion. Brookwood did not form an opinion as to whether any individual analysis or factor, whether positive or negative, considered in isolation, supported or failed to support Brookwood s opinion. Rather, Brookwood arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and believes that the totality of the factors considered and analyses it performed in connection with its opinion operated collectively to support its determination as to the fairness of the merger consideration from a financial point of view as of the date of Brookwood s opinion. The fact that any specific analysis has been referred to in the summary below is not meant to indicate that this analysis was given greater weight than any other analysis.

This summary includes information presented in tabular format, which tables must be read together with the corresponding text, and considered as a whole, in order to fully understand the financial analyses presented

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by Brookwood. The tables alone do not constitute a complete summary of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Brookwood s financial analyses. The order in which these analyses are presented below, and the results of those analyses, should not be taken as any indication of the relative importance or weight given to these analyses by Brookwood or Ryan s board of directors. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before July 21, 2006, and is not necessarily indicative of current market conditions.

Summary of Implied Share Values

Brookwood assessed the fairness of the per share merger consideration to the holders of shares of Ryan s common stock, other than Buffets, Merger Sub and their respective subsidiaries, by assessing the value of Ryan s using several methodologies, including a comparable public companies analysis, a precedent transactions analysis, a discounted cash flow analysis and a premiums paid analysis, each of which is described in more detail in the summaries set forth below. Each of these methodologies was used to generate implied valuation ranges that were compared to the per share merger consideration of $16.25.

The following table shows the ranges of implied valuation per common share of Ryan s derived under each of these methodologies. The table should be read together with the more detailed summary of each of these valuation analyses as set forth below.

	Implied Valuation per Common Share	
Valuation Methodology	**Minimum**	**Maximum**
Comparable Public Company Analysis	$ 10.32	$ 14.18
Precedent Transactions Analysis	$ 13.34	$ 15.34
Discounted Cash Flow Analysis	$ 11.38	$ 15.06
Premiums Paid Analysis One Day Prior	$ 12.10	$ 12.81
Premiums Paid Analysis 30 Days Prior	$ 13.56	$ 14.06

Historical Stock Price Analysis

Brookwood compared the historical stock prices for Ryan s common stock against the merger consideration, as shown in the table below.

	Closing Stock Price	**Implied Premium**
Merger Consideration	$ 16.25	
Closing Stock Price as of July 21, 2006	$ 10.80	50.5%
One Month Prior	$ 11.30	43.8%
Three Months Prior	$ 12.99	25.1%
Six Months Prior	$ 12.01	35.3%
One Month Average	$ 11.29	43.9%
Three Month Average	$ 12.17	33.5%

Six Month Average	$	12.76	27.3%
52-Week High	$	14.68	10.7%
52-Week Low	$	10.04	61.9%

During the fifty-two weeks ended July 21, 2006, Ryan s low and high share prices were $10.04 and $14.68, respectively, compared to the $16.25 per share merger consideration. Brookwood also noted that the price of Ryan s common stock as of the close of business the day prior to the date of announcement was $11.22.

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Comparable Public Companies Analysis

Brookwood reviewed selected financial data of publicly traded companies in the restaurant industry. Brookwood identified and analyzed ten comparable public companies:

Bob Evans Farms, Inc.

CBRL Group, Inc.

Denny s Corporation

Friendly Ice Cream Corporation

Frisch s Restaurants, Inc.

Landry s Restaurants, Inc.

Lone Star Steakhouse & Saloon, Inc.

Luby s, Inc.

O Charley s Inc.

RARE Hospitality International, Inc.

No company used in the comparable public companies analysis possessed characteristics identical to those of Ryan s. Accordingly, an analysis of the results of the comparable public companies necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the selected companies, as well as other factors that could affect the public trading value of the selected companies and Ryan s.

Brookwood calculated certain financial ratios for Ryan s using the per share merger consideration and for the comparable companies using the stock prices as reported at the close of trading on July 21, 2006 and other recent publicly available information, available as of the date of the opinion:

Enterprise Value to last twelve months (LTM) Revenues;

Enterprise Value to LTM EBITDA;

Enterprise Value to LTM EBIT.

The enterprise value is the sum of the fully diluted market value of any common equity plus short-term debt and long-term debt minus cash and equivalents. For Ryan s, in calculating the enterprise value, Brookwood took into account the unpaid portion of the settlement of the Tennessee wage and hour class action lawsuit and the estimated after-tax proceeds from assets held for sale.

This analysis indicated the following low, mean, median and high enterprise value multiples for Ryan s and the comparable public companies:

	Merger Consideration	Comparable Company Values			
		Low	Mean	Median	High
Enterprise Value to LTM Revenues	1.0x	0.5x	0.7x	0.7x	0.9x
Enterprise Value to LTM EBITDA	8.6x	5.8x	7.0x	6.8x	9.2x
Enterprise Value to LTM EBIT	14.0x	8.9x	13.2x	12.0x	19.7x

Mathematical analysis, such as determining the average or median, is not in itself a meaningful method of using comparable company data. Brookwood performed this analysis to understand the multiples of revenues and earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA, of these comparable public companies based upon market prices.

Based on the estimates and assumptions used in the comparable public companies analysis, the multiples implied by the merger consideration were above or within the range of the trading multiples of the comparable public companies. Based on the various judgments concerning relative comparability of each of the selected companies to Ryan s, Brookwood did not rely solely on the quantitative results of the comparable public companies analysis in developing a reference range or otherwise applying its analysis. The implied valuation range for Ryan s based on the comparable public companies analysis was $10.32 to $14.18 per share.

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Precedent Transactions Analysis

Brookwood performed a precedent transactions analysis, which compares the per share merger consideration to be received by Ryan s shareholders to an implied range of per share values derived from an analysis of selected transactions deemed reasonably comparable. The selected transactions involved mergers and/or acquisitions of companies in the restaurant industry between January 1, 2004 and the date of the Brookwood opinion. The selected transactions included all of the transactions falling within these criteria in the time frame used that were identified by Brookwood and for which Brookwood was able, based on publicly available information, to identify reliable valuation statistics.

Acquiror	Target Company
Briad Main Street	Main Street Restaurant Group
Wellspring Capital Management	Checkers Drive-In Restaurants
Circle Peak Capital	Shari s Management Corp.
Newcastle Partners	Fox and Hound Restaurant Group
Wellspring Capital Management	Dave and Busters
Steakhouse Partners	Roadhouse Grill
CBC Restaurant Corp.(1)	Corner Bakery
Sun Capital Partners	Garden Fresh
Trimarin Capital	El Pollo Loco
Leonard Green and Partners	Claim Jumper
Castle Harlan, Inc.	Perkin s Family Restaurants
Roark Capital	McAlister s Deli
Palladium Equity Partners	Taco Bueno (TB Corporation)
Artisan Acquisition Corp(2)	Au Bon Pain
Pacific Equity Partners	Worldwide Restaurant Concepts(3)
Trimarin Capital	Charlie Brown Steakhouse
Charlesbank Capital Partners(4)	Captain D s
Crescent Capital	Church s Chicken
Bob Evans	Mimi s Café Inc.
The Yucaipa Companies(5)	Picadilly Cafeterias

(1) II Fornaio and Bruckmann, Rosser, Sherrill & Co

(2) Au Bon Pain Mgt and PNC Equity Management

(3) Parent of Sizzler and Oscar s

(4) Charlesbank Capital Partners and Grotech Capital Group

(5) The Yucaipa Companies and Diversified Investment Management Group

In performing its analysis, Brookwood calculated LTM net sales and EBITDA transaction value multiples for the selected transactions by dividing the publicly announced transaction value of each selected transaction by the publicly available LTM net sales and EBITDA, respectively, of the target company. The selected transactions may differ significantly from the proposed merger based on, among other things, the structure of the transactions, the financial

and other characteristics of the parties to the transactions, and the dates that the transactions were announced or consummated. The following table sets forth the results of the analysis:

	Merger Consideration	Comparable Transaction Values			
		Low	Mean	Median	High
Enterprise Value to LTM Sales	1.0x	0.3x	0.8x	0.7x	1.9x
Enterprise Value to LTM EBITDA	8.6x	6.0x	7.6x	7.8x	10.2x

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This precedent transactions analysis indicated that the multiple to be received by Ryan s shareholders was within the range of the multiples of the precedent transactions. Based on the various judgments concerning relative comparability of each of the selected transactions to the proposed merger, Brookwood did not rely solely on the quantitative results of the precedent transactions analysis in developing a reference range or otherwise applying its analysis. The implied valuation range for Ryan s based on the precedent transactions analysis was $13.34 to $15.34 per share.

Discounted Cash Flow Analysis

Using a discounted cash flow analysis, Brookwood calculated a range of theoretical enterprise values for Ryan s based on (1) the net present value of implied annual cash flows of Ryan s for the seven-month period from June through December 2006 and fiscal years 2007 through 2010 and (2) the net present value of a terminal value, which is an estimate of the future value of Ryan s at the end of fiscal year 2010 based upon a multiple of EBITDA. Brookwood relied on monthly forecasts for fiscal years 2006 through 2008, furnished by management, and yearly forecasts for fiscal years 2009 through 2010, extrapolated by Brookwood and approved by management. Brookwood calculated the range of net present values based on an assumed tax rate of 33.4% in fiscal 2006 and 2007 and 33.0% between fiscal years 2008 and 2010, a range of discount rates of 10% to 14% and a range of EBITDA multiples for a terminal value of 8.0x to 9.0x applied to the projected fiscal year 2010 EBITDA. This analysis resulted in an implied per share value of Ryan s ranging from a low of $11.38 to a high of $15.06.

Premiums Paid Analysis

Brookwood compared the premium proposed to be paid in the merger with the premiums paid for all public target transactions in the United States announced since January 1, 2003 with an enterprise value between $500 million and $1.0 billion. Brookwood calculated the premiums paid relative to the target s share price one day and 30 days prior to the date on which the merger agreement was executed and on which the presentation to the special committee was made. The table below compares the premiums paid in these transactions to the premium that would be paid to Ryan s shareholders based on the per share merger consideration.

	Per Share Merger	All Selected Transactions		Cash Only Transactions	
Premium Paid	**Consideration**	**Mean**	**Median**	**Mean**	**Median**
One Day Prior	50.5%(1)	18.6%	13.0%	16.0%	12.0%
30 Days Prior	43.8%(2)	24.4%	20.5%	23.0%	20.0%

(1) Ryan s premium based on the closing stock price of $10.80 on July 21, 2006.

(2) Ryan s premium based on the closing stock price of $11.30 on June 22, 2006.

Based on the mean and median premiums paid in the selected transactions at one day prior and 30 days prior to announcement, the implied valuation range for Ryan s was $12.10 to $14.06 per share.

Miscellaneous

Brookwood is an investment banking firm and is regularly engaged as a financial advisor in connection with mergers and acquisitions. The special committee selected Brookwood to render its fairness opinion in connection with the proposed merger on the basis of Brookwood s experience and reputation in acting as a financial advisor in connection

with mergers and acquisitions and particularly because of its familiarity with acquisitions in the restaurant industry.

Brookwood acted as financial advisor to Ryan s in connection with the merger and will receive a fee from Ryan s for its services upon consummation of the merger. A substantial portion of Brookwood s fee is contingent upon the consummation of the merger. Brookwood also received a fee of $400,000 from Ryan s for providing its opinion, which will be credited against the fee for financial advisory services. This opinion fee is not contingent upon the consummation of the merger. Ryan s has also agreed to indemnify Brookwood against

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certain liabilities in connection with its services and to reimburse it for certain expenses in connection with its services. In the past, Brookwood has provided financial advisory services to Ryan s and has received fees for the rendering of those services.

Delisting and Deregistration of Ryan s Common Stock

If the merger is completed, our common stock will be delisted from The Nasdaq National Market and deregistered under the Securities Exchange Act of 1934, and we will no longer file periodic reports with the SEC.

INTERESTS OF CERTAIN PERSONS IN THE MERGER

Ryan s Stock Options

As of the record date, there were 1,193,961 shares of our common stock subject to stock options granted to our directors and executive officers under each of Ryan s stock option plans, which we refer to in this proxy statement as the option plans.

All unvested outstanding options to acquire shares of Ryan s common stock were granted under Ryan s 2002 Stock Option Plan, which provides for automatic vesting in the event of certain change of control transactions, including the merger with Merger Sub. Accordingly, all unvested outstanding options to acquire shares of Ryan s stock will become fully vested immediately prior to the effective time of the merger and, pursuant to the merger agreement, will be cancelled at the effective time of the merger. Each option holder will have the right to receive, within five business days of the effective time of the merger, a cash payment, without interest (less any required withholding taxes) equal to the product of (1) the excess, if any, of $16.25 over the applicable exercise price per share of the option and (2) the number of shares of common stock of Ryan s issuable upon exercise of the option (whether or not the option is vested or exercisable).

The following table summarizes the vested and unvested options held by each of our directors and executive officers as of August 28, 2006, and the consideration (calculated prior to any reduction for any required withholding taxes) that each of them will receive pursuant to the merger agreement in connection with the cancellation of his or her options:

Name of Director, Officer or Beneficial Owner	Stock Options	Weighted Average Exercise Price ($)	Approximate Aggregate Value ($)
Charles D. Way	220,000	11.88	961,400
G. Edwin McCranie	222,500	10.29	1,327,150
Fred T. Grant, Jr.	138,600	10.48	800,162
Michael R. Kirk	71,150	11.14	363,295
James R. Hart	136,800	9.85	875,931
Ilene T. Turbow	93,875	9.08	673,449
Janet J. Gleitz	66,600	9.54	447,074
Richard D. Sieradzki	20,375	11.61	94,534
Edward R. Tallon, Sr.	19,061	11.72	86,441
James M. Shoemaker, Jr.	50,000	10.25	300,050

Barry L. Edwards	57,500	9.63	380,375
Harold K. Roberts, Jr.	22,500	13.38	64,525
Brian S. MacKenzie	65,000	9.12	463,325
Vivian A. Wong	10,000	12.33	39,250

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Indemnification of Officers and Directors

The merger agreement provides for indemnification and insurance arrangements for Ryan s current and former directors and officers that will continue for six years following the effective time of the merger. The merger agreement provides that from and after the effective time of the merger, Buffets will, and will cause Ryan s as the surviving corporation in the merger to, fulfill and honor in all respects, the obligations of Ryan s pursuant to any indemnification, exculpation or advancement of expenses provisions in favor of the current or former directors, officers, employees or agents of Ryan s or any of its subsidiaries, or certain other parties, under the constitutional documents of Ryan s or its subsidiaries or any agreement between these indemnified persons and Ryan s or its subsidiaries in effect as of the date of the merger agreement. The merger agreement also provides that for a period of six years following the effective time of the merger the articles of incorporation and bylaws of Ryan s as the surviving corporation will contain provisions with respect to indemnification, exculpation and advancement of expenses that are at least as favorable to the beneficiaries of these provisions as those contained in Ryan s articles of incorporation and bylaws in effect on the date of the merger agreement.

The merger agreement also provides that for a period of six years after the effective time of the merger Buffets will cause to be maintained directors and officers liability insurance and fiduciary liability insurance arrangements substantially equivalent in scope and amount of coverage (and on terms and conditions no less advantageous to the insureds) to the policies maintained by Ryan s as of the date of the merger agreement with respect to claims arising from or relating to actions or omissions, or alleged actions or omissions, occurring on or prior to the effective time of the merger. The merger agreement provides that Buffets will not be required to make total annual premium payments with respect to these insurance arrangements to the extent the premiums exceed 225% of the last annual premium paid by Ryan s prior to the date of the merger agreement. If the annual premium costs necessary to maintain this insurance coverage exceed 225% of the last annual premium paid by Ryan s, Buffets will maintain as much comparable directors and officers liability insurance and fiduciary liability insurance as is reasonably obtainable for an annual premium not exceeding 225% of the last annual premium paid by Ryan s.

Potential Severance Payments to Executive Officers

Nine of Ryan s executive officers (Charles D. Way, G. Edwin McCranie, Fred T. Grant, Jr., Michael Rick Kirk, J. Randolph Hart, Ilene Turbow, Janet J. Gleitz, Richard Sieradzki and Edward Tallon, each of whom we refer to in this proxy statement as an executive for purposes of this discussion) are parties to an Employment, Noncompetition and Severance Agreement with Ryan s. Under these agreements, the executive is eligible for severance payments resulting from certain termination circumstances. Severance payments, when applicable, will be based on the sum of executive s most recent annual salary and the average of the most recent three years of bonus payments (this sum is referred to as Annual Compensation). If an executive is terminated by Ryan s (including the surviving corporation) without cause after a change of control, as defined in the agreement (which includes circumstances like the proposed merger), the severance payment will be equal to two times Annual Compensation or, for termination for cause after a change of control, one times Annual Compensation. Also, following a change of control, an Involuntary Termination by the executive results in a severance payment equal to two times Annual Compensation, while a voluntary termination by the executive after a change of control results in a severance payment equal to one times Annual Compensation. Involuntary Termination is defined as a termination by the executive following a change of control due to a change in the executive s position, authority, status or duties, change in the agreement s terms (including the rolling two-year termination date), reduction in compensation or benefits, forced relocation outside the Greenville, South Carolina metropolitan area or significant increase in travel requirements. In addition, termination by the executive due to a material breach of the agreement by Ryan s (after notice and a cure period) results in a severance payment equal to two times Annual Compensation.

Consequently, the merger, combined with other circumstances, could result in one or more executives becoming entitled to receive severance payments under their employment agreements.

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LITIGATION CHALLENGING THE MERGER

On July 28, 2006, a putative shareholder class action, *Marjorie Fretwell v. Ryan s Restaurant Group, Inc. et. al.* Case No. 06-CP-23-4828, was filed against Ryan s and its directors in the Greenville County, South Carolina Circuit Court.

The complaint alleges that each of the directors of Ryan s individually breached the fiduciary duties owing to the Ryan s shareholders by voting to approve the merger agreement and alleges that Ryan s aided and abetted such alleged breach of fiduciary duties. The complaint seeks, among other relief, the court s designation of class action status, a declaration that entry into the merger agreement was in breach of the defendants fiduciary duties and therefore was unlawful and unenforceable, and entry of an order enjoining the defendants from taking further action to consummate the proposed merger. Ryan s and its board of directors believe that the action is without merit and will vigorously defend it.

REGULATORY APPROVALS

Federal or State Regulatory Filings Required in Connection with the Merger

Other than the notification required to be filed pursuant to the HSR Act, no other material federal or state regulatory approvals are required to be obtained by us, Buffets or Merger Sub in connection with the merger. On August 7, 2006, Ryan s and Buffets each filed a Notification and Report Form with the Antitrust Division of the Department of Justice and the Federal Trade Commission. Under the HSR Act and related rules, the merger may not be completed until the expiration or termination of the statutory waiting period. The waiting period is scheduled to expire at 11:59 p.m. (EDT) on September 6, 2006, unless early termination is granted or unless extended by a request for additional information.

Amendment to Ryan s Rights Agreement

In connection with the signing of the merger agreement, Ryan s amended its rights agreement with American Stock Transfer & Trust Company to provide that the preferred stock purchase rights issued under the rights agreement will not become exercisable nor will any holder of any preferred stock purchase right be entitled to exercise any other rights described in the agreement because of:

- the approval, execution or delivery of the merger agreement or any amendments of the merger agreement; or
- the consummation of the merger.

Among other things, the amendment also provides that the preferred stock purchase rights will expire immediately prior to the effective time of the merger.

Anti-Takeover Considerations

The 1976 Code of Laws of South Carolina contains anti-takeover provisions that prevent a person from engaging in specified transactions with us or from taking specific actions after that person has acquired a significant portion of our shares. These protections fall into two categories: the business combination statute, which regulates specified types of transactions with interested shareholders; and the control share statute, which regulates the voting power of shares held by specified large shareholders. Because Buffets does not own any of shares of our common stock, these business combination statutes do not apply to the merger.

APPRAISAL RIGHTS

Under applicable provisions of South Carolina law, no dissenters or appraisal rights are available to holders of shares of stock which is designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers. Our shareholders are not entitled, under applicable

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provisions of South Carolina law, to dissenters or appraisal rights in connection with the merger because our common stock is so designated on The Nasdaq National Market.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following describes generally the material United States federal income tax consequences of the receipt of cash to U.S. holders (i.e., an individual citizen or resident of the United States or a domestic corporation) of our common stock pursuant to the merger. The summary is based on the Internal Revenue Code of 1986, as amended, which we refer to in this proxy statement as the Code , applicable current and proposed United States Treasury Regulations, judicial authority, and administrative rulings and practice, all of which are subject to change, possibly with retroactive effect, and to differing interpretation. This discussion assumes that U.S. holders hold the shares of our common stock as a capital asset within the meaning of Section 1221 of the Code. This discussion does not address all aspects of United States federal income taxation that may be relevant to holders in light of their particular circumstances, or that may apply to holders that are subject to special treatment under the United States federal income tax laws (including, for example, persons who are not U.S. holders, insurance companies, dealers in securities or foreign currencies, tax-exempt organizations, financial institutions, mutual funds, partnerships or other pass-through entities and persons holding our common stock through a partnership or other pass-through entity, United States expatriates, U.S. holders who hold shares of our stock as part of a hedge, straddle, constructive sale or conversion transaction, who are subject to the alternative minimum tax or who acquired our common stock through the exercise of employee stock options or other compensation arrangements). In addition, the discussion does not address any tax considerations under state, local or foreign laws or federal laws other than United States federal income tax laws that may be applicable to one of our shareholders.

If a partnership holds our common stock, the tax treatment of a partner will generally depend on the status of the partners and the activities of the partnership. If you are a U.S. holder that is a partner in a partnership holding our common stock, you should consult your tax advisor.

We urge you to consult your own tax advisor to determine the particular tax consequences of the merger to you (including the application and effect of any state, local or foreign income and other tax laws), especially with respect to alternative minimum tax.

The receipt of cash in the merger by U.S. holders of our common stock will be a taxable transaction for United States federal income tax purposes (and may also be a taxable transaction under applicable state, local, foreign and other tax laws). In general, for United States federal income tax purposes, a U.S. holder of shares of our common stock will recognize capital gain or loss equal to the difference, if any, between (i) the amount of cash received in exchange for such shares and (ii) the holder s adjusted tax basis in such shares. Such gain or loss will be long-term capital gain or loss if the U.S. holder s holding period of the shares of our common stock is more than one year at the time the merger is completed. Long-term gains recognized by U.S. holders that are not corporations generally will be subject to a maximum U.S. federal income tax rate of 15% (subject to application of the alternative minimum tax). The deductibility of a capital loss recognized on the exchange is subject to limitations. If a U.S. holder acquired different blocks of our stock at different times or different prices, such holder must determine its tax basis and holding period separately with respect to each block of our stock.

Backup Withholding

Under the Code s backup withholding rules, unless an exemption applies, the surviving corporation generally is required to and will withhold 28% of all payments to which a shareholder or other payee is entitled in the merger, unless the shareholder or other payee (i) is a corporation or comes within other exempt categories and demonstrates this fact or (ii) provides its correct tax identification number (social security number, in the case of an individual, or

employer identification number in the case of other shareholders), certifies under penalties of perjury that the number is correct (or properly certifies that it is awaiting a taxpayer identification number), certifies as to no loss of exemption from backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. Each shareholder of ours and, if

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applicable, each other payee, should complete, sign and return to the paying agent for the merger the substitute Form W-9 that each shareholder of ours will receive with the letter of transmittal following completion of the merger in order to provide the information and certification necessary to avoid backup withholding, unless an applicable exception exists and is proved in a manner satisfactory to the paying agent. The exceptions provide that certain shareholders of ours (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, however, he or she must submit a signed Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding. Backup withholding is not an additional tax. Generally, any amounts withheld under the backup withholding rules described above can be refunded or credited against a holder s United States federal income tax liability, if any, provided that the required information is furnished to the United States Internal Revenue Service in a timely manner.

The foregoing discussion of certain material United States income tax consequences is included for general information purposes only and is not intended to be, and should not be construed as, legal or tax advice to any holder of shares of our common stock. We urge you to consult your own tax advisor to determine the particular tax consequences of the merger to you (including the application and effect of any state, local or foreign income and other tax laws).

THE AGREEMENT AND PLAN OF MERGER

The following is a summary of the material terms of the merger agreement. However, because the merger agreement is the primary legal document that governs the merger, you should carefully read the complete text of the merger agreement for its precise legal terms and other information that may be important to you. The merger agreement is attached as ***Exhibit A*** *to this proxy statement to provide investors with information concerning the terms of the merger agreement. Information on our company is available in our Annual Reports on Form 10-K, our quarterly reports on Form 10-Q and other documents filed with the Securities and Exchange Commission.*

The merger agreement has been included to provide you with information regarding its terms, and we recommend that you read carefully the merger agreement in its entirety. Except for its status as a contractual document that establishes and governs the legal relations among the parties thereto with respect to the merger, we do not intend for its text to be a source of factual, business or operational information about Ryan s. The merger agreement contains representations, warranties and covenants that are qualified by information in the disclosure letter referenced in the merger agreement that Ryan s delivered to Buffets in connection with the execution of the merger agreement. Representations and warranties may be used as a tool to allocate risks between the respective parties to the merger agreement, including where the parties do not have complete knowledge of all facts, instead of establishing such matters as facts. Furthermore, the representations and warranties may be subject to different standards of materiality applicable to the contracting parties, which may differ from what may be viewed as material to shareholders. While we do not believe that the disclosure letter contains non-public information that applicable securities laws require us to publicly disclose (other than information that has already been disclosed or is disclosed in this proxy statement), the disclosure letter does contain information that modifies, qualifies and creates exceptions to the merger agreement, including to the representations and warranties of Ryan s. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, because (i) they were only made as of the date of the merger agreement or a prior, specified date, (ii) in some cases they are subject to materiality, material adverse effect or knowledge qualifiers, and (iii) they are modified in important part by the confidential disclosure letter. The confidential disclosure letter contains information that has been included in Ryan s prior public disclosures, as well as non-public information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, which subsequent information may or may not be fully reflected in Ryan s public disclosures. Information about Ryan s can be found elsewhere in this proxy statement and in such other public filings we make with the Securities and Exchange Commission, which are available

without charge at www.sec.gov.

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Form of the Merger

The merger agreement provides that at the effective time of the merger, Merger Sub will be merged with and into Ryan s. As a result of the merger, the separate corporate existence of Merger Sub will cease and Ryan s will continue as the surviving corporation following the merger as a wholly-owned indirect subsidiary of Buffets. Ryan s, as the surviving corporation, will succeed to all the properties, rights, privileges, powers, franchises and assets, and all debts, liabilities and duties of Ryan s and Merger Sub.

Effective Time of the Merger

The merger agreement provides that the merger will become effective when we file articles of merger with the Secretary of State of the State of South Carolina, or at such later time that we and Buffets specify in the articles of merger. We will file the articles of merger at the closing of the merger, which will take place no later than the third business day following the satisfaction or the waiver of the conditions set forth in the merger agreement or at such other time as we and Buffets agree in writing.

Directors and Officers

The directors and officers of Merger Sub at the effective time of the merger will be the initial directors and officers of the surviving corporation. The directors and officers will serve in accordance with the articles of incorporation and bylaws of the surviving corporation.

Merger Consideration

The merger agreement provides that each share of common stock of Ryan s (other than shares owned by Ryan s, Buffets or Merger Sub, or any of their respective subsidiaries) issued and outstanding immediately prior to the effective time will be cancelled and automatically converted into the right to receive an amount in cash equal to $16.25, without interest, less any required withholding taxes. Each share of common stock of Ryan s that is owned by Ryan s, Buffets or Merger Sub, or any of their respective subsidiaries, will be cancelled and extinguished at the effective time of the merger and no consideration will be delivered in exchange for those shares.

Payment Procedures

Prior to the effective time, Buffets will appoint a paying agent approved by us. Immediately prior to the effective time, Buffets will deposit with the paying agent an amount in cash sufficient to provide for the payment of the aggregate merger consideration. No later than three business days following the effective time, Buffets will instruct the paying agent to mail to each shareholder a letter of transmittal and instructions explaining how to surrender stock certificates or execute an appropriate instrument of transfer of your shares of Ryan s common stock in exchange for the merger consideration. Upon surrender of a certificate or appropriate instrument of transfer representing shares of Ryan s common stock to the paying agent, together with a duly executed and completed letter of transmittal and all other documents required by the paying agent, each former shareholder of Ryan s will be entitled to receive $16.25 in cash, without interest, for each share of Ryan s common stock so surrendered.

Effect on Stock Options, Stock-Based Awards and Employee Stock Purchase Plan

All unvested outstanding options to acquire shares of Ryan s common stock were granted under the Ryan s Family Steak Houses, Inc. 2002 Stock Option Plan, which provides for automatic vesting in the event of certain change of

control transactions, including the merger with Merger Sub. Accordingly, all unvested outstanding options to acquire shares of Ryan s stock will become fully vested immediately prior to the effective time of the merger and, pursuant to the merger agreement, will be cancelled at the effective time of the merger. The merger agreement provides that each outstanding option to acquire shares of Ryan s common stock granted under the Ryan s 1987 Stock Option Plan, the Ryan s Family Steak Houses, Inc. 1991 Stock Option Plan, the Ryan s Family Steak Houses, Inc. 1998 Stock Option Plan and the Ryan s Family Steak Houses, Inc. 2002 Stock Option Plan will be cancelled at the effective time of the merger. Each option holder

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will have the right to receive, within five business days of the effective time of the merger, a cash payment, without interest (less any required withholding taxes) equal to the product of (1) the excess, if any, of $16.25 over the applicable exercise price per share of the option and (2) the number of shares of common stock of Ryan s issuable upon exercise of the option.

The merger agreement provides that our Employee Stock Purchase Plan is to be terminated immediately following the purchases of Ryan s common stock on the day prior to the day on which the effective time of the merger occurs and no new offering period (as defined under the plan) will commence following the date of the merger agreement. Under the merger agreement, participants in the plan may not increase their payroll deductions or purchase elections from those in effect as of the date of the merger agreement, and each participant s outstanding right to purchase shares of Ryan s common stock under the plan terminated on the day after the date of the merger agreement, except that all amounts allocated to each participant s account under the plan on that date will be used to purchase whole shares of Ryan s common stock at the applicable price determined under the plan for the then outstanding offering periods using that date as the final purchase date for each offering period.

Representations and Warranties

The merger agreement contains representations and warranties made by Ryan s, including, but not limited to, representations and warranties relating to:

- corporate organization, authority to conduct business and standing;
- capitalization;
- corporate power and authority to enter into and perform our obligations under, and enforceability of, the merger agreement;
- voting standard required for shareholder approval of the merger;
- conflicts or violations under charter documents, contracts, instruments or laws, required consents or approvals and creation or imposition of any liens;
- reports, proxy statements and financial statements filed with the Securities and Exchange Commission, the accuracy of the information in those documents, internal control over financial reporting, disclosure controls and procedures and required certifications with respect thereto;
- absence of undisclosed liabilities;
- absence of certain events and changes;
- litigation matters and compliance with laws;
- material contracts and performance thereunder;
- tax matters;
- employee benefit matters;
- environmental matters;

owned and leased real property;

intellectual property matters;

labor matters;

amendment of our rights agreement;

applicability of certain takeover laws and our satisfaction of the requirements under those laws;

insurance;

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brokers and finders fees; and

receipt of an opinion from our financial advisor.

Many of the above representations and warranties are qualified by a material adverse effect standard. A material adverse effect for purposes of our representations and warranties means any event, circumstance, condition, change, development or effect that, individually or in the aggregate, would have a material adverse effect on the business, financial condition, assets, liabilities, operations or results of operations of us and our subsidiaries taken as a whole, or on our ability to consummate the merger and perform our obligations under the merger agreement.

In determining whether a material adverse effect has occurred, none of the following are taken into account:

conditions relating to financial, credit or securities markets or economic conditions in general;

conditions relating to changes to laws or applicable accounting regulations or principles, or relating to the restaurant industry generally, to the extent that these conditions do not materially, disproportionately impact Ryan s and its subsidiaries taken as a whole relative to other companies in the restaurant industry;

changes in Ryan s stock price or trading volume or any failure by Ryan s to meet revenue or earnings projections, in each case, in and of itself (although the facts or occurrences giving rise to or contributing to a change in Ryan s stock price or trading volume or a failure to meet projections may be taken into account to determine whether there has been a material adverse effect); or

the announcement, pendency or consummation of the merger.

The merger agreement contains representations and warranties made by Buffets and Merger Sub including, but not limited to, representations and warranties relating to:

corporate organization, authority to conduct business and standing;

corporate power and authority to enter into and perform their respective obligations under, and enforceability of, the merger agreement;

conflicts or violations under charter documents or laws, and required consents or approvals;

financing capability, including the debt financing to enable Buffets to perform its obligations under the merger agreement, including payment of the merger consideration and amounts payable in respect of stock options and other awards;

information in this proxy statement supplied by Buffets or Merger Sub expressly for inclusion herein;

litigation matters; and

absence of brokers and finders fees.

The representations and warranties of the parties will expire at the effective time of the merger.

Conduct of Business Pending the Merger

From the date of the merger agreement until the effective time or the termination of the merger agreement, unless Buffets otherwise agrees in writing, Ryan s and its subsidiaries will:

conduct their operations in accordance with their ordinary course of business consistent with past practice; and

use reasonable efforts to preserve intact their business organization, keep available the services of their current officers and employees, preserve the goodwill of those having business relationships with them, preserve their relationships with customers, creditors and suppliers, maintain their books, accounts and records and comply in all material respects with applicable laws.

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Ryan s also agreed that, until the effective time of the merger, Ryan s will not, and will cause its subsidiaries not to, take any of the following actions without the prior written consent of Buffets:

amend or propose to amend its articles of incorporation or bylaws or file any certificate of designation or similar instrument with respect to any authorized but unissued capital stock;

split, combine or reclassify any shares of its capital stock, amend the terms of any outstanding securities or repurchase, redeem or acquire any shares of capital stock;

declare, pay or set aside any dividend or distribution other than dividends payable by a wholly-owned subsidiary of Ryan s to Ryan s or another wholly-owned subsidiary;

authorize for issuance, issue, sell or grant any capital stock or any options or other securities or rights to acquire capital stock or which are exchangeable for or convertible into capital stock other than in connection with the exercise of options outstanding on the date of the merger agreement or in connection with any offering period under the employee stock purchase plan that has commenced prior to the date of the merger agreement, or repurchase, redeem or otherwise acquire any shares of capital stock or any other securities exercisable or exchangeable for or convertible into capital stock;

merge or consolidate, liquidate, dissolve, recapitalize or reorganize, or create any new subsidiary;

sell, lease, license, pledge, encumber or otherwise dispose of any material assets or interests, except in the ordinary course of business, consistent with past practice;

acquire any assets other than in the ordinary course of business, consistent with past practice;

acquire any equity interest in any entity or any business, or enter into any joint venture, strategic alliance or other similar arrangement with another entity, other than teaming or other similar agreements entered into in the ordinary course of business, consistent with past practice;

incur, assume or guarantee any indebtedness (including the issuance of debt securities) other than under Ryan s existing credit lines, intercompany indebtedness or in the ordinary course of business, consistent with past practice;

except as required by changes in law or GAAP, change any of Ryan s accounting principles or practices used as of December 28, 2005 that would reasonably be expected to materially affect the assets, liabilities, or results of operation of Ryan s or its subsidiaries;

except in the ordinary course of business, consistent with past practice, make or change any material tax election, settle or compromise any tax liability involving a payment of more than $1 million, change in any material respect any accounting method in respect of taxes, file any amendment to a material tax return, settle any claim or assessment in respect of taxes involving a payment of more than $1 million, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of taxes;

except as required under any existing agreement and other than increases in cash compensation to employees who are not directors or officers that are made in the ordinary course of business consistent with past practice, grant any increase in compensation, bonus, severance, pension or other benefit plan;

except as required by the terms of any employment-related agreement grant any severance or termination pay except to employees who are not officers or directors in amounts consistent with Ryan s policies and past practices;

make any individual capital expenditure, addition or improvement in excess of $100,000 or $1,000,000 in the aggregate;

enter into or terminate, renew or amend in any material respect any contract that is or would be expected to be material to Ryan s and its subsidiaries taken as a whole or that could require payments of more than $1 million in the aggregate over its term, except for entering into certain types of purchaser contracts for food or beverage supplies;

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waive, release or assign any material rights, claims or benefits under any material agreement;

engage in any reportable transaction, including any listed transaction within the meaning of Section 6011 of the Internal Revenue Code of 1986 or any other applicable law;

waive or release any of the material rights of Ryan s or its subsidiaries, taken as a whole, or pay, discharge or satisfy any material claims, liabilities or obligations before due except for the payment, discharge and satisfaction in the ordinary course of business of liabilities reflected on or reserved for in Ryan s financial statements that are included in its SEC filings or otherwise incurred in the ordinary course of business, consistent with past practice;

settle or compromise any pending or threatened suit, action or proceeding involving a settlement payment by Ryan s or any of its subsidiaries in excess of $250,000 or requiring the surviving corporation to take or refrain from taking any material action after the effective time of the merger;

take certain actions relating to rights to any material intellectual property owned or licensed by Ryan s outside the ordinary course of business consistent with past practice; or

agree, resolve or commit to take any action described above.

Buffets Financing

In the merger agreement, Buffets and Merger Sub commit to use their commercially reasonable efforts to maintain their financing commitment letters from Drawbridge Special Opportunity Fund, LLC and from Credit Suisse Securities (USA) LLC, UBS Securities LLC, Goldman Sachs Credit Partners L.P. and Piper Jaffray & Co. providing for debt financing in an aggregate principal amount of up to $1.5 billion for the completion of the merger and other costs such as transaction costs relating to the merger (the commitment letters) and to enter into definitive financing agreements with respect to the financing contemplated by the commitment letters. In the event the committed amounts become unavailable for any reason, Buffets and Merger Sub will use their respective commercially reasonable efforts to arrange alternative financing on terms and conditions that are not less favorable in substance to Buffets and Merger Sub to those contained in the commitment letters.

Other Proposals

In the merger agreement, we have agreed to certain limitations on our ability to take action with respect to other acquisition proposals prior to the effective time of the merger. Notwithstanding these limitations, we may respond to certain proposals prior to the adoption of the merger agreement and approval of the merger by our shareholders. The merger agreement provides that:

the term acquisition proposal means any inquiry, proposal, indication of interest or offer from any person or other entity other than Buffets or its affiliates relating to an acquisition or sale of 20% or more of Ryan s consolidated assets or 20% or more of Ryan s or its subsidiaries equity securities, a tender or exchange offer that would result in any one person or entity beneficially owning 20% or more of Ryan s or any of its subsidiaries equity securities, or a merger, consolidation, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction other than the merger of Ryan s and Merger Sub contemplated by the merger agreement;

the term superior proposal means an unsolicited, bona fide, written acquisition proposal not received in violation of the following paragraph for at least a majority of Ryan s outstanding common stock or all or substantially all or a majority of its consolidated assets which is fully financed or for which financing is reasonably likely to be available (but excluding a sale-leaseback or similar transaction) and on terms that Ryan s board of directors determines in good faith would result in a transaction that is more favorable to Ryan s shareholders from a financial point of view than the merger with Merger Sub and is reasonably capable of being completed according to its terms; and

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prior to the effective time, Ryan s and its representatives may not:

- solicit, initiate, facilitate or knowingly encourage the making or submission of any acquisition proposal;
- enter into any letter of intent, agreement, arrangement or understanding with respect to any acquisition proposal, or agree to approve or endorse any acquisition proposal or enter into any agreement, arrangement or understanding that would require Ryan s to abandon, terminate or fail to consummate the merger;
- initiate or participate in any discussions or negotiations or furnish or disclose information in furtherance of a proposal that constitutes or could lead to an acquisition proposal; or
- facilitate any inquiries or the making or the submission of a proposal that constitutes or could reasonably be expected to lead to an acquisition proposal.

Prior to the adoption of the merger agreement and approval of the merger by our shareholders, Ryan s is permitted to engage in discussions and negotiations with respect to an unsolicited, bona fide acquisition proposal and furnish information about itself and its subsidiaries to the party making such a proposal pursuant to a customary confidentiality agreement that is at least as restrictive on the other party as the confidentiality agreement between Ryan s and Buffets if:

- Ryan s has not violated its obligations as described in the preceding paragraph; and