FRIENDLY ICE CREAM CORP
Form DEFM14A
July 27, 2007
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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 ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

FRIENDLY ICE CREAM CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:
Common stock, par value $0.01 per share, of Friendly Ice Cream Corporation (the common stock)

2) Aggregate number of securities to which transaction applies:
8,176,121 shares of common stock (including 41,747 shares of common stock subject to vesting or performance awards, each of which will vest immediately prior to the consummation of the merger);

556,897 shares of common stock underlying options to purchase common stock, with a weighted average exercise price of $9.8505; and

60,000 restricted stock units representing shares of common stock.

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
The filing fee was determined based upon the sum of (A) the product of 8,176,121 shares of common stock multiplied by the merger consideration of $15.50 per share, plus (B) $3,146,189.60, the amount expected to be paid upon cancellation of outstanding options, plus (C) $930,000, the amount expected to be paid upon cancellation of restricted stock units. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.0000307 by the sum of the preceding sentence.

4) Proposed maximum aggregate value of transaction:
$130,806,065.10

5) Total fee paid:
$4,015.75

x Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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FRIENDLY ICE CREAM CORPORATION

1855 Boston Road

Wilbraham, Massachusetts 01095

July 27, 2007

Dear Fellow Shareholder:

You are cordially invited to attend a special meeting of the shareholders of Friendly Ice Cream Corporation to be held on August 29, 2007, at 10:00 a.m., local time. The special meeting will take place in the Friendly Ice Cream Corporation Conference Center, 1855 Boston Road, Wilbraham, Massachusetts 01095.

At the special meeting, you will be asked to consider and vote upon a proposal to approve a merger agreement, which we entered into on June 17, 2007, pursuant to which Friendly Ice Cream Corporation would be acquired by Freeze Operations Holding Corp., an affiliate of Sun Capital Partners, Inc. If the merger contemplated by the merger agreement is completed, each share of Friendly s common stock issued and outstanding immediately prior to the merger, other than shares held in Friendly s treasury and shares held by any wholly-owned subsidiary of Friendly s, will be converted into the right to receive $15.50 in cash, without interest and less any applicable withholding taxes, as more fully described in the enclosed proxy statement. In addition, upon consummation of the merger, Friendly s will become a privately held, wholly-owned subsidiary of Freeze Operations Holding Corp.

Our board of directors has unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair to, and in the best interests of, Friendly s and its shareholders, adopted and declared advisable the merger agreement and the transactions contemplated thereby, including the merger, directed that the merger agreement be submitted to Friendly s shareholders for their approval and resolved to recommend that Friendly s shareholders approve the merger agreement. **The Friendly s board of directors unanimously recommends that you vote FOR the proposal to approve the merger agreement.**

Your vote is very important regardless of the number of shares of common stock that you own. The merger agreement must be approved by the affirmative vote of the holders of two-thirds of the outstanding shares of common stock entitled to vote on the matter. Therefore, 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 the proposal to approve the merger agreement.

Certain shareholders, who collectively own approximately 48.5% of the outstanding shares of our common stock, have entered into stockholders agreements pursuant to which they have agreed, among other things, to vote in favor of the merger. In addition, a nominee of Freeze Operations Holding Corp. holds approximately 2.9% of our outstanding shares of common stock and has agreed to vote those shares as directed by Freeze Operations Holding Corp.

Whether or not you plan to attend the special meeting, please complete, sign, date and return, as promptly as practicable, the enclosed proxy card in the accompanying reply envelope or submit your proxy by telephone or the Internet in accordance with the instructions set forth on the enclosed proxy card. If you attend the special meeting and vote your shares in person, your vote by ballot will revoke any proxy previously submitted.

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Thank you for your cooperation and continued support.

Very truly yours,

George M. Condos
President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated July 27, 2007 and is first being mailed to shareholders on or about July 30, 2007.

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FRIENDLY ICE CREAM CORPORATION

1855 Boston Road

Wilbraham, Massachusetts 01095

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON AUGUST 29, 2007

To the Shareholders of Friendly Ice Cream Corporation:

A special meeting of the shareholders of Friendly Ice Cream Corporation, a Massachusetts corporation (Friendly s, we or us), will be held on August 29, 2007, in the Friendly Ice Cream Corporation Conference Center, 1855 Boston Road, Wilbraham, Massachusetts 01095 at 10:00 a.m., local time, for the following purposes:

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger, or the merger agreement, dated as of June 17, 2007, by and among Friendly s, Freeze Operations Holdings Corp., a Delaware corporation (Parent), and Freeze Operations, Inc., a Massachusetts corporation and a wholly-owned subsidiary of Parent (Sub), as it may be amended from time to time.

2. To consider and vote on any proposal to adjourn or postpone the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger agreement if there are insufficient votes at the time of such adjournment or postponement to approve the merger agreement.

3. To consider and vote on such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

A copy of the merger agreement is attached as Annex A to the accompanying proxy statement. Pursuant to the terms of the merger agreement, Sub will merge with and into Friendly s, which we refer to as the merger, and each share of Friendly s common stock, par value $0.01 per share, or the common stock, issued and outstanding immediately prior to the effective time of the merger, other than shares held in Friendly s treasury and shares held by any wholly-owned subsidiary of Friendly s, will be converted into the right to receive $15.50 in cash, without interest and less any applicable withholding taxes.

Our board of directors has specified July 26, 2007 as the record date for the purpose of determining the shareholders who are entitled to receive notice of, and to vote at, the special meeting. All shareholders of record of Friendly s common stock at the close of business on the record date are entitled to notice of, to attend and to vote at the special meeting and any adjournments or postponements of the special meeting. As of the record date, there were 8,176,121 shares of Friendly s common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the special meeting.

Our board of directors has unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair to, and in the best interests of, Friendly s and its shareholders, adopted and declared advisable the merger agreement and the transactions contemplated thereby, including the merger, directed that merger agreement be submitted to Friendly s shareholders for their approval and resolved to recommend that Friendly s shareholders approve the merger agreement.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE MERGER AGREEMENT AND FOR THE PROPOSAL TO APPROVE ANY ADJOURNMENTS OR POSTPONEMENTS OF THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES.

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The Massachusetts Business Corporation Act does not entitle the holders of our common stock to seek appraisal of the fair value of their shares in connection with the merger.

Your vote is important. The approval of the merger agreement requires the affirmative vote of the holders of two-thirds of the outstanding shares of our common stock entitled to vote at the special meeting. Therefore, your failure to vote in person at the special meeting or to submit a signed proxy card or to submit your proxy by phone or Internet will have the same effect as a vote by you **AGAINST** the approval of the merger agreement. Any adjournments or postponements of the special meeting, if necessary or appropriate, to solicit additional proxies must be approved by the affirmative vote of holders of a majority of the shares of our common stock present in person or by proxy and voting at the special meeting. Properly executed proxy cards with no instructions indicated on the proxy card will be voted **FOR** the approval of the merger agreement and **FOR** adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies. Even if you plan to attend the special meeting in person, we recommend that you complete, sign, date and return the enclosed proxy or submit your proxy by telephone or the Internet prior to the special meeting to ensure that your shares will be represented at the special meeting if you become unable to attend. If you have Internet access, you can submit your vote via the Internet. If you attend the special meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card. If you hold your shares through a bank, broker or other custodian, you should follow the instructions for voting provided by your bank, broker or other custodian and, if you intend to vote your shares in person at the special meeting you must first obtain a legal proxy from such custodian. Your prompt attention is greatly appreciated.

By Order of the Board of Directors

Gregory A. Pastore, Esq.

Vice President, General

Counsel & Clerk

Wilbraham, Massachusetts

July 27, 2007

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SUMMARY

The following summary highlights only selected information from this proxy statement and may not contain all of the information that may be important to you. Accordingly, we encourage you to read carefully this proxy statement in its entirety, including the annexes and the other documents referred to or incorporated by reference in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that topic. See Where You Can Find More Information.

The Parties to the Merger (page 17)

Friendly Ice Cream Corporation

1855 Boston Road

Wilbraham, Massachusetts 01095

(413) 731-4000

Friendly Ice Cream Corporation, which we refer to as Friendly s, we or us, is a Massachusetts corporation and a vertically integrated restaurant company serving signature sandwiches, entrees and ice cream desserts in a friendly, family environment in 513 company and franchised restaurants, located in 16 states. Friendly s also manufactures ice cream, which is distributed through more than 4,000 supermarkets and other retail locations.

Freeze Operations Holding Corp.

c/o Sun Capital Partners, Inc.

5200 Town Center Circle

Suite 470

Boca Raton, Florida 33486

(561) 394-0550

Freeze Operations Holding Corp., which we refer to as Parent, is a Delaware corporation affiliated with Sun Capital Partners, Inc., which we refer to as Sponsor. Parent was formed solely for the purpose of acquiring Friendly s and has not carried on any business or activities to date, except activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement.

Freeze Operations, Inc.

c/o Sun Capital Partners, Inc.

5200 Town Center Circle

Suite 470

Boca Raton, Florida 33486

(561) 394-0550

Freeze Operations Inc., which we refer to as Sub, is a Massachusetts corporation and a wholly-owned subsidiary of Parent. Sub was formed solely for the purpose of facilitating Parent s acquisition of Friendly s and has not carried on any business or activities to date, except activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement.

The Merger (page 21)

Pursuant to the agreement and plan of merger, dated as of June 17, 2007, by and among Friendly s, Parent and Sub, which we refer to as the merger agreement, on the closing date, Sub will be merged with and into Friendly s with Friendly s continuing as the surviving corporation and a wholly-owned subsidiary of Parent. We sometimes use the term surviving corporation in this proxy statement to refer to Friendly s as the surviving

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corporation following the merger. As a result of the merger, Friendly s will become a private company, controlled by an investment fund affiliated with the Sponsor, and our common stock will no longer be listed on the American Stock Exchange. In the merger, each share of Friendly s common stock, par value $0.01 per share, issued and outstanding immediately prior to the effective time of the merger, other than shares held by us in treasury and shares held by any of our wholly-owned subsidiaries, will be cancelled and converted into the right to receive $15.50 in cash, without interest and less any applicable withholding taxes. We refer to the $15.50 cash consideration to be received for each share of Friendly s common stock in the merger as the merger consideration.

We are working toward completing the merger as quickly as possible, and we currently anticipate that it will be completed in the third quarter of 2007. However, we cannot predict the exact timing of the completion of the merger or whether the merger will be completed.

The Special Meeting (page 18)

Date, Time and Place

The special meeting of our shareholders will be held on August 29, 2007, in the Friendly Ice Cream Corporation Conference Center, 1855 Boston Road, Wilbraham, Massachusetts 01095 at 10:00 a.m., local time.

Record Date, Notice and Quorum

Holders of record of common stock at the close of business on July 26, 2007, the record date for the special meeting, will be entitled to receive notice of and to vote at the special meeting and any adjournments or postponements of the special meeting. As of the record date, there were 8,176,121 shares of common stock outstanding. Each share of outstanding common stock is entitled to one vote on each matter properly brought before the special meeting. A majority of the issued and outstanding shares of common stock entitled to vote at the special meeting constitutes a quorum for the purpose of considering the proposals.

The Proposals

At the special meeting, you will be asked to vote upon proposals to (1) approve the merger agreement, (2) approve any adjournments or postponements of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger agreement if there are insufficient votes at the special meeting to approve the merger agreement and (3) consider and vote upon such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

Required Vote

The approval of the merger agreement requires the affirmative vote of the holders of two-thirds of the outstanding shares of common stock entitled to vote at the special meeting. **Failure to vote your shares of common stock, including as a result of broker non-votes and abstentions, will have the same effect as voting against the proposal to approve the merger agreement.**

The following Friendly s shareholders, who collectively own approximately 48.5% of the outstanding shares of our common stock, have entered into stockholders agreements with Parent pursuant to which such shareholders have agreed, among other things, to vote in favor of approval of the merger agreement: Donald N. Smith (Chairman of the Friendly s board of directors), The Lion Fund L.P., Biglari Capital Corp., Sardar Biglari, Western Sizzlin Corp. and Philip L. Cooley, S. Prestley Blake, Kevin Douglas and James E. Vinick. In addition, shares previously owned by The Lion Fund L.P. and Western Sizzlin Corp. and representing approximately 2.9% of our outstanding shares were sold by such shareholders to a nominee of Parent, which has agreed to vote the shares as directed by Parent.

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In addition, the proposal to approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies requires the affirmative vote of a majority of the shares of common stock present in person or by proxy and voting at the special meeting. Failure to vote your shares of common stock, including as a result of broker non-votes and abstentions, will have no effect on the proposal to approve any adjournments of the special meeting to solicit additional proxies.

Voting and Proxies

Any shareholder of record entitled to vote at the special meeting may submit a proxy by telephone, via the Internet, by returning the enclosed proxy card by mail or by voting in person at the special meeting. If you intend to submit your proxy by telephone or the Internet you must do so no later than 5 p.m., local time, on August 28, 2007, and if you intend to submit your proxy by mail it must be received by Friendly s prior to the commencement of the special meeting.

If your shares of common stock are held in street name by your bank, broker or other custodian, you should instruct your bank, broker or other custodian as to how to vote such shares of common stock using the instructions provided by your bank, broker or other custodian. Additionally, if your shares of common stock are held in street name and you intend to vote your shares in person at the special meeting, you must first obtain a legal proxy from such bank, broker or other custodian. If you do not provide your bank, broker or other custodian with instructions, your shares of common stock will not be voted, which will have the same effect as a vote **AGAINST** the approval of the merger agreement. The persons named in the accompanying proxy will also have discretionary authority to vote on any adjournments or postponements of the special meeting. Even if you plan to attend the special meeting, after carefully reading and considering the information contained in this proxy statement, if you hold your shares of common stock in your own name as the shareholder of record, please vote your shares by completing, signing, dating and returning the enclosed proxy card or by using the telephone number printed on your proxy card or by using the Internet voting instructions printed on your proxy card.

If you return your signed proxy card, but do not mark the boxes showing how you wish to vote, your shares of common stock represented by such proxy card will be voted **FOR** the proposal to approve the merger agreement and **FOR** the adjournment or postponement proposal, if applicable.

Revocability of Proxy

Any shareholder of record who executes and returns a proxy card (or submits a proxy via telephone or the Internet) may revoke the proxy at any time before it is voted at the special meeting by attending the special meeting and voting in person. Your attendance at the special meeting will not, by itself, revoke your proxy. To revoke your proxy, you must vote in person at the special meeting. If you hold your shares of common stock in your name as a shareholder of record, you may also revoke the proxy by notifying Friendly s Corporate Clerk. Further, your proxy may be revoked by submitting a later-dated proxy card, or, if you voted by telephone or the Internet, by voting a subsequent time by telephone or Internet.

In the event that you have instructed a broker, bank or other custodian to vote your shares of common stock, you have to follow the directions received from your broker, bank or other custodian and change those instructions in order to revoke your proxy.

Sale of Shares

If you held your shares of common stock on July 26, 2007, the record date for the special meeting, but transfer your shares prior to the effective time of the merger, you will retain your right to vote at the special meeting; however, you will not have the right to receive the merger consideration. The right to receive the

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merger consideration when the merger becomes effective will pass to the person who owns the shares of our common stock that you previously owned.

Solicitation of Proxies; Costs

Friendly s will pay all expenses of this solicitation, including the cost of preparing and mailing this document. The proxies are being solicited by and on behalf of our board of directors. In addition to solicitation by use of the mails, proxies may be solicited by our directors, officers and employees in person or by telephone, telegram, electronic mail, facsimile transmission or other means of communication. Those persons will not be additionally compensated for solicitation activities, but may be reimbursed for out-of-pocket expenses in connection with any solicitation. We also may reimburse custodians, nominees and fiduciaries for their expenses in sending proxies and proxy material to beneficial owners. In addition, we have retained Georgeson Inc. to assist in the solicitation of proxies for the special meeting for a fee of approximately $12,000.

Common Stock Ownership of Directors and Executive Officers

As of the record date, our directors and executive officers owned and are entitled to vote an aggregate of approximately 1,082,705 shares of common stock, entitling them to exercise approximately 13.2% of the voting power of common stock entitled to vote at the special meeting. All our directors and executive officers have informed us that they intend to vote the shares of common stock that they own **FOR** the proposal to approve the merger agreement and **FOR** the proposal to approve any adjournments or postponements of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the special meeting to approve the merger agreement.

Treatment of Common Stock, Stock Options, Restricted Stock Units and Restricted Stock (page 33)

Common Stock

The merger agreement provides that, at the effective time of the merger, each share of common stock outstanding immediately prior to the effective time of the merger (other than shares held in our treasury and shares held by any of our wholly-owned subsidiaries) will be cancelled and converted into the right to receive $15.50 in cash, without interest and less any applicable withholding taxes.

Stock Options

The merger agreement provides that each option to acquire common stock, which is outstanding at the effective time of the merger, whether vested or unvested, at the effective time of the merger, will be cancelled and converted into the right to receive a cash payment (without interest and less any applicable withholding taxes) equal to the product of:

the number of shares of common stock subject to such option (assuming full vesting of such option); and

an amount that is equal to the excess, if any, of $15.50 over the exercise price per share of such option.

Restricted Stock and Restricted Stock Units

Each share of common stock that is subject to vesting or other risks of forfeiture pursuant to awards under Friendly s 2003 Incentive Plan (including restricted stock units which will be converted into restricted shares at the effective time of the merger) that is outstanding immediately prior to the effective time of the merger will vest and become free of all restrictions immediately prior to consummation of the merger and, at the effective

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time of the merger, will be cancelled and converted into the right to receive $15.50 in cash (without interest and less any applicable withholding taxes).

Recommendation of the Friendly s Board of Directors (page 25)

Our board of directors has unanimously:

- determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and fair to and in our and our shareholders best interests;
- adopted and declared advisable the merger agreement and the transactions contemplated by the merger agreement, including the merger;
- directed that the merger agreement be submitted to our shareholder for their approval; and
- recommended that you vote **FOR** the proposal to approve the merger agreement and **FOR** the proposal to approve any adjournments or postponements of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the special meeting to approve the merger agreement.

Opinion of Friendly s Financial Advisor (page 27)

On June 17, 2007, Goldman, Sachs & Co. rendered its oral opinion, subsequently confirmed by delivery of its written opinion, dated June 17, 2007, to the board of directors of Friendly s that, as of June 17, 2007 and based upon and subject to the factors and assumptions set forth therein, the $15.50 per share in cash to be received by the holders of shares of common stock pursuant to the merger agreement, was fair, from a financial point of view, to such holders.

The full text of the written opinion of Goldman Sachs, dated June 17, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided its opinion for the information and assistance of Friendly s board of directors in connection with its consideration of the proposed transaction. Goldman Sachs opinion is not a recommendation as to how any holder of common stock should vote with respect to the transaction or any other matter. Pursuant to an engagement letter between Friendly s and Goldman Sachs, Friendly s has agreed to pay Goldman Sachs a transaction fee of 1.35% of the aggregate consideration paid in the transaction, or approximately $5 million, the principal portion of which is contingent upon consummation of the transaction.

Financing (page 32)

Parent has received a commitment letter, dated June 17, 2007, from Sun Capital Partners IV, LP, an investment fund affiliated with Sponsor, pursuant to which, subject to the conditions contained therein, Sun Capital Partners IV, LP, has agreed to contribute, or cause to be contributed, $126.4 million in the aggregate to Parent in connection with the merger. In the commitment letter, Sun Capital Partners IV, LP has irrevocably and unconditionally guaranteed to us payment by Parent of the termination fee and certain other payment obligations of Parent and Sub under the merger agreement.

Interests of Our Directors and Executive Officers in the Merger (page 33)

In considering the recommendation of our board of directors that you approve the merger agreement, you should be aware that certain of our directors and executive officers may have interests in the transaction that are different from, or are in addition to, your interests as a shareholder, including the following:

our executive officers and directors will have their vested and unvested stock options and restricted shares (including restricted stock units converted into restricted shares at the effective time of the merger) canceled and cashed out in connection with the merger (as of the record date, our directors and

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executive officers held options to purchase 422,265 shares of common stock at a weighted average exercise price of $10.0717, 226,923 of which were unvested and held 101,747 shares of restricted stock (including restricted stock units converted into restricted shares of the effective time of the merger) representing 101,747 shares of common stock);

certain executive officers may receive payments and benefits under their respective change in control, separation and employment arrangements if the executive officer s employment is terminated; and

the merger agreement also provides for post-merger indemnification arrangements for each of Friendly s current and former directors and officers, as well as insurance coverage for his or her services to Friendly s as a director or officer.

In addition, on February 25, 2003, S. Prestley Blake, who currently holds approximately 13% of our common stock, commenced a purported shareholder derivative action against Friendly s Chairman, Donald Smith, and Friendly s (as a nominal defendant) in Hampden Superior Court, Massachusetts. The suit alleges claims for breach of fiduciary duty and misappropriation of corporate assets, and seeks to compel Mr. Smith to reimburse Friendly s for the alleged misappropriation.

In May 2006, Mr. Blake amended his suit to add as defendants current outside directors Michael J. Daly, Steven L. Ezzes and Burton J. Manning and former outside director Charles A. Ledsinger, Jr. On December 20, 2006, the Court dismissed all of Mr. Blake s claims against the outside directors, finding that Mr. Blake failed to allege that the directors had breached their fiduciary duties.

The parties to the derivative lawsuit are currently negotiating a joint motion to stay the proceedings for a period of six months, or until such time as one or more parties move to modify or terminate the stay, or to dismiss the lawsuit. The motion is based on our announcement of the plan of merger, which will render the derivative action moot.

Restrictions on Solicitation of Other Offers (page 47)

The merger agreement restricts our ability to, among other things, solicit or participate in discussions or negotiations with any third parties regarding specified alternative transaction proposals involving us or our subsidiaries and our board of directors ability to change or withdraw its recommendation in favor of the merger agreement. Notwithstanding these restrictions, under circumstances specified in the merger agreement, our board of directors may respond to certain unsolicited alternative transaction proposals or terminate the merger agreement or withdraw its recommendation in favor of the approval of the merger agreement if the failure to take any such action would be inconsistent with its fiduciary duties.

Conditions to the Merger (page 51)

Conditions to Each Party s Obligation to Effect the Merger. Each party s obligation to effect the merger is subject to the satisfaction or waiver of the following conditions:

the expiration or earlier termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the HSR Act , and the absence of any action instituted by the United States Department of Justice or the United States Federal Trade Commission challenging or seeking to enjoin consummation of the merger, which action shall not have been withdrawn or terminated;

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the absence of any statute, rule, regulation, executive order, decree, ruling, restraining order or preliminary or permanent injunction of any governmental entity which prohibits, restrains or enjoins consummation of the merger being in effect; and

approval of the merger agreement by the holders of two-thirds of the outstanding shares of our common stock.

Conditions to Friendly s Obligation to Effect the Merger. The obligation of Friendly s to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

Parent s and Sub s performance, in all material respects, of their respective obligations under the merger agreement;

the representations and warranties of Parent and Sub in the merger agreement being true and correct in all respects when made and as of the effective time of the merger, except where any failure to be true and correct, interpreted without regard to any materiality or material adverse effect qualifications, would not, in the aggregate, reasonably be expected to prevent or materially delay consummation of the merger or otherwise materially adversely affect Parent s ability to perform its obligations under the merger agreement; and

the receipt of a solvency opinion.

Conditions to Parent s and Sub s Obligation to Effect the Merger. The obligation of Parent and Sub to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

our performance, in all material respects, of our obligations under the merger agreement;

our representations and warranties in the merger agreement concerning corporate authority being true and correct in all respects when made and as of the effective time of the merger, and our representations and warranties in the merger agreement concerning our capitalization (except for deviations of not more than 0.3% of the number of outstanding shares) being true and correct when made and as of the effective time of the merger; and

our other representations and warranties in the merger agreement being true and correct in all respects when made and as of the effective time of the merger, interpreted without regard to any materiality or material adverse effect qualifications, except where any failure of such representations and warranties to be true and correct, would not, in the aggregate, reasonably be expected to have a material adverse effect on Friendly s.

Termination of the Merger Agreement (page 52)

The merger agreement may be terminated at any time prior to the effective time of the merger as follows:

by mutual written consent of Parent and Friendly s;

by either Parent or us if:

the merger has not occurred on or before December 17, 2007 (such date is referred to as the outside date); provided that this right will not be available to a party whose failure to fulfill any obligation under the merger agreement has caused the merger

to not have occurred prior to such date; and further provided that the outside date may be extended for a period not to exceed 45 days by either party if the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, shall not have expired or an action shall have been instituted by the United States Department of Justice or the United States Federal Trade Commission challenging or seeking to enjoin consummation of the merger and shall not have

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been withdrawn or terminated, and the extending party reasonably believes that the relevant regulatory approval will be obtained during the extension period;

any governmental entity has issued an order or taken any other action permanently prohibiting the merger and such order or action has become final and non-appealable; provided that this right will not be available to a party who has taken any action that caused it to be in material violation of any of its representations, warranties or covenants; or

the holders of two-thirds of the outstanding shares of our common stock have not voted to approve the merger agreement at the special meeting or at any adjournment or postponement thereof (such approval is referred to in this proxy statement as the requisite shareholder approval);

by Parent if:

we breach any of our representations, warranties, covenants or agreements contained in the merger agreement, which breach would give rise to the failure of the closing condition of Parent or Sub relating to our representations, warranties, covenants and agreements discussed above to be satisfied and such breach has not been cured, or is not capable of being cured, within a specified time period; or

our board of directors has withdrawn, or publicly proposed to withdraw, its recommendation that our shareholders vote to approve the merger agreement (such a withdrawal or proposed withdrawal is referred to as an adverse recommendation change), our board of directors recommends, or proposes publicly to recommend, an alternative transaction proposal or an acquisition agreement related thereto, our board of directors fails to reaffirm its recommendation in favor of approval of the merger agreement after the receipt from the Parent of a request for such reaffirmation or we knowingly and willfully breach any of our obligations in the merger agreement regarding not soliciting any alternative transaction proposals.

by us if:

prior to receipt of the requisite shareholder approval:

we receive an alternative transaction proposal that our board of directors determines in good faith (after consultation with its financial advisor) constitutes or is reasonably expected to lead to a superior proposal to the transactions contemplated by the merger agreement (including any changes to the terms of such transactions proposed by Parent); and

our board of directors has, after consultation with outside legal counsel, determined in good faith that failure to withdraw its recommendation of the merger agreement would be inconsistent with its fiduciary duties and does withdraw such recommendation; and

we have notified Parent of our intent to terminate the merger agreement or change our recommendation and have given Parent the opportunity to adjust the terms and conditions of the merger agreement; and

simultaneously with such termination, we pay Parent the termination fee described below; or

Parent or Sub have breached any of their respective representations, warranties, covenants or agreements contained in the merger agreement, which breach would give rise to the failure of one of our closing conditions relating to the representations, warranties, covenants or agreements of Parent or Sub to be satisfied and such breach has not been cured, or is not capable of being cured, within a specified time period.

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Termination Fee and Expenses (page 55)

If the merger agreement is terminated under certain circumstances, we have agreed to pay Parent a termination fee equal to $5 million. In addition, if the merger agreement is terminated, we also have agreed to pay Parent s expenses up to $4 million under certain circumstances, although we will not be required to pay in excess of $6.5 million in the aggregate for the termination fee and Parent expenses. Specifically, we will:

- pay Parent a $5 million termination fee if Parent terminates the merger agreement because our board of directors shall have made an adverse recommendation change, our board of directors shall have recommended, or proposed publicly to recommend, an alternative transaction proposal or acquisition agreement related thereto, our board of directors shall have failed to reaffirm its recommendation in favor of approval of the merger agreement after the receipt from Parent of a request for such reaffirmation or we shall have knowingly and willfully breached any of our obligations in the merger agreement regarding not soliciting any alternative transaction proposals;

- pay Parent a $5 million termination fee if Friendly s terminates the merger agreement as a result of an adverse recommendation change in response to an alternative transaction proposal;

- pay Parent a $5 million termination fee if the merger agreement is terminated by Parent or Friendly s because the merger shall not have occurred on or before the outside date or the requisite shareholder approval is not obtained at the special meeting or at any adjournment or postponement thereof, or by Parent because Friendly s shall have breached its representations, warranties, covenants or agreements contained in the merger agreement in such a manner that the closing condition related to such representations, warranties, covenants or agreements has not been satisfied and (i) an alternative transaction proposal shall have been made or communicated to Friendly s or shall have been publicly announced or publicly made known to the shareholders of Friendly s prior to such termination and (ii) within twelve months after such termination, Friendly s shall have entered into a definitive agreement with respect to, or shall have consummated, an alternative transaction proposal;

- pay Parent s expenses up to $4 million if the merger agreement was terminated because the requisite shareholder approval is not obtained at the special meeting or at any adjournment or postponement thereof or because Friendly s shall have breached its representations, warranties, covenants, or agreements contained in the merger agreement in such a manner that the closing condition related to such representations, warranties, covenants or agreements has not been satisfied; provided that if a termination fee is subsequently payable by Friendly s to Parent, the termination fee shall be equal to the lesser of (i) $5 million or (ii) $6.5 million minus the expenses previously paid by Friendly s to Parent;

- pay Parent s expenses up to $1.5 million if the merger agreement was terminated (i) because our board of directors shall have made an adverse recommendation change, our board of directors shall have recommended, or proposed publicly to recommend, an alternative transaction proposal or acquisition agreement related thereto, our board of directors shall have failed to reaffirm its recommendation in favor of approval of the merger agreement after the receipt from Parent of a request for such reaffirmation or we shall have breached any of our obligations in the merger agreement regarding not soliciting any alternative transaction proposals; or (ii) by us as a result of an adverse recommendation change in response to an alternative transaction proposal; and

- pay Parent s expenses up to $1.5 million if (i) the merger agreement was terminated because the merger has not occurred on or before the outside date and (ii) Parent subsequently becomes entitled to a receive a termination fee from Friendly s.

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Parent has agreed:

to pay us $5 million if we terminate the merger agreement as a result of Parent s or Sub s breach of its obligation to consummate the merger and all Parent s conditions to the merger (including any conditions applicable to Parent and us) have been satisfied (such a fee is referred to as a Parent termination fee).

Limited Remedies; Maximum Recovery (page 55)

If the merger agreement is terminated and a termination fee becomes payable by us, the termination fee, Parent s expenses and any interest that may accrue thereon are Parent s and Sub s exclusive remedy against us for any loss suffered as a result of the failure of the merger to be consummated. In addition, Parent and Sub can seek specific performance against us if the merger agreement has not been terminated.

If the merger agreement is terminated and a termination fee becomes payable by Parent, the termination fee is our exclusive remedy against Parent for any loss suffered as a result of the failure of the merger to be consummated. In all circumstances, Parent s and Sub s maximum liability under the merger agreement cannot exceed $5 million.

Regulatory Matters (page 39)

The obligation of the parties to consummate the merger is subject to the receipt of certain regulatory approvals under applicable law, including the expiration or earlier termination of the waiting period applicable to the consummation of the merger under the HSR Act. Effective July 16, 2007, the Federal Trade Commission and the Department of Justice granted early termination of the HSR Act waiting period.

Appraisal Rights (page 56)

Massachusetts law does not entitle the holders of shares of common stock to seek appraisal of the fair value of their shares in connection with the merger.

Material U.S. Federal Income Tax Consequences (page 39)

Generally, merger consideration paid to our shareholders will be taxable to our shareholders for U.S. federal income tax purposes. A holder of common stock receiving cash in the merger generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash received and the holder s adjusted tax basis in the common stock surrendered. Any such gain or loss generally will be capital gain or loss if the common stock is held as a capital asset at the effective time of the merger. Any capital gain or loss will be taxed as long-term capital gain or loss if the holder has held the common stock for more than one year prior to the effective time of the merger. If the holder has held the common stock for one year or less prior to the effective time of the merger, any capital gain or loss will be taxed as short-term capital gain or loss. Currently, long-term capital gain for non-corporate taxpayers is taxed at a maximum federal tax rate of 15%. The deductibility of capital losses is subject to certain limitations. Each holder of common stock should consult the holder s tax advisors as to the particular tax consequences of the merger to such holder.

Delisting and Deregistration of Our Common Stock (page 41)

If the merger is completed, shares of common stock will no longer be listed and traded on the American Stock Exchange and will be deregistered under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act.

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Market Price of Friendly s Common Stock (page 58)

Our shares of common stock are traded on the American Stock Exchange under the ticker symbol FRN. On March 6, the last trading day prior to the date we announced we were exploring strategic alternatives, including a possible sale of the company, the closing price of our shares of common stock on the American Stock Exchange was $11.84 per share. On June 15, 2007, the last trading day prior to the date of the public announcement of the merger agreement, the closing price of shares of our common stock on the American Stock Exchange was $14.33 per share. On July 26, 2007, the last trading day prior to the date of this proxy statement, the closing price of our shares of common stock on the American Stock Exchange was $15.29 per share. You are encouraged to obtain current market quotations for shares of common stock.

Additional Information

For additional information about the merger, assistance in submitting proxies or voting shares of common stock or additional copies of the proxy statement or enclosed proxy card, please contact: Deborah Burns, Senior Director Investor Relations, at 1-413-731-4124 or our proxy solicitor, Georgeson Inc., at 1-888-605-7596.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to 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 Friendly s shareholder. Please refer to the Summary and the more detailed information contained elsewhere in this proxy statement, and the annexes, as well as the additional documents referred to or incorporated in this proxy statement, which you should read carefully in their entirety. See Where You Can Find More Information.

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of Friendly s by Parent. If the merger agreement is approved by our shareholders and the other closing conditions in the merger agreement are satisfied or waived, Sub will merge with and into us, which we refer to as the merger. We will be the surviving corporation and will be wholly-owned after the merger by Parent.

Q: What will I receive in the merger?

A: If the merger is completed, each share of our common stock issued and outstanding immediately prior to the effective time of the merger, including all restricted shares and restricted stock units (but excluding shares held in our treasury and shares held by any of our wholly-owned subsidiaries), will be converted into the right to receive $15.50 in cash, which we refer to as the merger consideration, without interest and less any applicable withholding taxes. All outstanding stock options, whether vested or unvested, will be converted into the right to receive a cash payment at the effective time of the merger of an amount equal to the product of the number of shares of common stock underlying such option and an amount equal to the merger consideration less the exercise price for such option, without interest and subject to applicable withholding taxes.

Q: When and where is the special meeting?

A: The special meeting of our shareholders will be held on August 29, 2007, in the Friendly Ice Cream Corporation Conference Center, 1855 Boston Road, Wilbraham, Massachusetts 01095, at 10:00 a.m., local time.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible. If our shareholders approve the merger agreement, and assuming that the other conditions to the merger are satisfied or waived, we believe that the merger will be completed in the third calendar quarter of this year. However, we cannot predict the exact timing of the completion of the merger or whether the merger will be completed.

Q: Who can vote and attend the special meeting?

A: Holders of record of outstanding shares of common stock as of the close of business on July 26, 2007, the record date for the special meeting, are entitled to receive notice of, to attend and to vote at the special meeting and any adjournments or postponements of the special meeting. Each share of common stock is entitled to one vote on each matter properly brought before the special meeting.

Q: ***What vote of our shareholders is required to approve the merger agreement and to approve any adjournments or postponements of the special meeting?***

A: The affirmative vote of holders of two-thirds of the outstanding shares of common stock entitled to vote at the special meeting is required to approve the merger agreement. Approval of any adjournments or postponements of the special meeting to solicit additional proxies, if necessary or appropriate, requires the affirmative vote of holders of a majority of the shares of common stock present in person or by proxy and voting at the special meeting.

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If a quorum is not present at the special meeting, the special meeting may be adjourned or postponed by the affirmative vote of holders of a majority of the shares of common stock present in person or by proxy and voting at the special meeting. In addition, the proxies will have the power to adjourn or postpone the meeting for any other reason.

Q: What will happen if I abstain from voting or fail to vote?

A: With respect to the proposal to approve the merger agreement, if you abstain from voting on the proposal, fail to cast your vote in person or by proxy or, if you hold your shares in street name and fail to give voting instructions to the record holder of your shares, it will have the same effect as a vote against the proposal to approve the merger agreement.

With respect to the proposal to approve any adjournments or postponements of the special meeting, if necessary or appropriate, to solicit additional proxies, if you abstain from voting on the proposal, fail to cast your vote in person or by proxy or, if you hold your shares in street name and fail to give voting instructions to the record holder of your shares, it will have no effect on the outcome of the vote on that proposal.

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

A: Our board of directors unanimously recommends that you vote **FOR** the proposal to approve the merger agreement and **FOR** the proposal to approve any adjournments or postponements of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the special meeting to approve the merger agreement.

Q: How do I cast my vote if my shares of common stock are held of record?

A: If you are a holder of record of common stock on the record date, you may vote in person at the special meeting or authorize a proxy for the special meeting. You can authorize your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed, postage-paid envelope, or, if you prefer, by following the instructions on your proxy card for telephonic or Internet proxy authorization.

Q: How do I cast my vote if my shares of common stock are held in street name ?

A: If you hold your shares of common stock in street name through a broker, bank or other custodian, your broker, bank or custodian will not vote your shares unless you provide instructions on how to vote. You must obtain a voting instruction card from the broker, bank or other custodian that is the record holder of your shares and provide your broker, bank or other custodian with instructions on how to vote your shares, in accordance with the voting directions provided by your broker, bank or custodian. Additionally, if your shares of common stock are held in street name and you intend to vote your shares in person at the special meeting you must first obtain a legal proxy from such bank, broker or other custodian. The inability of your broker, bank or other custodian to vote your shares, often referred to as a broker non-vote, will have the same effect as a vote **AGAINST** the proposal to approve the merger agreement and will have no effect on the proposal to approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies. If your shares are held in street name, please refer to the voting instruction card used by your broker, bank or other custodian, or contact them directly, to see if you may submit voting instructions using the Internet or telephone.

Q: How will proxy holders vote my shares of common stock?

A: If you properly authorize a proxy prior to the special meeting, your shares of common stock will be voted as you direct. If you authorize a proxy but no direction is otherwise made, your shares of common stock will be voted **FOR** the proposal to approve the merger agreement and **FOR** the proposal to approve any adjournments or postponements of the special meeting, if necessary or appropriate, to solicit additional proxies. The proxy holders will vote in their discretion upon such other matters as may properly come before the special meeting or any adjournments or postponements of the special meeting.

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Q: What happens if I sell my shares of common stock before the special meeting?

A: If you held your shares of common stock on July 26, 2007, the record date for the special meeting, but transfer your shares prior to the effective time of the merger, you will retain your right to vote at the special meeting; however, you will not have the right to receive the merger consideration. The right to receive the merger consideration when the merger becomes effective will pass to the person who owns the shares of our common stock that you previously owned.

Q: Can I change my vote after I have mailed my proxy card?

A: Yes. If you own shares of common stock as a record holder on July 26, 2007, the record date for the special meeting, you may revoke a previously authorized proxy at any time prior to its exercise by delivering a properly executed, later-dated proxy card, by authorizing your proxy by telephone or Internet at a later date than your previously authorized proxy, following the instructions that appear on the enclosed proxy card or by voting in person at the special meeting. Attendance at the meeting will not, in itself, constitute revocation of a previously authorized proxy. If you own shares of common stock in street name, you may revoke or change previously granted voting instructions by following the instructions provided by the bank, broker or other custodian that is the registered owner of the shares.

Q: Should I send in my certificates representing shares of common stock now?

A: No. Shortly after the merger is completed, you will receive a letter of transmittal with instructions informing you how to send your share certificates to the paying agent in order to receive the merger consideration. You should use the letter of transmittal to exchange your shares of common stock for the merger consideration following the merger. **DO NOT SEND ANY SHARES WITH YOUR PROXY.**

Q: Am I entitled to dissenters or appraisal rights?

A: No. The Massachusetts Business Corporation Act does not entitle the holders of shares of common stock to seek appraisal of the fair value of their shares in connection with the merger.

Q: What will happen to the common stock that I currently own after completion of the merger?

A: Following completion of the merger, your shares of common stock will be canceled and will represent only the right to receive the merger consideration. Trading in the common stock on the American Stock Exchange will cease, and price quotations for the common stock will no longer be available following completion of the merger and the common stock will cease to be registered under the Exchange Act.

Q: What happens if the merger is not completed?

A: If the merger agreement is not approved by Friendly s shareholders or if the merger is not completed for any other reason, Friendly s shareholders will not receive any payment for their shares in connection with the merger. Instead, Friendly s will remain a public company, and the common stock will continue to be listed and traded on the American Stock Exchange and registered under the Exchange Act. Under specified circumstances, Friendly s may be required to pay Parent a termination fee or reimburse Parent for its out-of-pocket expenses as described under The Merger Agreement Effects of Terminating the Merger Agreement.

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

A: Yes. The following Friendly s shareholders, who collectively own approximately 48.5% of the outstanding shares of our common stock, have entered into stockholders agreements with Parent pursuant to which such shareholders have agreed, among other things, to vote in favor of approval of the merger agreement: Donald N. Smith (Chairman of the Friendly s board of directors), The Lion Fund L.P., Biglari Capital Corp., Sardar Biglari, Western Sizzlin Corp., Philip L. Cooley, S. Prestley Blake, Kevin Douglas and James E. Vinick. In addition, shares previously owned by The Lion Fund L.P. and Western Sizzlin Corp. and representing

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approximately 2.9% of our outstanding shares were sold by such shareholders to a nominee of Parent, which has agreed to vote the shares as directed by Parent.

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

A: We file certain information with the United States Securities and Exchange Commission, which we refer to as the SEC. 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 on the SEC s website at www.sec.gov and on our website at www.friendly.com. Information contained on our website is not part of, or incorporated into, this proxy statement. You can also request copies of these documents from us. See Where You Can Find More Information on page 62.

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

A: We will bear the cost of soliciting proxies for the special meeting. Friendly s board of directors is soliciting your proxy on our behalf. Our directors, officers and employees may solicit proxies by telephone and facsimile, by mail, on the Internet or in person. They will not be paid any additional amounts for soliciting proxies. We have retained Georgeson Inc. to assist us in the solicitation of proxies, and will pay approximately $12,000, plus reimbursement of out-of-pocket expenses, to Georgeson Inc. for its services. We also will request that banking institutions, brokerage firms, custodians, trustees, nominees, fiduciaries and other like parties forward the solicitation materials to the beneficial owners of common stock held of record by such person, and we will, upon request of such record holders, reimburse forwarding charges and out-of-pocket expenses.

Q: Who can help answer my other questions?

A: If you have additional questions about the special meeting or the merger, you should contact Deborah Burns, Senior Director Investor Relations, at 1-413-731-4124 or our proxy solicitor, Georgeson Inc., at 1-888-605-7596.

If you hold your shares through a broker, bank or other custodian, you also should call your broker, bank or other custodian for additional information.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Information both included and incorporated by reference in this proxy statement, including information appearing under Financial Projections, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, which are based on various assumptions and describe our future plans, strategies and expectations, are generally identified by our use of words such as intend, plan, may, should, will, project, estimate, anticipate, believe, expect, continue, potential, opportunity whether in the negative or affirmative. We cannot guarantee that we will achieve these plans, intentions or expectations, including completing the merger on the terms summarized in this proxy statement. All statements regarding our expected financial position, business and financing plans are forward-looking statements.

Except for historical information, matters discussed in this proxy statement are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. These risks and other factors include, without limitation:

- the occurrence of any event, fact, condition, change, development or effect that could give rise to the termination of the merger agreement;
- the outcome of any legal proceedings that may be instituted against Friendly s and others following announcement of entering into the merger agreement;
- the inability to complete the merger due to the failure to obtain the requisite shareholder approval or the failure to satisfy other conditions to completion of the merger, including the receipt of regulatory approvals;
- the failure of Parent or Sub to obtain the necessary financing set forth in the commitment letter received in connection with the proposed merger;
- the effect of the announcement of the proposed merger on our relationships with customers, suppliers, vendors, franchisees and other business partners;
- risks that the proposed transactions disrupt current plans and operations and the potential difficulties in employee retention;
- the amount of the costs, fees, expenses and charges related to the merger;
- other risks detailed in our filings with the SEC, including our most recent filings on Forms 10-K, 10-Q and 8-K.

All forward-looking statements included in this proxy statement speak only as of the date of this proxy statement and all forward-looking statements incorporated by reference into this proxy statement speak only as of the date of the document in which they were included. We expressly disclaim any obligation to release publicly any revisions or updates to any forward-looking statements, except to the extent required by law. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are qualified by the cautionary statements in this section.

All information contained in this proxy statement concerning Sponsor, Parent, Sub and their affiliates related to the merger has been supplied by Sponsor, Parent and Sub or their affiliates and has not been independently verified by us.

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THE PARTIES TO THE MERGER

Friendly Ice Cream Corporation

1855 Boston Road

Wilbraham, Massachusetts 01095

(413) 731-4000

Friendly Ice Cream Corporation, which we refer to as Friendly s, we or us, is a Massachusetts corporation and a vertically integrated restaurant company serving signature sandwiches, entrees and ice cream desserts in a friendly, family environment in 513 company and franchised restaurants, located in 16 states. Friendly s also manufactures ice cream, which is distributed through more than 4,000 supermarkets and other retail locations.

Freeze Operations Holding Corp.

c/o Sun Capital Partners, Inc.

5200 Town Center Circle

Suite 470

Boca Raton, Florida 33486

(561) 394-0550

Freeze Operations Holding Corp., which we refer to as Parent, is a Delaware corporation affiliated with Sun Capital Partners, Inc., which we refer to as Sponsor. Parent was formed solely for the purpose of acquiring Friendly s and has not carried on any business or activities to date, except activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement.

Freeze Operations, Inc.

c/o Sun Capital Partners, Inc.

5200 Town Center Circle

Suite 470

Boca Raton, Florida 33486

(561) 394-0550

Freeze Operations, Inc., which we refer to as Sub, is a Massachusetts corporation and a wholly-owned subsidiary of Parent. Sub was formed solely for the purpose of facilitating Parent s acquisition of Friendly s and has not carried on any business or activities to date, except activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement.

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THE SPECIAL MEETING

Date, Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to our shareholders in connection with the solicitation of proxies by Friendly s board of directors to be exercised at a special meeting to be held on August 29, 2007, in the Friendly Ice Cream Corporation Conference Center, 1855 Boston Road, Wilbraham, Massachusetts 01095. The special meeting will take place at 10:00 a.m., local time.

The special meeting is being held for the following purposes:

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger, or the merger agreement, dated as of June 17, 2007, by and among Friendly s, Freeze Operations Holdings Corp., a Delaware corporation (Parent), and Freeze Operations, Inc., a Massachusetts corporation and a wholly-owned subsidiary of Parent (Sub), as it may be amended from time to time.

2. To consider and vote on any proposal to adjourn or postpone the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger agreement if there are insufficient votes at the time of such adjournment or postponement to approve the merger agreement.

3. To consider and vote on such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

A copy of the merger agreement is attached as Annex A to the accompanying proxy statement. Pursuant to the terms of the merger agreement, Sub will merge with and into Friendly s, which we refer to as the merger, and each share of Friendly s common stock, par value $0.01 per share, or the common stock, issued and outstanding immediately prior to the effective time of the merger, other than shares held in Friendly s treasury and shares held by any wholly-owned subsidiary of Friendly s, will be converted into the right to receive $15.50 in cash, without interest and less any applicable withholding taxes.

Our Board s Recommendation

Our board of directors unanimously recommends that you vote **FOR** the proposal to approve the merger agreement and **FOR** the proposal to approve any adjournments of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the special meeting to approve the merger agreement.

Record Date, Notice and Quorum

We have fixed the close of business on July 26, 2007 as the record date for the special meeting, and only holders of record of common stock on the record date are entitled to vote at the special meeting. On the record date, there were 8,176,121 shares of common stock outstanding and entitled to vote. Each share of common stock entitles its holder to one vote on all matters properly coming before the special meeting.

A majority of the shares of our common stock issued, outstanding and entitled to vote at the special meeting constitutes a quorum for the purpose of considering the proposals. Both abstentions and broker non-votes will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business. In the event that a quorum is not present at the special meeting, we currently expect that the special meeting may be adjourned or postponed to solicit additional proxies.

Required Vote

You may vote **FOR** or **AGAINST** , or you may **ABSTAIN** from voting on, the proposal to approve the merger agreement. Abstentions will not be counted as votes cast or shares voting on the proposal to approve the merger agreement.

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Completion of the merger requires the approval of the merger agreement by the affirmative vote of the holders of two-thirds of the outstanding shares of our common stock entitled to vote at the special meeting. **Therefore, if you abstain, it will have the same effect as a vote AGAINST the approval of the merger agreement.**

Under the rules of the American Stock Exchange, banks, brokers and other custodians who hold shares in street name for customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, brokers are precluded from exercising their voting discretion with respect to approving non-routine matters such as the approval of the merger agreement and, as a result, absent specific instructions from the beneficial owner of such shares, brokers are not empowered to vote those shares, referred to generally as broker non-votes. **Therefore, while broker non-votes will be counted for the purpose of determining a quorum, because completion of the merger requires the approval of the merger agreement by the affirmative vote of the holders of two-thirds of the outstanding shares of common stock, any broker non-votes will have the same effect as a vote AGAINST the approval of the merger agreement.**

Voting Agreements

At Parent s request, the following Friendly s shareholders, who collectively own approximately 48.5% of the outstanding shares of our common stock, have entered into stockholders agreements with Parent pursuant to which such shareholders have agreed, among other things, vote in favor of approval of the merger agreement: Donald N. Smith, Chairman of the Friendly s board of directors, The Lion Fund L.P., Biglari Capital Corp., Sardar Biglari, Western Sizzlin Corp., Philip L. Cooley, S. Prestley Blake, Kevin Douglas and James E. Vinick. In addition, shares previously owned by The Lion Fund L.P. and Western Sizzlin Corp. and representing approximately 2.9% of our outstanding shares were sold by such shareholders to a nominee of Parent, which has agreed to vote the shares as directed by Parent.

Proxies and Revocation

If you submit a proxy by telephone or the Internet or by returning a signed and dated proxy card by mail, your shares will be voted at the special meeting as you indicate. If you sign your proxy card without indicating your vote, your shares will be voted **FOR** the approval of the merger agreement and **FOR** any adjournments or postponements of the special meeting, if necessary or appropriate, to solicit additional proxies, and in accordance with the recommendations of our board of directors on any other matters properly brought before the special meeting, or at any adjournments or postponements thereof, for a vote.

If your shares of common stock are held in street name, you will receive instructions from your broker, bank or other custodian that you must follow in order to have your shares voted. Additionally, if your shares of common stock are held in street name and you intend to vote your shares in person at the special meeting, you must first obtain a legal proxy from such bank, broker or other custodian. If you do not instruct your broker, bank or custodian to vote your shares, it has the same effect as a vote against approval of the merger agreement.

Proxies received at any time before the special meeting that have not been revoked or superseded before being voted will be voted at the special meeting. You have the right to change or revoke your proxy at any time before the vote is taken at the special meeting:

- if you hold your shares in your name as a shareholder of record, by notifying our Corporate Clerk;
- by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting);
- by submitting a later-dated proxy card;
- if you voted by telephone or the Internet, by voting again by telephone or Internet; or
- if you have instructed a broker, bank or other nominee to vote your shares, by following the directions received from your broker, bank or other nominee to change those instructions.

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Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. Any signed proxies received by Friendly s in which no voting instructions are provided on such matter will be voted **FOR** an adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies. Any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies will allow Friendly s shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Sale of Shares

If you held your shares of common stock on July 26, 2007, the record date for the special meeting, but transfer your shares prior to the effective time of the merger, you will retain your right to vote at the special meeting; however, you will not have the right to receive the merger consideration. The right to receive the merger consideration when the merger becomes effective will pass to the person who owns the shares of our common stock that you previously owned.

Solicitation of Proxies; Costs

We will pay the costs of soliciting proxies for the special meeting. Our directors, officers and employees may solicit proxies by telephone and facsimile, by mail, on the Internet or in person. They will not be paid any additional amounts for soliciting proxies. We also will request that individuals and entities holding common stock 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, upon request, will reimburse those holders for their reasonable expenses in performing those services. We have retained Georgeson Inc. to assist us in the solicitation of proxies, and will pay fees of approximately $12,000, plus reimbursement of out-of-pocket expenses, to Georgeson Inc. for their services. Our arrangement with Georgeson Inc. includes provisions obligating us to indemnify it for certain liabilities that could arise in connection with its solicitation of proxies on our behalf.

Common Stock Ownership of Directors and Executive Officers

As of the record date, our directors and executive officers owned and are entitled to vote an aggregate of 1,082,705 shares of common stock, entitling them to exercise approximately 13.2% of the voting power of common stock entitled to vote at the special meeting. Our directors and executive officers have informed us that they intend to vote the shares of common stock that they own **FOR** the proposal to approve the merger agreement and **FOR** the proposal to approve any adjournments or postponements of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the special meeting to approve the merger agreement.

Other Matters

Our board of directors does not know of any other business that will be presented at the special meeting or any adjournment or postponement thereof. If any other proposal comes up for a vote at the special meeting or any adjournment or postponement thereof in which your proxy has provided discretionary authority, the proxy holders will vote your shares of common stock in accordance with their best judgment.

Questions and Additional Information

If you have more questions about the special meeting or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call Deborah Burns, Senior Director Investor Relations, at 1-413-731-4124 or Georgeson Inc., our proxy solicitor, at 1-888-605-7596.

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PROPOSAL NO. 1: THE MERGER

Background of the Merger

From time to time, the board of directors of Friendly s, together with its senior management team, reviews the company s strategic position in the restaurant industry and the strategic direction of the company in light of market, economic, competitive and other conditions and developments. In connection with its strategic review, our board of directors decided to meet with representatives of Goldman, Sachs & Co., which had led a financing for Friendly s in 2004 and maintained a relationship with the company, at a regularly scheduled board of directors meeting in February 2007.

At the regularly-scheduled meeting of our board of directors on February 28, 2007, at the request of our board of directors, representatives of Goldman Sachs reviewed with our board of directors the mergers and acquisitions, or M&A, market and the capital markets environment. In addition, Goldman Sachs reviewed the restaurant industry, generally, and discussed with the board of directors the significant recent M&A activity in the restaurant industry, as well as the types of parties that may be interested in acquisitions in the restaurant industry. During the presentation, the representatives of Goldman Sachs also discussed Friendly s financial performance and compared its performance to that of its peers. Friendly s senior management then discussed the status of Friendly s financial plan for 2007, as well as its long-term financial plan.

Goldman Sachs then reviewed with the board of directors various potential strategic alternatives that the board of directors might explore to enhance shareholder value in light of Friendly s business and operations, the restaurant industry generally, the competitive environment of the restaurant industry, the robust M&A market, the impact on Friendly s of remaining a public company, including maintaining the status quo, issuing a cash dividend or initiating a share repurchase program, an equity offering and/or a sale of all or a portion of Friendly s. The representatives of Goldman Sachs also summarized for the board of directors Goldman Sachs experience and qualifications in advising boards of directors considering strategic alternatives.

Based on the discussion, it was the view of the board of directors and the members of the senior management team in attendance that, given the robust M&A environment, particularly in the restaurant industry, and the strength of the capital markets, it was a good time to explore strategic alternatives available to the company, including a potential sale of the company.

The board of directors together with the members of the company s senior management team in attendance, Goldman Sachs and Weil, Gotshal & Manges LLP, Friendly s outside legal counsel, then discussed the benefits and detriments of publicly announcing that the board of directors was considering strategic alternatives available to the company. The board of directors decided, after careful consideration (including considering the risk of leaks, the potential obligation to update any disclosure, disruption to the company s business and operations, uncertainty and the pending proposal of The Lion Fund, L.P., a Friendly s shareholder, to nominate two directors to Friendly s board of directors), to issue a press release at the appropriate time announcing that it was considering strategic alternatives and directed Weil, Gotshal & Manges to prepare an initial draft press release.

Following this discussion, representatives of Weil, Gotshal & Manges, reviewed with the directors their fiduciary duties to the company and its shareholders when considering strategic alternatives available to the company, including a potential sale of Friendly s. After extensive discussion, the board of directors decided to formally engage Goldman Sachs to assist it in considering potential strategic alternatives available to the company to enhance shareholder value. In order for the process to be more efficient, the board of directors designated a committee of independent directors consisting of Messrs. Daly, Ezzes, Manning and Odak to work with Weil, Gotshal & Manges to formalize the relationship with Goldman Sachs and to finalize an engagement letter with Goldman Sachs. The board of directors also directed the members of senior management to generate both an updated 2007 financial plan and a long-term four-year financial plan supported by appropriate assumptions.

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On March 2, 2007, our board of directors met telephonically. During the meeting, representatives of Weil, Gotshal & Manges reviewed with the board of directors the terms of Goldman Sachs engagement letter, including the scope of the engagement and the proposed fee structure. The board of directors provided Weil, Gotshal & Manges with guidance for addressing the open points in the engagement letter and requested that Messrs. Odak and Ezzes, together with Mr. Pastore, Friendly s general counsel, and Weil, Gotshal & Manges finalize the engagement letter prior to any public announcement. The board of directors also discussed with Messrs. Condos, the chief executive officer and a director of Friendly s, and Hoagland, Friendly s chief financial officer, the company s updated financial plan for 2007, as well as the assumptions underlying the plan. The Chairman of the board of directors directed Messrs. Condos and Hoagland to speak with each of the directors to confirm each director s comfort with the 2007 financial plan and the underlying assumptions, as well as the assumptions underlying the company s long-term four-year financial plan, which was still being developed. The board of directors and senior management again acknowledged that the development of a four-year financial plan was important to the sales process.

The representatives of Weil, Gotshal & Manges then reviewed with the board of directors a draft press release announcing that the board of directors was considering strategic alternatives to enhance shareholder value, which had been sent to all of the directors in advance of the meeting. After discussion, the board of directors unanimously approved the press release. However, the board of directors decided that, before making any announcement regarding its consideration of strategic alternatives, the board of directors and senior management would have to be comfortable with the updated 2007 financial plan and the four-year financial plan and the related assumptions. The board of directors directed Messrs. Condos, Hoagland and Smith, Friendly s Chairman, to continue working with the members of the company s senior management team to update the financial plans. The board of directors agreed that they would meet again to review the revised financial plans in advance of the issuance of any press release.

On March 5, 2007, the board of directors again met with members of the company s senior management team and representatives of Goldman Sachs and Weil, Gotshal & Manges. Messrs. Condos, Hoagland and Smith reviewed in detail with the board of directors the company s four-year financial plan and the revised financial plan for 2007, including the assumptions underlying the plans. Mr. Hoagland also compared the revised 2007 financial plan with the financial plan that was previously furnished to the board of directors. Following the presentation, the board of directors and the members of senior management in attendance confirmed that they were comfortable with the revised 2007 financial plan and the four-year financial plan, as well as the underlying assumptions, and believed that the plans were reasonable in light of the company s historical performance and the challenges facing the company and the restaurant industry, in general. After extensive discussion, including discussion concerning the opportunities in the M&A market and the challenges facing Friendly s business, the board of directors unanimously determined to consider the company s strategic alternatives, including a potential sale of the company. The board of directors then authorized Messrs. Condos and Pastore to issue the press release, which they had reviewed and approved at their prior meeting, prior to the opening of the stock market on March 7, 2007.

On March 7, 2007, Friendly s announced that it had retained Goldman Sachs, as financial advisor, and Weil, Gotshal & Manges, as legal advisor, to assist the board of directors in exploring strategic alternatives to enhance shareholder value, including a potential sale of the company.

Beginning on March 14, 2007, Goldman Sachs, on behalf of Friendly s, made contact with approximately 100 potential strategic and financial buyers for Friendly s. Approximately 65 potential buyers signed a confidentiality agreement and received a confidential offering memorandum and certain additional confidential information regarding Friendly s.

On April 2, 2007, Goldman Sachs provided each of the potential buyers reviewing the offering memorandum with preliminary bid instructions, which provided that interested parties should submit non-binding indications of interest in acquiring Friendly s by April 18, 2007. The instructions also provided that the indication of interest should include the total cash consideration to be paid, the potential buyer s financing plan and the required due diligence necessary to submit a final bid.

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On April 4, 2007, the board of directors met telephonically to discuss, among other things, the sale process and the timetable. Representatives of Goldman Sachs advised the board of directors that there was significant preliminary interest in exploring a potential acquisition of Friendly s and that the timetable for receiving initial bids was on track. Goldman Sachs added that, although it had made contact with strategic buyers, it appeared that the most serious interest was coming from financial buyers.

On April 18, 2007, Friendly s received six preliminary proposals to acquire the company with offer prices ranging from $14.00 to $20.50 per share, and received one proposal to acquire only Friendly s ice cream manufacturing business. Each of the proposals was non-binding and subject to due diligence and securing financing.

On April 19, 2007, the board of directors met with members of the senior management team and representatives of Goldman Sachs and Weil, Gotshal & Manges to review the proposals and the status of the sale process. During the meeting, representatives of Goldman Sachs reviewed with the board of directors the status of the sales process and the timetable and the six preliminary bids to acquire Friendly s, as well as the proposal to acquire only the company s ice cream manufacturing business. Representatives of Goldman Sachs and Weil, Gotshal & Manges summarized the terms and conditions of the proposals and provided the board of directors with the backgrounds of each person who had submitted a proposal. The representatives of Goldman Sachs then reviewed with the board of directors certain parties that initially expressed interest and had conducted due diligence, but subsequently had withdrawn from the process and potential reasons for their withdrawal. Following extensive discussion, the board of directors authorized Goldman Sachs to permit all six potential buyers of the entire company to continue their due diligence of Friendly s and to provide them with presentations given by Friendly s management team. The board of directors also discussed with senior management and Goldman Sachs the potential sale of only the ice cream manufacturing business. The board of directors and the company s senior management did not believe that the proposed sale of solely the ice cream manufacturing business would significantly enhance shareholder value.

Between April 20 and June 4, 2007, each of the six potential buyers continued their due diligence review of Friendly s and attended presentations given by Friendly s management during the weeks of April 30 and May 7, 2007.

On May 17, 2006, Goldman Sachs, on behalf of the company, sent each of the 6 potential buyers who were still engaged in the process a final bid instruction letter, which provided, among other things, that final bids, including all financing commitments, if necessary, and comments to the merger agreement and related transaction documents were due on June 7, 2007.

The independent members of our board of directors met on June 8, 2007 to review the two proposals that had been received on June 7, 2007, and to receive an update on the sale process. Representatives of Goldman Sachs first summarized for the board of directors the process that had been undertaken to date to solicit indications of interest in acquiring Friendly s. These representatives then explained that they had received two proposals to acquire Friendly s for $15.00 per share of common stock in cash, each with different terms and conditions for closing. The first proposal, from Sun Capital Partners Group IV, Inc. and its assigns (which we refer to as Sun Capital), was not subject to a financing contingency or due diligence. The Sun Capital proposal also included a marked-up merger agreement in a form that an affiliate of Sun Capital was willing to execute and indicated that, as a condition to signing the merger agreement, Sun Capital would require that certain significant Friendly s shareholders execute customary shareholders agreements agreeing to support and vote in favor of a Sun Capital transaction. Representatives of Weil, Gotshal & Manges then summarized Sun Capital s comments on the merger agreement and the terms and conditions of the other transaction documents submitted by Sun Capital, including the proposed shareholders agreements. Goldman Sachs also provided the board of directors with information regarding Sun Capital and its affiliates and certain of the transactions that affiliates of Sun Capital had recently consummated.

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Following discussion regarding both proposals, the board of directors decided that they would proceed with the Sun Capital proposal in light of the conditionality of the other offer. The representatives of Goldman Sachs then reviewed with the board of directors all of the terms and conditions of Sun Capital s proposal, including the financial aspects of the Sun Capital proposal as compared with Friendly s financial plan. After extensive discussion, the board of directors decided that, if Sun Capital would increase its offer to $15.50 per share in cash, Friendly s was prepared to begin negotiating the terms of a transaction with Sun Capital. Given Sun Capital s insistence on the shareholders agreements, the board of directors and the representatives of Goldman Sachs and Weil, Gotshal & Manges then discussed whether and to what extent certain shareholders of Friendly s would agree to support a Sun Capital transaction and the way in which Friendly s should approach such shareholders. The board determined to proceed with conversations with such shareholders only if such shareholders agreed, in advance, to maintain the confidentiality of the information to be provided to them concerning the transaction. It was decided that, if Sun Capital increased its offer to $15.50 per share, then certain directors and/or members of Friendly s senior management team would contact such shareholders.

Later that evening, Goldman Sachs advised the board of directors, senior management and Weil, Gotshal & Manges that Sun Capital agreed to increase its offer to $15.50 per share in cash; however, Sun Capital reiterated that, in order for it to move forward, certain significant Friendly s shareholders had to agree to vote in favor of and support a Sun Capital transaction.

Between June 9 and June 17, 2007, representatives of Weil, Gotshal & Manges and Sun Capital s outside legal advisors, Morgan, Lewis & Bockius LLP, negotiated the terms of the merger agreement and related transaction documents. In addition, members of our board of directors, senior management and our financial and legal advisors contacted certain Friendly s shareholders and, once such shareholders agreed to maintain the confidentiality of the information to be provided, discussed the Sun Capital proposal and the condition that they would have to agree to vote in favor of and support a Sun Capital transaction.

From June 11 through June 14th, the board of directors met telephonically each day to receive an update from senior management and Friendly s financial and legal advisors as to the status of negotiations with Parent and the Friendly s shareholders who were being asked to agree to vote in favor of and support a Sun Capital transaction with Parent and to provide senior management and the company s advisors with guidance for addressing the open issues.

On June 15, 2007, the board of directors again met telephonically. At that meeting, the representatives of Weil, Gotshal & Manges reviewed with the board of directors a summary of the terms and conditions of the then-current draft merger agreement and the other transaction documents, which had been sent to the directors in advance of the meeting, as well as the open points and the status of the negotiations with the Friendly s shareholders who were being asked to vote in favor of and support a transaction with Parent.

From June 15 through June 17, 2007, Friendly s and Parent and their respective representatives resolved the open points and finalized the merger agreement and the related transaction documents.

On June 17, 2007, our board of directors met telephonically with Friendly s senior management, Goldman Sachs and Weil, Gotshal & Manges. The board first received an overview of the events that had transpired since the last meeting of the board from Messrs. Odak and Pastore and representatives of Weil, Gotshal & Manges and Goldman Sachs, including an update on the negotiations with Parent and certain of the Friendly s shareholders who were being asked to vote in favor of and support a transaction with Parent. Representatives of Goldman Sachs then reviewed and discussed with the board of directors the financial aspects of the proposed transaction with Sun Capital and various financial analyses of the company and the proposed transaction with Sun Capital and Goldman Sachs then rendered to the board of directors its oral opinion, which was subsequently confirmed in writing, as described under Opinion of Friendly s Financial Advisor, that, as of June 17, 2007 and based upon and subject to the factors and assumptions set forth therein, the $15.50 per share in cash to be received by holders of shares of Friendly s common stock pursuant to the merger agreement was fair from a financial point of

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view to such holders. Representatives of Weil, Gotshal & Manages summarized for our directors the directors legal obligations in connection with their consideration of the proposed transaction, the proposed merger agreement, including its no-solicitation, termination and termination fee provisions and updated the board of directors on the status of the other documentation with respect to the potential transaction with Parent. Representatives of Weil, Gotshal & Manges also reviewed with the board of directors the timetable for making all required filings in connection with the proposed transaction with Parent, including the proxy statement and the HSR filing, as well as the likely timing of a closing.

Following discussions among the members of the board of directors, senior management and Friendly s legal and financial advisors, including consideration of the factors described under Reasons for the Merger; Recommendation of the Company s Board of Directors, our board of directors unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger are advisable and fair to, and in the best interests of, Friendly s and its shareholders, adopted and declared advisable the merger agreement, directed that the merger agreement be submitted to our shareholders for their approval and resolved to recommend that the Company s shareholders approve the merger agreement.

Following the June 17 meeting of our board of directors, the parties and their representatives finalized the definitive documentation and entered into the merger agreement and the related documents. During the afternoon on June 17, 2007, the parties issued a press release announcing that they had entered into the merger agreement.

Reasons for the Merger; Recommendation of the Friendly s Board of Directors

At a meeting on June 17, 2007, the Friendly s board of directors unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and fair to, and in the best interests of, Friendly s and its shareholders, adopted and declared advisable the merger agreement and the transactions contemplated by the merger agreement, including the merger, directed that the merger agreement be submitted to our shareholders for their approval and resolved to recommend that Friendly s shareholders approve the merger agreement. In reaching the foregoing determination, Friendly s board of directors consulted with our senior management, financial advisors and outside legal counsel, reviewed a significant amount of information and considered the following material factors:

- the value of the cash consideration to be paid to Friendly s shareholders upon consummation of the merger;
- the current and historical market prices of common stock and the fact that the price of $15.50 per share represented an 8.2% premium over the closing price of the common stock on June 15, 2007, the last trading day prior to the announcement of the merger, and a 30.9% premium over the closing price on March 6, 2007, which was the day before Friendly s announced it was exploring strategic alternatives;
- the board of directors understanding of Friendly s business, historical and current financial performance, competitive and operating environment, operations, management strength and future prospects;
- the process leading to the announcement of the merger agreement, including the steps taken to foster competition and an orderly auction, and the board s understanding, as a result of such process, of the level of interest of both potential strategic partners and private equity sponsors in a transaction with Friendly s;
- that discussions had been held with, and feedback received from, the multiple bidders as part of the sale process;
- the board of directors understanding of the competitive landscape and its exploratory discussions with potential strategic partners;
- the risk that another attractive acquisition transaction would not be available to Friendly s if we declined this transaction;

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financial analyses, information and perspectives provided to our board of directors by management and Goldman Sachs;

the opinion of Goldman Sachs that, as of the date of the opinion and based upon and subject to the matters described in the opinion, the merger consideration to be received by the holders of common stock in the merger was fair from a financial point of view to such holders;

the proposed financial and other terms of the merger and the merger agreement;

the deal protection provisions contained in the merger agreement, including the termination fee and expenses reimbursement provisions and the fact that the board could, in certain circumstances, terminate the merger for a superior proposal;

the fact that the consideration to be paid to Friendly s shareholders would be all cash, which provides liquidity and certainty to Friendly s shareholders;

the fact that following completion of the merger Friendly s shareholders will no longer have an ownership interest in Friendly s and, thus, an opportunity to participate in the financial risks and rewards of Friendly s business performance;

the contingencies to completion of the proposed merger, including the fact that completion of the merger requires regulatory approvals, as well as approval of the shareholders of Friendly s;

the fact that the merger agreement is not subject to a financing condition, the board of directors understanding of the reputation and experience of Sponsor and its affiliates, the ability of Sun Capital Partners IV, LP to fully fund the payment of the merger consideration and the related fees and expenses, and the board of directors understanding of the proposed financing arrangements for the merger;

the experience and reputation of Sponsor and its affiliates in the restaurant industry;

the fact that receipt of the merger consideration will be taxable to U.S. shareholders of Friendly s for U.S. federal income tax purposes; and

the potential risks and costs to us if the merger does not close, including the diversion of management and employee attention and potential effects on the relationships with our suppliers, vendors and other business partners.

In addition, the board of directors was aware of and considered the interests that certain of our directors and executive officers may have with respect to the merger that may be considered to be different from, or are in addition to, their interests as shareholders of Friendly s, as described in Interests of our Directors and Executive Officers in the Merger.

The foregoing discussion summarizes the material factors considered by the board of directors in its consideration of the merger. After considering these factors, as well as others, the board of directors concluded that the positive factors relating to the merger agreement and the merger significantly outweighed the potential negative factors and the merger agreement and the merger were advisable and fair to, and in the best interests of, Friendly s and its shareholders. In view of the wide variety of factors considered by the board of directors, and the complexity of these matters, the board of directors did not find it practicable to quantify or otherwise assign relative weights to the foregoing factors. In addition, individual members of the board of directors may have assigned different weights to various factors. The board of directors unanimously adopted and declared advisable the merger agreement and the merger based upon the totality of the information presented to and

considered by it.

The Friendly s board of directors unanimously recommends that you vote FOR the proposal to approve the merger agreement and FOR any adjournments or postponements of the special meeting, if necessary or appropriate, to solicit additional proxies.

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Opinion of Goldman, Sachs & Co.

Goldman Sachs rendered its oral opinion, which was subsequently confirmed in writing, to the board of directors of Friendly s that, as of June 17, 2007 and based upon and subject to the factors and assumptions set forth therein, the $15.50 per share in cash to be received by the holders of shares of common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated June 17, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided its opinion for the information and assistance of Friendly s board of directors in connection with its consideration of the transaction. The Goldman Sachs opinion is not a recommendation as to how any holder of common stock should vote with respect to the transaction or any other matter.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

- the merger agreement;
- annual reports to shareholders and Annual Reports on Form 10-K of Friendly s for the five fiscal years ended December 31, 2006;
- certain interim reports to shareholders and Quarterly Reports on Form 10-Q of Friendly s;
- certain other communications from Friendly s to its shareholders; and
- certain internal financial analyses and forecasts for Friendly s prepared by its management.

Goldman Sachs also held discussions with members of the senior management of Friendly s regarding their assessment of the strategic rationale for, and the potential benefits of, the transaction and the past and current business operations, financial condition and future prospects of Friendly s. In addition, Goldman Sachs reviewed the reported price and trading activity for the common stock, compared certain financial and stock market information for Friendly s with similar financial and stock market information for certain other companies the securities of which are publicly traded, and reviewed the financial terms of certain recent business combinations in the restaurant industry specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

Goldman Sachs relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, accounting, tax and other information discussed with or reviewed by it. In that regard, Goldman Sachs assumed, with the consent of Friendly s board of directors, that the internal forecasts prepared by the management of Friendly s have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of Friendly s. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of Friendly s or any of its subsidiaries and Goldman Sachs was not furnished with any evaluation or appraisal of the assets or liabilities of Friendly s or any of its subsidiaries. Goldman Sachs opinion does not express any opinion as to the impact of the transaction on the solvency or viability of Friendly s or Parent or the ability of Friendly s or Parent to pay their respective obligations when they come due. Goldman Sachs opinion does not address the underlying business decision of Friendly s to engage in the transaction or the relative merits of the transaction as compared to any alternative business strategies or transactions that might be available to Friendly s. Goldman Sachs opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of, June 17, 2007.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the board of directors of Friendly s in connection with rendering the opinion described above. The following summary,

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however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs financial analyses. 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 June 8, 2007 and is not necessarily indicative of current market conditions.

Historical Stock Trading Analysis. Goldman Sachs reviewed the historical trading prices for Friendly s for the one-year period ended June 8, 2007. Goldman Sachs noted that during the one-year period ended June 8, 2007, Friendly s common stock closed at a low of $7.46 and a high of $15.48. Goldman Sachs noted that the price per share to be paid to Friendly s shareholders pursuant to the merger agreement represented:

- a premium of 13.7% based on the June 8, 2007 market price of $13.63 per share;
- a premium of 30.9% based on the March 6, 2007 market price of $11.84 per share, the last trading day before Friendly s announcement that it was exploring strategic alternatives;
- a premium of 49.2% based on the November 16, 2006 market price of $10.39, the day before an investor reported acquiring a 14.9% stake in Friendly s; and
- a premium of 100% based on the August 7, 2006 market price of $7.75 per share, the trading day on which an investor reported acquiring a 5.9% stake in Friendly s.

Selected Companies Analysis. Goldman Sachs reviewed and compared certain current and historical financial information for Friendly s to corresponding financial information, ratios and public market multiples for the following publicly traded companies in the casual dining restaurant industry:

Selected Companies	Enterprise Value / LTM EBITDA
Denny s Corporation	7.4x
Frisch s Restaurants, Inc.	6.8x
O Charley s Inc.	7.4x
Red Robin Gourmet Burgers, Inc.	9.6x
The Steak n Shake Company	7.9x
Applebee s International, Inc.	9.9x
Bob Evans Farms, Inc.	8.5x
Brinker International, Inc.	8.0x
CBRL Group, Inc.	10.1x
Darden Restaurants, Inc.	9.6x
OSI Restaurant Partners, Inc.	10.5x
Ruby Tuesday, Inc.	7.5x
Friendly s (based on closing price as of June 8, 2007)	7.5x
Friendly s (based on closing price as of March 6, 2007)	7.1x

Although none of the selected companies is directly comparable to Friendly s, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of Friendly s.

Goldman Sachs calculated and compared the enterprise value as a multiple of last twelve months, or LTM, earnings before interest, taxes, depreciation and amortization, or EBITDA, with respect to the selected companies, based on the latest publicly available financial statements and research estimates from International Brokers Estimate System, or IBES.

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Selected Precedent Transactions Analysis. Goldman Sachs reviewed publicly available information for the following announced merger or acquisition transactions in the U.S. in the restaurant industry since February 2001. While none of the companies participating in the selected transactions are directly comparable to Friendly s, the companies participating in the selected transactions are companies with operations that, for the purposes of analysis, may be considered similar to certain operations of Friendly s. Goldman Sachs calculated and compared the enterprise values as a multiple of the target company s publicly reported latest twelve months, or LTM, EBITDA prior to announcement of the applicable transaction. For purposes of this analysis, the enterprise value was calculated by adding the announced transaction price for the equity of the target company to the book value of the target company s net debt based on public information available prior to the announcement of the applicable transaction. The following tables sets forth the transactions reviewed (listed by date announced, acquirer and target) and the enterprise value multiple of LTM EBITDA for each target, and the results of the analysis.

Date Announced	Acquirer	Target	Enterprise Value / EBITDA
22-Nov-06	MidOcean Partners	Sbarro**	8.1x
6-Nov-06	Bain, Catterton	Outback Steakhouse	10.5
31-Oct-06	Bruckman Rosser Sherill	Logan s Roadhouse**	10.5
22-Aug-06	Sun Capital Partners	Real Mex**	6.2
18-Aug-06			