“Vicorp Restaurants, Inc. Proxy Statement for Special Meeting to be Held May 2, 2001

Schedule 14A filed March 20, 2001

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This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of **VICORP Restaurants, Inc.** to be used at a special meeting of VICORP shareholders to be held on May 2, 2001 at 11:00 a.m. mountain time, at the principal executive offices of VICORP at 400 West 48th Avenue, Denver, Colorado 80216 and at any adjournment or postponement thereof.

PURPOSE

At the special meeting, the shareholders of VICORP will consider and vote upon a proposal to approve an Agreement and Plan of Merger dated February 15, 2001 among VICORP, Midway Investors Holdings, Inc. ("Midway Investors") and Gourmet Acquisition Co., a wholly owned subsidiary of Midway Investors. Pursuant to the merger agreement, Gourmet Acquisition Co. will be merged with and into VICORP and the outstanding shares of VICORP common stock will be converted into the right to receive $25.65 per share in cash, without interest.

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BACKGROUND OF THE MERGER

For the last several years, despite dramatic improvements in operating performance, the market price of our common stock has languished. During the period from fiscal 1996 through fiscal 1999, our results of operations improved from a net loss of $929,000 to net earnings of $17,327,000. Our stock price, on the other hand, increased from $14.50 as of October 31, 1996 to $16.87 at October 31, 1999. During the same period, the Nasdaq Composite Index increased from 1221.51 to 2966.43. We believe that the failure of our stock price to respond to improved operating performance and generally higher market prices is attributable to both market and company-specific factors. The restaurant industry is generally out of favor in the securities markets, in part because of the demise of several high-profile restaurant companies in recent years. On a company level, our restaurant concepts are mature and are not perceived as offering the prospect of rapid growth.

In response to the low prevailing prices of our stock, during the period from January 1, 1997 to December 31, 1999, we engaged in an open market repurchase program pursuant to which we acquired a total of 446,625 shares of common stock at prices ranging from $13.63 to $16.19. In addition, in fiscal 2000, we conducted an issuer tender offer in which we purchased a total of 2,000,000 shares at a price of $19.00 per share. The price of our stock did not change significantly in response to the 23% reduction in the number of shares outstanding as a result of these purchases.

On January 14, 2000, Charles R. Frederickson, VICORP's chairman, met with **Michael W. Gibbons**, the president of **Fairmont Capital, Inc**., a private investment company whose primary focus is the acquisition of seasoned operating companies, to discuss generally the possibility of an acquisition of VICORP. No specifics of such a transaction were discussed. Mr. Gibbons initiated that meeting.

During February 2000, several of VICORP's large institutional shareholders filed Schedule 13Ds with the Securities and Exchange Commission indicating that they might seek to take a more active role in the company.

On February 9, 2000, VICORP received an unsolicited proposal from Fairmont Capital to purchase VICORP at a price of $22.00 per share. On February 8, 2000, our stock closed at $15.50. The proposal contemplated that the purchase would be effected by a new company to be formed by Fairmont Capital and BancBoston Capital Inc. That proposal was submitted to the board of directors at its regularly scheduled meeting on February 10, 2000. The board determined to retain legal and financial advisors in connection with its evaluation of the proposal.

At a meeting of the board of directors on February 16, 2000, the board appointed a special committee of outside directors to explore the alternatives available to maximize shareholder value. The members of the committee included all of the non-employee directors, consisting of Carole Lewis Anderson, Bruce B. Brundage, John C. Hoyt, Robert T. Marto, Dennis B. Robertson, Hunter Yager and Arthur Zankel. Dudley Mecum, who was a director of VICORP at the time, was initially appointed to the special committee, but subsequently resigned from the board without having attended any committee meetings. Mr. Marto was appointed chairman of the special committee. Each member of the special committee was paid $500 for each meeting of the committee that he or she attended.

On February 24, 2000, the special committee held an organizational meeting at which it resolved to select legal and financial advisors to assist it in its deliberations. After considering a number of candidates, the special committee resolved to retain Salomon Smith Barney Inc. as its financial advisor and Cravath, Swaine & Moore as its legal counsel. VICORP retained its principal outside counsel, Sherman & Howard, LLC, to represent the company.

In March and April, a confidential memorandum describing VICORP and its operations, financial performance and prospects was prepared for distribution to potential acquirors. Concurrently with the preparation of the memorandum, VICORP's management, with the assistance of Salomon Smith Barney, identified 34 potential acquirors of VICORP, including both strategic and financial buyers. Fairmont Capital was included on that list.

In April and May 2000, each of the 34 potential acquirors was contacted to ascertain its level of interest in pursuing a transaction with VICORP. Follow-up phone calls were placed to solicit interest in a potential transaction with VICORP and to answer questions that potential buyers might have. After learning about VICORP, many potential buyers decided not to pursue a transaction for a variety of reasons, including a lack of interest in investing in the restaurant industry and VICORP's mature restaurant concepts. However, 17 of the potential acquirors, including Fairmont Capital, expressed an interest in exploring a transaction with VICORP. VICORP entered into confidentiality agreements with those 17 parties and provided each of them with a copy of the confidential memorandum and a letter setting forth bidding requirements and a deadline for the submission of written preliminary indications of interest in acquiring VICORP.

In May 2000, VICORP received preliminary indications of interest from four of the 17 parties that had received the confidential memorandum, including Fairmont Capital. The preliminary indication of interest submitted by Fairmont Capital increased its offer from $22.00 to $24.00 per share of VICORP stock. In May 2000, the special committee reviewed the indications of interest that the four potential acquirors had submitted and authorized management and Salomon Smith Barney to invite the four potential acquirors to participate in a due diligence review of VICORP.

During the period from May 17 to June 22, 2000, each of the four potential acquirors met separately with VICORP management and were provided with the opportunity to review confidential due diligence materials at the company's headquarters in Denver, Colorado and to visit the company's restaurants. Following such meetings, VICORP requested that each of the four parties submit a formal acquisition proposal and include in the proposal their comments on a draft merger agreement previously provided by VICORP. On July 11, 2000, Fairmont Capital submitted a proposal in response to VICORP's request. The other three parties declined to submit proposals. The Fairmont Capital proposal contemplated a cash price of $25.25 per share for the common stock of VICORP. The proposal indicated that the purchase would be made by a new company to be formed by Fairmont Capital, BancBoston Capital and Goldner Hawn Johnson & Morrison. On July 18, 2000, Fairmont Capital sent VICORP a mark-up of the draft merger agreement provided by VICORP reflecting Fairmont Capital's comments on that draft.

On July 27, 2000, the special committee met to review the results of the auction process and to consider the Fairmont Capital proposal. The special committee authorized Mr. Marto to proceed with negotiations with Fairmont Capital. During the period from July 27 to August 8, 2000, Mr. Marto, members of senior management of VICORP and its legal and financial advisors had further discussions with representatives of Fairmont Capital in which the comments received from Fairmont Capital on the draft merger agreement and other terms of the transaction were negotiated and refined.

On August 8, 2000, Fairmont Capital updated its proposal to include a more detailed description of the sources of financing for the acquisition. The updated proposal referred to the entity that would effect the acquisition as "Midway Investors." In the updated proposal, Fairmont Capital requested a period of exclusivity during which it would have the opportunity to negotiate a definitive agreement for the acquisition of VICORP. The special committee declined to agree to such a period of exclusivity until Fairmont Capital provided signed written financing commitments from its lenders indicating that all necessary financing for the acquisition had been committed.

On August 22, 2000, Midway Investors provided VICORP with signed written commitments from its lenders to provide various components of a financing structure that, in the aggregate, were sufficient, together with the equity to be provided by Fairmont Capital, BancBoston Capital and Goldner Hawn Johnson & Morrison, to fund the acquisition of VICORP. Accordingly, on August 25, 2000, VICORP agreed that, until September 12, 2000, it would negotiate exclusively with Fairmont Capital in respect of an agreement to acquire the company….

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<u>Note:</u> **Fairmont Capital, Inc. and its co-investors acquired VICORP in May 2001. Michael Gibbons is a founder of Fairmont.**