MORTONS RESTAURANT GROUP INC
Form S-1/A
February 02, 2006
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**As filed with the Securities and Exchange Commission on February 1, 2006**

**Registration No. 333-130072**

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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

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# AMENDMENT NO. 3 TO

# Form S-1

# REGISTRATION STATEMENT

# UNDER THE SECURITIES ACT OF 1933

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# MORTON S RESTAURANT GROUP, INC.

**(Exact name of registrant as specified in Its Charter)**

| **Delaware** | **5812** | **13-3490149** |
|---|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(Primary Standard Industrial Classification Code Number)** | **(I.R.S. Employer Identification Number)** |

**325 North LaSalle Street**

**Suite 500**

**Chicago, Illinois 60610**

**(312) 923-0030**

**(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant s Principal Executive Office)**

---

**Thomas J. Baldwin**

**Chairman, Chief Executive Officer and President**

**Morton s Restaurant Group, Inc.**

**325 North LaSalle Street**

**Suite 500**

**Chicago, Illinois 60610**

**(312) 923-0030**

**(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)**

**Copies to:**

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**Approximate Date of Commencement of Proposed Offer to the Public:** As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act ), check the following box: ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering: ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering: ¨

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities to be Registered | Amount to be Registered(1) | Proposed Maximum Offering Price Per Share (2)(3) | Proposed Maximum Aggregate Offering Price(1)(2) | Amount of Registration Fee(3) |
|---|---|---|---|---|
| **Common Stock, par value $0.01 per share** | 10,350,000 shares | $16.00 | $165,600,000 | $17,720 |

(1) Includes shares of common stock issuable upon exercise of an over-allotment option granted to the underwriters.
(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 of the Securities Act.
(3) Calculated pursuant to Rule 457(o) under the Securities Act. Previously paid.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

SUBJECT TO COMPLETION, DATED FEBRUARY 1, 2006.

**PROSPECTUS**

**9,000,000 Shares**

# MORTON S RESTAURANT GROUP, INC.

Common Stock

This is Morton s Restaurant Group, Inc. s initial public offering. We are offering 6,000,000 shares of our common stock and the selling stockholders identified in this prospectus are offering an additional 3,000,000 shares of our common stock. We will not receive any of the proceeds from the sale of the shares of our common stock offered by the selling stockholders. We expect the initial public offering price of our common stock to be between $14.00 and $16.00 per share.

Prior to this offering there has been no public market for our common stock. Our common stock has been approved for listing on the New York Stock Exchange under the symbol MRT.

**Investing in our common stock involves risks. See Risk Factors beginning on page 15.**

| | Per Share | Total |
|---|---|---|
| Public Offering Price | $ | $ |
| Underwriting Discounts and Commissions | $ | $ |
| Proceeds to Morton s Restaurant Group, Inc. | $ | $ |
| Proceeds to the Selling Stockholders | $ | $ |

Delivery of the shares of our common stock will be made on or about , 2006.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

We have granted the underwriters the option to purchase a maximum of 1,350,000 additional shares of our common stock to cover over-allotments of shares, if any, exercisable at any time until 30 days after the date of this prospectus.

**Wachovia Securities**

**Piper Jaffray**

**RBC Capital Markets**

**SG Cowen & Co.**

**Jefferies & Company**

**The date of this prospectus is , 2006.**

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## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that may be important to you. You should carefully read this prospectus in its entirety before making an investment decision. In particular, you should read the section entitled Risk Factors and the consolidated financial statements and notes related to those statements included elsewhere in this prospectus. In this prospectus, unless otherwise expressly stated or the context requires otherwise, we, us, our, MRG, and the Company refer to Morton s Restaurant Group, Inc. and its subsidiaries, Morton s refers to our steakhouses operated under the Morton s brand name, MHCI refers to Morton s Holding Company, Inc., our immediate parent, which we anticipate will merge into Morton s Restaurant Group, Inc. prior to the consummation of this offering, and its subsidiaries, and MHLLC refers to Morton s Holdings, LLC, our indirect parent, whose unitholders we anticipate will become our direct stockholders upon the expected distribution by MHLLC of shares of Morton s Restaurant Group, Inc. to them prior to the consummation of this offering.*

### Our Company

We are the world s largest owner and operator of company-owned upscale steakhouse restaurants, based on the number of restaurants owned and operated by us as compared to our known competitors. We are also the second largest operator of upscale steakhouses in the United States, based on total number of restaurants as published in a 2005 Technomic Information Services report. We own and operate all of our restaurants and do not have any franchisees. Our founders Arnie Morton and Klaus Fritsch opened the original Morton s steakhouse in downtown Chicago on December 21, 1978. Since then, we have expanded to a total of 69 Morton s steakhouses, including 65 domestic restaurants located in 60 cities across 28 states, along with two restaurants in Canada, one in Hong Kong and one in Singapore. We also own and operate four upscale Italian restaurants, which are designed as white tablecloth, authentic Italian trattorias.

Morton s steakhouses have remained true to our founders original vision of combining generous portions of high quality food prepared to exacting standards with exceptional service in an enjoyable dining environment. We have traditionally catered primarily to business clientele but have recently implemented strategies to broaden our appeal to local fine-dining guests. While our menu s emphasis is on USDA prime aged steaks, we also feature other fresh premium items including chicken, lobster and other varieties of seafood, complemented by our extensive award winning premium wine list. By owning and operating all Morton s steakhouses, each with a similar menu, we believe that we are better able to provide a consistently high quality dining experience across all our locations.

Morton s steakhouses average approximately 8,300 square feet in size, including the kitchen area, and on average have seating for approximately 200 guests. All Morton s steakhouses have a similar style, concept and decor, and are designed to convey an image of sophistication, warmth and a premium dining experience. All but one Morton s steakhouse have on-premises, private dining and meeting facilities that we refer to as Boardrooms.

### Our Business Strengths

We believe the following strengths have helped drive the growth of our business:

*Premier Fine-Dining Brand.* We believe that Morton s, with its 27-year history and 69 steakhouses located in 60 cities across 28 states and four international locations, is a premier fine-dining brand. We believe that our brand recognition is supported by our distinctive food and high service standards, which are exemplified by numerous awards and favorable reviews.

*High Quality Cuisine.* We strive to provide guests at Morton s steakhouses with generous portions of high quality cuisine prepared to exacting standards. Morton s steakhouses feature USDA prime aged beef in the United States and Canada and comparable high quality aged beef in our steakhouses in Asia. While the emphasis is on our steaks, we believe our menu selection is broad enough to appeal to many taste preferences and desires.

*Consistency of Our Service, Experience and Atmosphere.* We seek to consistently provide guests with the same fine-dining steakhouse experience at all Morton s steakhouses. Our typical table to server ratio is three to one, which helps us provide our guests with personal, attentive service.

*Strong Unit Economics.* We believe that the combination of our brand strength, the success of our Morton s steakhouses and our prudent approach to the use of capital has resulted in strong returns on invested capital. We believe these factors, along with the demographics of our typical guests, make us a desirable tenant for real estate developers, thereby enabling us to develop new restaurants at attractive investment levels.

*Effective Cost Control Mechanisms.* We believe that our operations and cost control systems, which we have developed and refined over our 27-year history, enable us to maintain a high degree of control over operating expenses and allow us to better adjust our cost structure to changes in revenues.

*Highly Experienced Management Team.* Our executive management team has an average of 23 years of experience in the restaurant industry. Thomas J. Baldwin, our Chairman, Chief Executive Officer and President, has been with us since 1989 and has over 21 years of experience in the restaurant industry, including as our Chief Financial Officer from 1989 to 2005. In addition, our 12 regional managers average 25 years of restaurant experience, including eight years of experience with us.

### Our Growth Strategy

Our objectives are to further leverage our experience in operating our Morton s steakhouses to increase the revenues and operating income of our existing restaurants, and to open new Morton s steakhouses in existing markets and selected new domestic and international markets.

*Continue to Broaden Our Appeal.* Traditionally, the primary target market of our Morton s steakhouses has been business-oriented guests. We have recently developed several marketing initiatives, including the addition of new menu items developed through market testing, new wine selections and the use of targeted direct mailings, as part of our strategy to increase the appeal and awareness of our fine-dining steakhouse experience with local fine-dining guests.

*Expand Bar 12·21 Concept.* We have recently introduced a new bar concept named Bar 12·21, which we believe has further broadened our appeal, while also increasing dining capacity in the restaurants where it has been implemented. We feature our Bar 12·21 concept in all new Morton s steakhouses opened after fiscal 2003, and we have remodeled the bar area in three existing Morton s steakhouses to include our Bar 12·21 concept. During fiscal 2006, we plan to remodel the bar area in at least six other Morton s steakhouses to provide a similar atmosphere. We currently expect to remodel the bar area in approximately four to six other Morton s steakhouses in each of the next several years.

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*Expand Our Boardroom Business.* All but one of our Morton s steakhouses have on-premises, private dining and meeting facilities that we refer to as Boardrooms, which generated approximately 18.7% of revenues generated by our Morton s steakhouses for fiscal 2004. We seek to increase the utilization of our Boardrooms because they typically generate a higher average check per person than our dining rooms and allow us to better leverage our fixed costs and achieve higher margins on those revenues. In addition to promoting our current Boardrooms, during fiscal 2006 we are planning to add additional Boardrooms in three of our existing Morton s steakhouses. We are currently evaluating other Morton s steakhouses for increased Boardroom capacity.

*Pursue Disciplined New Restaurant Growth.* We plan to expand our Morton s concept and strong brand name by opening new Morton s steakhouses in our existing markets that we believe can support additional restaurants. We also plan to enter new markets selectively when we believe that those markets can successfully support a Morton s steakhouse. We currently expect to open four to five new Morton s steakhouses in 2006 and approximately five to seven new Morton s steakhouses in each of the next several years.

**Recent Developments**

Certain recent developments are described under Management s Discussion and Analysis of Financial Condition and Results of Operations Recent Events Affecting Our Results of Operations.

**Risk Factors**

Our business is subject to numerous risks and uncertainties, such as:

- changes in discretionary spending patterns and general economic conditions;
- our ability to open new restaurants and the effect of competition in the restaurant industry;
- the price and availability of USDA prime beef; and
- increases in operating costs.

You should carefully consider these factors as well as all of the information set forth in this prospectus and, in particular, the information under the heading Risk Factors, prior to purchasing the shares of common stock offered hereby.

**Our Equity Sponsor**

Castle Harlan, Inc. is a New York-based private equity investment firm founded in 1987 specializing in investments in middle-market companies through leveraged buyouts, industry consolidations and divestitures. Since its inception, Castle Harlan has invested, on behalf of the private equity funds that it manages, in 45 companies with a total enterprise value in excess of $7.5 billion. On July 25, 2002, Castle Harlan acquired us in a going private transaction, which included an initial equity investment by Castle Harlan of approximately $93.7 million, with stockholders receiving $17.00 per share based on our then outstanding number of shares. Immediately prior to this offering, Castle Harlan owned a majority of our outstanding common stock, and it will own approximately 31.2% of our common stock immediately following the consummation of this offering assuming no exercise of the underwriters over-allotment option. We refer to Castle Harlan, Inc. and its affiliates and associates (excluding us and other companies it owns through private equity funds it manages) in this prospectus as Castle Harlan.

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**Corporate Information**

We are a Delaware corporation, incorporated on October 3, 1988, and our principal executive offices are located at 325 North LaSalle Street, Suite 500, Chicago, Illinois 60610. Our telephone number is (312) 923-0030. Our website address is http://www.mortons.com. The information contained on our website does not constitute part of, nor is it incorporated into, this prospectus.

**Our Merger and Offering-Related Transactions**

In connection with this offering, we expect to effect a number of transactions, including the repayment of our outstanding 7.5% senior secured notes, the repayment of MHCI s 14.0% senior secured notes, the termination of our current $15.0 million working capital facility, the entering into of a proposed new $115.0 million senior revolving credit facility, the termination of the management agreement between MHLLC and Castle Harlan, Inc. and the transactions noted immediately below.

Prior to the consummation of this offering:

we will effect the merger of MHCI into us, whereupon the separate corporate existence of MHCI will cease; MHCI is our immediate parent and a holding company with no independent operations, except that MHCI is the issuer of the 14.0% senior secured notes; and

MHLLC, our indirect parent and the holder of all of the outstanding shares of MHCI, will subsequently distribute the shares of our common stock that were outstanding prior to this offering to its unitholders.

Upon consummation of the merger of MHCI into us, the 14.0% senior secured notes of MHCI will become our obligations; however, as described under Use of Proceeds, we intend to repay all of the 14.0% senior secured notes in connection with the closing of this offering.

Unless otherwise expressly stated or the context otherwise requires, the information in this prospectus:

assumes the adoption and filing of our new amended and restated certificate of incorporation, which we refer to as our certificate of incorporation, and the adoption of our new amended and restated bylaws, which we refer to as our bylaws, which will be effected prior to the consummation of this offering and which will, among other things, increase our authorized capital stock and provide for certain anti-takeover provisions as described in Description of Capital Stock;

gives effect to a 10,098.5 for one split of our outstanding common stock and of MHCI s outstanding common stock that will be effected prior to the consummation of this offering;

is based upon the number of shares of our common stock outstanding as of October 2, 2005;

gives effect to the appointment of the applicable persons named in Management to serve as members of our board of directors and board committees and the changes to our management described therein, each of which will occur prior to the consummation of this offering;

assumes the effectiveness of an equity incentive plan that we plan to adopt prior to the consummation of this offering;

assumes no exercise of the underwriters over-allotment option to purchase up to 1,350,000 additional shares of our common stock from us; and

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assumes that all of the shares of our common stock currently held by MHCI are distributed to the unitholders of MHLLC, including our executive officers as described under Management Employment Arrangements Employee Subscription Agreements, as of February 15, 2006, based on an assumed initial public offering price of $15.00 per share. We anticipate that this distribution will occur immediately prior to consummation of this offering. The actual number of shares of our common stock to be distributed to each unitholder will vary depending upon the actual initial public offering price per share in this offering and the actual date of that distribution and therefore may differ from the number of shares held by stockholders as reflected in this prospectus. However, the total number of shares of our common stock distributed by MHLLC to its unitholders will not change. In addition, information as to shares beneficially owned after this offering excludes 241,500 restricted shares that we anticipate will be issued prior to the consummation of this offering under the equity incentive plan that we intend to implement prior to the consummation of this offering, as those restricted shares will not be vested at the time of consummation of this offering.

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## THE OFFERING

| | |
|---|---|
| Common stock offered by us | 6,000,000 shares |
| Common stock offered by the selling stockholders | 3,000,000 shares |
| Common stock to be outstanding immediately after this offering | 16,098,500 shares |
| Use of proceeds | We estimate that the net proceeds from this offering, at an assumed initial public offering price of $15.00 per share, which is the midpoint of the estimated price range set forth on the cover page of this preliminary prospectus, after deducting underwriting discounts and commissions and other estimated offering expenses payable by us, will be approximately $81.7 million. If the underwriters exercise their over-allotment option in full to purchase up to 1,350,000 additional shares of our common stock, we estimate that our net proceeds, calculated as described above, will be approximately $100.5 million. |

We intend to use the net proceeds from this offering, together with the proceeds of approximately $72.0 million from borrowings under a proposed new senior revolving credit facility that we intend to enter into in connection with this offering and approximately $19.8 million of available cash, as follows:

(1) approximately $106.0 million to repay all of our currently outstanding 7.5% senior secured notes, including a prepayment premium of approximately $11.5 million;

(2) approximately $57.1 million to repay all of the currently outstanding 14.0% senior secured notes of MHCI, including a prepayment premium of approximately $9.5 million;

(3) approximately $8.4 million to pay the termination fee in connection with the termination of MHLLC s management agreement with Castle Harlan, Inc.;

(4) approximately $0.7 million to pay the financing fees related to our proposed new $115.0 million senior revolving credit facility;

(5) approximately $1.0 million to pay the investment banking and legal fees in connection with the tender offer for our 7.5% senior secured notes and the repurchase of MHCI s 14.0% senior secured notes; and

(6) approximately $0.3 million to collateralize outstanding letters of credit issued under our current working capital facility.

The foregoing amounts that we expect to expend to repay our 7.5% senior secured notes and MHCI s 14.0% senior secured notes are estimates. As discussed under Use of Proceeds, the actual amounts

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we expend to repay our 7.5% senior secured notes and MHCI s 14.0% senior secured notes may be greater than the estimated amounts set forth above.

If the underwriters over-allotment option is exercised, we will apply the net proceeds we receive from the issuance of shares upon exercise of that option for the foregoing purposes, which will reduce the amount of borrowings under our proposed new senior revolving credit facility that are required for those purposes.

The amount of our estimated net proceeds appearing above has been calculated using an assumed initial public offering price of $15.00 per share. A $1.00 increase or decrease in the assumed initial public offering price per share would increase or decrease, respectively, the estimated net proceeds to us, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, from this offering by approximately $5.6 million (or approximately $6.8 million if the underwriters exercise their over-allotment option in full), in each case assuming that the number of shares offered by us as set forth on the cover page of this preliminary prospectus remains the same, and would decrease or increase, respectively, the aggregate principal amount that we will borrow under our proposed new senior revolving credit facility in connection with this offering. Similarly, an increase or decrease in the number of shares of common stock that we sell would increase or decrease, respectively, our net proceeds and would decrease or increase, respectively, the aggregate principal amount that we will borrow under our proposed new senior revolving credit facility in connection with this offering.

We will not receive any of the proceeds from the common stock sold by selling stockholders in this offering.

| | |
|---|---|
| New York Stock Exchange symbol | MRT |

The number of shares of our common stock to be outstanding immediately after this offering as set forth above is based on the number of shares outstanding as of October 2, 2005 and excludes the following:

up to 1,350,000 shares of our common stock that may be issued by us if the underwriters exercise their over-allotment option to purchase additional shares;

241,500 shares of restricted stock (none of which will be vested at the time of the consummation, of this offering) that we intend to issue prior to the consummation of this offering under an equity incentive plan we intend to implement prior to the consummation of this offering; and

an aggregate of 1,547,500 additional shares of our common stock that will initially be available for future awards pursuant to the equity incentive plan referred to above, plus potential future increases in the number of shares available for issuance under that equity incentive plan.

## SUMMARY CONSOLIDATED HISTORICAL AND UNAUDITED PRO FORMA FINANCIAL DATA

The following table contains summary consolidated financial data as of October 2, 2005 and for fiscal 2002, 2003 and 2004 and for the nine month periods ended October 3, 2004 and October 2, 2005. Interim period summary financial data are not necessarily indicative of results for the full fiscal year. The following table also contains summary unaudited pro forma consolidated financial data as of October 2, 2005 and for fiscal 2004 and the nine month period ended October 2, 2005 that gives effect to this offering and the other transactions described in note (2) below.

As described above under Our Merger and Offering Related Transactions, prior to the consummation of this offering, we will merge MHCI into us, whereupon the separate corporate existence of MHCI will cease. MHCI is our immediate parent and a holding company that has no independent operations except that MHCI is the issuer of the 14.0% senior secured notes. Upon consummation of the merger of MHCI into us, the 14.0% senior secured notes of MHCI will become our obligations, although we intend to repay all of the 14.0% senior secured notes in connection with the closing of this offering. MHCI became our direct parent on June 4, 2004. Because MHCI will merge into us prior to the consummation of this offering, the following summary consolidated financial data for periods prior to fiscal 2004 are derived from our consolidated financial statements and the following summary consolidated financial data for periods beginning with and after fiscal 2004 and as of October 2, 2005 are derived from the consolidated financial statements of MHCI. The summary financial data for fiscal 2002 and 2003 are derived from our audited consolidated financial statements contained elsewhere in this prospectus, while the summary financial data for fiscal 2004 are derived from the audited consolidated financial statements of MHCI contained elsewhere in this prospectus. Likewise, the summary financial data for the nine month periods ended October 3, 2004 and October 2, 2005 and as of October 2, 2005 are derived from MHCI s unaudited consolidated financial statements contained elsewhere in this prospectus, which, in our opinion, include all adjustments, consisting of only usual recurring adjustments, necessary for the fair presentation of that information for these periods. In that regard, because MHCI became our direct parent on June 4, 2004, MHCI s statement of operations data for fiscal 2004 and the nine month period ended October 3, 2004 reflect our consolidated results of operations for the period from the first day of those periods through June 3, 2004 and the consolidated results of operations of MHCI for the remainder of those periods. In addition, some of the changes between the periods reflected in the following table are due to the fact that data for fiscal 2004 and the nine month periods ended October 2, 2005 and October 3, 2004 are based on the consolidated financial statements of MHCI whereas data for all other periods reflected in the following table are based upon our consolidated financial statements and the fact that the 14.0% senior secured notes, which were issued on June 4, 2004, are the obligations of MHCI and are not our obligations and are therefore reflected in MHCI s consolidated financial statements but not in our consolidated financial statements. The summary financial data should be read in conjunction with Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto contained elsewhere in this prospectus.

On July 25, 2002, MHLLC acquired all of our outstanding stock in a business combination accounted for under the purchase method of accounting. As a result of the acquisition, our capital structure and our basis of accounting under the push down method for the periods prior to the acquisition, which we sometimes refer to as the Predecessor Period, differ from our capital structure and our basis of accounting for the periods after the acquisition, which we sometimes refer to as the Successor Period. Therefore, financial data as of dates and for periods prior to July 25, 2002 are not comparable to financial data as of dates or for periods on or after July 25, 2002. As a result of the acquisition, the consolidated statements of operations for the Successor Period include amortization expense relating to debt issuance costs and management fees that did not exist prior to the acquisition. Further, as a result of purchase accounting, the fair values of fixed assets on the date of acquisition became their new cost basis. Accordingly, the depreciation of these assets for the Successor Period

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is based upon their newly established cost basis. Other effects of purchase accounting in the Successor Period are not considered significant.

The unaudited pro forma statement of operations data for fiscal 2004 and for the nine month period ended October 2, 2005 are derived from MHCI s statement of operations for those periods and give effect to this offering (assuming an initial public offering price of $15.00 per share, which is the mid-point of the estimated price range set forth on the cover page of this preliminary prospectus) and the consummation of the transactions described in note (2) below as if they had occurred on January 5, 2004. The unaudited pro forma balance sheet data as of October 2, 2005 is derived from MHCI s balance sheet as of such date and gives effect to this offering (assuming an initial public offering price of $15.00 per share, which is the mid-point of the estimated price range set forth on the cover page of this preliminary prospectus) and the consummation of the transactions described in note (2) below as if they had occurred on October 2, 2005. The unaudited pro forma financial data are subject to a number of assumptions and uncertainties and do not purport to reflect what the results of operations or financial position of us or MHCI would have been had these transactions taken place on the dates indicated and are not intended to project the results of operations or financial position of us or MHCI for any future period or date. In that regard, if the actual public offering price per share differs from the assumed public offering price per share that we have used in preparing this pro forma data, or if the number of shares that we issue and sell in this offering differs from the number appearing on the cover page of this preliminary prospectus, the unaudited pro forma financial data, calculated on the basis of the actual public offering price or the actual number of shares or both, as the case may be, will differ from the unaudited pro forma financial data set forth below.

We and MHCI each use a 52 or 53-week fiscal year that ends on the Sunday closest to January 1. In this prospectus, we sometimes refer to the fiscal years ended December 29, 2002, January 4, 2004 and January 2, 2005 as fiscal 2002, fiscal 2003 and fiscal 2004, respectively. Approximately every six or seven years a $53^{rd}$ week is added to our fiscal year. Fiscal 2002 and 2004 each consisted of 52 weeks, while fiscal 2003 consisted of 53 weeks. As a result, some of the differences in the results of operations between those fiscal years are attributable to the different lengths of the fiscal years. The nine month periods ended October 3, 2004 and October 2, 2005 each consisted of 39 weeks.

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| | MRG | | | MHCI | | | | |
|---|---|---|---|---|---|---|---|---|
| | Fiscal Year 2002 | | | | | | | |
| | Predecessor Period | Successor Period | | | | | | |
| | | July 25, 2002 to Dec. 29, 2002 | Fiscal Year | | Nine Month Periods Ended (unaudited) | | Pro Forma Fiscal Year 2004 (unaudited) | Pro Forma Nine Month Period Ended October 2, 2005 (unaudited) |
| | Dec. 31, 2001 to July 24, 2002 Restated(1) | Restated(1) | 2003 | 2004 | Oct. 3, 2004 | Oct. 2, 2005 | (2)(3) | (2)(3) |
| | (dollars in thousands, except per share amounts) | | | | | | | |
| **Statement of Operations Data: (4)(5)** | | | | | | | | |
| Revenues | $ 132,433 | $ 105,704 | $ 258,668 | $ 276,334 | $ 199,682 | $ 217,122 | $ 276,334 | $ 217,122 |
| Food and beverage costs | 45,566 | 35,797 | 86,265 | 93,222 | 67,566 | 72,328 | 93,222 | 72,328 |
| Restaurant operating expenses | 60,111 | 51,134 | 124,051 | 127,000 | 95,457 | 104,109 | 127,000 | 104,109 |
| Pre-opening costs | 723 | 1,253 | 904 | 1,059 | 553 | 2,050 | 1,059 | 2,050 |
| Depreciation and amortization | 6,573 | 1,914 | 5,360 | 6,435 | 4,766 | 5,327 | 6,435 | 5,327 |
| General and administrative expenses | 8,483 | 6,369 | 16,680 | 18,949 | 14,011 | 16,431 | 19,674(6) | 16,974(6) |
| Marketing and promotional expenses | 3,005 | 3,597 | 5,933 | 8,472 | 7,002 | 4,082 | 8,472 | 4,082 |
| Management fee paid to related party (7) | | 1,243 | 2,800 | 2,800 | 2,100 | 2,100 | 2,800 | 2,100 |
| Operating income | 7,972 | 4,397 | 16,675 | 18,397 | 8,227 | 10,695 | 17,672 | 10,152 |
| (Gain) loss on insurance proceeds (8) | (1,443) | | | (986) | | | (986) | |
| Costs associated with the repayment of certain debt (9) | | | 2,349 | 264 | 264 | 174 | 264 | 174 |
| (Gain) loss on sale of investment (10) | | | | | | (664) | | (664) |
| Costs associated with strategic alternatives and proxy contest (11) | 9,078 | | | | | | | |
| Restaurant closing (credit) costs (12) | (300) | | | | | | | |
| Interest expense, net | 4,647 | 2,876 | 8,862 | 14,989 | 10,671 | 12,945 | 5,303(13) | 3,274(13) |
| (Loss) income before income taxes | (4,010) | 1,521 | 5,464 | 4,130 | (2,708) | (1,760) | 13,091 | 7,368 |
| Income tax expense (benefit) | 818 | 642 | 1,224 | 4,868 | 86 | (1,355) | 7,915 | 1,749 |
| Net (loss) income | $ (4,828) | $ 879 | $ 4,240 | $ (738) | $ (2,794) | $ (405) | $ 5,176 | $ 5,619 |
| Net (loss) income per share (14) | | | | | | | | |
| Basic | $ (1.15) | $ 0.09 | $ 0.42 | $ (0.07) | $ (0.28) | $ (0.04) | $ 0.32 | $ 0.35 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Diluted | $ (1.15) | $ 0.09 | $ 0.42 | $ (0.07) | $ (0.28) | $ (0.04) | $ 0.32 | $ 0.34 |
| Shares used in computing net (loss) income per share (14) | | | | | | | | |
| Basic | 4,184,000 | 10,098,500 | 10,098,500 | 10,098,500 | 10,098,500 | 10,098,500 | 16,098,500 | 16,098,500 |
| Diluted | 4,184,000 | 10,098,500 | 10,098,500 | 10,098,500 | 10,098,500 | 10,098,500 | 16,340,000 | 16,340,000 |
| **Other Financial Data:** | | | | | | | | |
| Average restaurant revenues (15) | | $ 3,574 | $ 3,790 | $ 4,016 | $ 3,316 | $ 3,613 | | |
| Change in comparable restaurant revenues (16) | | 3.0% | +4.6% | +6.7% | +9.4% | +2.3% | | |

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| | As of Oct. 2, 2005 | |
|---|---|---|
| | (unaudited) | |
| | Actual | Pro Forma(2)(3) |
| | (dollars in thousands) | |
| **Balance Sheet Data(4):** | | |
| Cash and cash equivalents | $ 5,887 | $ 5,062(17) |
| Restricted cash and marketable securities | 8,593 | 692(17) |
| Current assets | 40,450 | 31,724(17) |
| Property and equipment, net | 65,370 | 65,370 |
| Total assets | 269,700 | 255,187(17)(18) |
| Current liabilities | 44,839 | 40,540(19) |
| New senior revolving credit facility | | 78,000(20) |
| 7.5% senior secured notes | 93,122 | (20) |
| 14.0% senior secured notes, less current maturities of $4.3 million (actual) and $0 (pro forma) | 40,000 | (20) |
| Obligations to financial institutions, less current maturities of $0.1 million (actual) and $0.1 million (pro forma) | 3,497 | 3,497 |
| Stockholder s equity | 57,569 | 102,477(21) |

(1) During fiscal 2003, we restated our consolidated financial statements for fiscal 2002. See Note 3 to our consolidated financial statements included elsewhere herein.

(2) The unaudited pro forma statements of operations data for fiscal 2004 and for the nine month period ended October 2, 2005 are derived from MHCI s unaudited statements of operations for those periods. The unaudited pro forma statement of operations data for fiscal 2004 and for the nine month period ended October 2, 2005 give effect to the following transactions as if they had occurred on January 5, 2004:

(a) our issuance and sale of common stock in this offering and our receipt of approximately $81.7 million in net proceeds, based on an assumed initial public offering price of $15.00 per share, which is the mid-point of the estimated price range appearing on the cover page of this preliminary prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us;

(b) the effectiveness of our proposed new $115.0 million senior revolving credit facility and the incurrence of approximately $78.0 million of borrowings under that facility at an assumed interest rate of 5.5% per annum and the termination of our current senior secured working capital facility (as described below, we anticipate that the actual amount of borrowings we will incur under the proposed new senior revolving credit facility in connection with this offering will be less than this amount);

(c) the application of the estimated net proceeds we receive from this offering, together with the proceeds from the borrowings under our proposed new senior revolving credit facility referred to above, and a total of $8.7 million of proceeds from the sale of marketable securities and available cash, to repay our outstanding 7.5% senior secured notes for an estimated total cost of $104.6 million and to repay MHCI s 14.0% senior secured notes for an estimated cost of $53.8 million (as discussed below, the estimated cost of repaying our 7.5% senior secured notes and MHCI s 14.0% senior secured notes reflected in the unaudited pro forma financial data is based on the accreted value of (in the case of our 7.5% notes) and accrued interest on those notes as of October 2, 2005 and the actual amounts that we will expend to repay those notes will exceed these amounts);

(d) the amortization of the financing fees related to our proposed new $115.0 million senior revolving credit facility and the elimination of amortization of the existing deferred financing fees relating to our 7.5% senior secured notes, MHCI s 14.0% senior secured notes and our current working capital facility; and

(e) the issuance of 241,500 shares of restricted stock that we plan to issue, prior to the consummation of this offering, under an equity incentive plan we plan to implement prior to the consummation of this offering and estimated compensation expense attributable to the issuance of those shares.

The unaudited pro forma statement of operations data do not give effect to the charges and payments discussed in clauses (x) through (z) of the next paragraph.

The unaudited pro forma balance sheet data as of October 2, 2005 are derived from MHCI s unaudited balance sheet as of that date and give effect to the transactions described in clauses (a) through (e) above and to the following transactions as if they had occurred as of that date:

(x) the application of the estimated net proceeds we receive from this offering, together with the proceeds from the borrowings under our proposed new senior revolving credit facility referred to above and a total of $8.7 million of proceeds from the sale of marketable securities and available cash, to terminate MHLLC s management agreement with Castle Harlan, Inc. for a cost of approximately $8.4 million, to pay estimated financing fees related to our proposed new senior revolving credit facility of $0.7 million, to pay estimated investment banking and legal fees in connection with the tender offer for our 7.5% senior secured notes and the repurchase of MHCI s 14.0% senior secured notes of approximately $1.0 million, and to collateralize outstanding letters of credit for a total cost of approximately $0.3 million;

(y) the write-off of approximately $6.5 million in deferred financing fees relating to our 7.5% senior secured notes, MHCI s 14.0% senior secured notes and our current working capital facility; and

(z) the estimated compensation expense of approximately $0.5 million attributable to the vesting of MHLLC common units previously granted to certain of our employees, which will occur prior to the closing of this offering.

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The foregoing unaudited pro forma financial data assumes that we will pay approximately $104.6 million to repay all of our 7.5% senior secured notes and approximately $53.8 million to repay all of MHCI s 14.0% senior secured notes, based on the accreted value of (in the case of our 7.5% notes) and accrued interest on those notes as of October 2, 2005. The actual amounts we expend to repay those notes will be based on their current accreted value (in the case of our 7.5% notes) and the current amount of interest accrued thereon and will therefore exceed the amounts reflected in this unaudited pro forma financial data. We currently estimate that we will expend approximately $106.0 million to repay our 7.5% senior secured notes and approximately $57.1 to repay MHCI s 14.0% senior secured notes, although the actual amounts may be greater. See Use of Proceeds.

As set forth above, the pro forma financial data assumes that we will apply the net proceeds we receive from this offering, $78.0 million of borrowings under our proposed new senior revolving credit facility, and a total of $8.7 million of proceeds from the sale of marketable securities and available cash, for the purposes described above. We determined the amount of these pro forma borrowings based in part on total cash and cash equivalents, restricted cash and marketable securities as of October 2, 2005. However, we anticipate that total cash and cash equivalents, restricted cash and marketable securities upon consummation of this offering will exceed the total amount as of October 2, 2005. As a result of this anticipated increase in cash and cash equivalents, restricted cash and marketable securities, offset in part by the fact that the actual amount we will expend to repay our 7.5% senior secured notes and MHCI s 14.0% senior secured notes will, as described in the preceding paragraph, exceed the amounts reflected in this pro forma financial data, we estimate that the actual amount of borrowings that we will actually incur in connection with the foregoing transactions will be approximately $72.0 million.

The unaudited pro forma financial data are subject to a number of assumptions and uncertainties and do not purport to reflect what the results of operations or financial position of us or MHCI would have been had the transactions referred to above taken place on the dates indicated and are not intended to project the results of operations or financial position of us or MHCI for any future period or date. In that regard, if the actual public offering price per share differs from the assumed public offering price per share that we have used in preparing this pro forma data, or if the number of shares that we issue and sell in this offering differs from the number appearing on the cover page of this preliminary prospectus, the pro forma data, calculated on the basis of the actual public offering price or the actual number of shares or both, as the case may be, will differ from the pro forma financial data set forth above. Likewise, the amounts that we will be required to expend to repay our 7.5% senior secured notes and MHCI s outstanding 14.0% senior secured notes will differ from the amounts that we have assumed for purposes of preparing this pro forma data, and changes in those amounts or in other estimated amounts or the estimated interest rate on borrowings under our proposed new senior revolving credit facility that we used in preparing this data would also change the pro forma financial data.

(3) As described above, the pro forma data have been calculated using an assumed initial public offering price of $15.00 per share. A $1.00 increase or decrease in the assumed initial public offering price per share would increase or decrease, respectively, the estimated net proceeds to us, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, from this offering by approximately $5.6 million, assuming that the number of shares offered by us, as set forth on the cover page of this preliminary prospectus, remains the same, and would decrease or increase, respectively, the aggregate principal amount that we will borrow under our proposed new senior revolving credit facility in connection with this offering. Similarly, an increase or decrease in the number of shares of common stock that we sell would increase or decrease, respectively, our net proceeds and would decrease or increase, respectively, the aggregate principal amount that we will borrow under our proposed new senior revolving credit facility in connection with this offering. A $1.00 increase or decrease in the assumed initial public offering price would increase or decrease, respectively, the following items appearing in the pro forma columns of the above tables by the following amounts, assuming that the number of shares offered by us, as set forth on the cover page of this preliminary prospectus remains the same:

| | **Increase (Decrease) in Unaudited Pro Forma Amount** | |
|---|---|---|
| | $1.00 Increase in Assumed Initial Public Offering Price | $1.00 Decrease in Assumed Initial Public Offering Price |
| **Pro Forma Fiscal Year 2004 Statement of Operations Data** | (dollars in thousands) | |
| Interest expense, net | $ (307) | $ 307 |
| Income tax expense | 104 | (104) |
| Net income | 203 | (203) |
| **Pro Forma Nine Month Period Ended October 2, 2005 Statement of Operations Data** | | |
| Interest expense, net | (230) | 230 |

| | | |
|---|---|---|
| Income tax expense | 78 | (78) |
| Net income | 152 | (152) |
| **Pro Forma Balance Sheet data as of October 2, 2005** | | |
| New senior revolving credit facility | (5,580) | 5,580 |
| Stockholder s equity | 5,580 | (5,580) |

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(4) Prior to the consummation of this offering, MHCI will be merged into us. The consolidated historical and unaudited pro forma financial data set forth in the above table for fiscal 2004 and the nine month periods ended October 3, 2004 and October 2, 2005 and as of October 2, 2005 is derived from the consolidated financial statements of MHCI.

(5) Certain items that were previously reported in specific statement captions have been reclassified to conform to the fiscal 2004 presentation. See Note 2(t) to our consolidated financial statements included elsewhere herein.

(6) The pro forma adjustments for fiscal 2004 and the nine month period ended October 2, 2005 include approximately $0.7 million and $0.5 million, respectively, of additional compensation expense relating to the 241,500 shares of restricted stock that we plan to issue prior to the consummation of this offering. The amount of this compensation expense is based upon an assumed initial public offering price of $15.00 per share. A $1.00 increase or decrease in the initial public offering price would result in an approximately $48,300 increase or decrease, respectively, in pro forma compensation expense for fiscal 2004 and an approximately $36,225 increase or decrease, respectively, in pro forma compensation expense for the nine month period ended October 2, 2005.

(7) Management fee paid to related party of $1.2 million, $2.8 million, $2.8 million, $2.1 million and $2.1 million for the fiscal 2002 Successor Period, fiscal 2003, fiscal 2004 and for the nine month periods ended October 3, 2004 and October 2, 2005, respectively, was paid pursuant to MHLLC s management agreement with Castle Harlan, Inc.

(8) During fiscal 2002 and fiscal 2004, we received $3.1 million and $1.0 million, respectively, relating to property insurance and recorded a gain of approximately $1.4 million and $1.0 million in the 2002 Predecessor Period and fiscal 2004, respectively, relating to the insurance contract for the restaurant that was located at 90 West Street, New York, New York. Such losses were sustained in connection with the September 11, 2001 attacks.

(9) During fiscal 2003, we used a portion of the net proceeds from the issuance of our 7.5% senior secured notes to repay our previously existing credit facility, capital leases and certain mortgages. During fiscal 2003, we expensed $2.3 million representing: (1) the write-off of deferred financing costs of $0.7 million relating to our previously existing credit facility; (2) prepayment penalties of $0.5 million incurred with the repayment of capital leases and one mortgage; and (3) the write-off of the accumulated other comprehensive loss of $0.7 million and deferred tax assets for $0.4 million which were previously recognized in connection with two interest rate swap agreements. Costs associated with the repayment of certain debt of $0.3 million for both fiscal 2004 and the nine month period ended October 3, 2004 and $0.2 million for the nine month period ended October 2, 2005, represent prepayment penalties that we incurred with the repayment of certain mortgages.

(10) Gain on sale of investment of $0.7 million in the nine month period ended October 2, 2005 represents a gain from the sale of stock in a privately owned company.

(11) Costs associated with strategic alternatives and proxy contest for the 2002 Predecessor Period of $9.1 million represent legal costs, investment banking and bank costs, printing, investor relations and proxy solicitation costs and other costs.

(12) Restaurant closing credit of $0.3 million in the 2002 Predecessor Period represents the recovery of assets previously written-down.

(13) The unaudited pro forma adjustments for fiscal 2004 and the nine month period ended October 2, 2005 include total decreases in interest expense, net of approximately $9.7 million in each period. These decreases in fiscal 2004 and the nine month period ended October 2, 2005 reflect:

the elimination of amortization of deferred financing fees relating to our 7.5% senior secured notes, MHCI s 14.0% senior secured notes and our current senior secured working capital facility of approximately $1.3 million and $1.1 million, respectively;

the elimination of interest expense relating to our 7.5% senior secured notes of approximately $9.6 million and $7.3 million, respectively; and

the elimination of interest expense relating to MHCI s 14.0% senior secured notes of approximately $3.2 million and $4.6 million, respectively.

These decreases were partially offset by unaudited pro forma adjustments to increase interest expense, net for fiscal 2004 and the nine month period ended October 2, 2005 to reflect estimated interest expense of approximately $4.3 million and $3.2 million, respectively, on $78 million of new pro forma borrowings under our proposed new senior revolving credit facility at an assumed interest rate of 5.5% and amortization of the deferred financing fees related to that facility of approximately $0.1 million and $0.1 million, respectively.

(14) These numbers are based on shares of our common stock and, except for the Predecessor Period from December 31, 2001 through July 24, 2002, give effect to the 10,098.5 for one split of our outstanding common stock that will be effected prior to the consummation of this offering as if that transaction had occurred as of the first day of the Successor Period beginning July 25, 2002.

(15) Average restaurant revenues represents average revenues per restaurant for restaurants open for the entire period being measured. The financial data for fiscal 2002 reflect the data for the Predecessor Period from December 31, 2001 to July 24, 2002 and the Successor Period from July 25, 2002 to December 29, 2002.

(16) Change in comparable restaurant revenues represents the percentage increase or decrease in period-over-period revenues for restaurants open all of the period indicated and all of the prior period. The financial data for fiscal 2002 reflect the data for the Predecessor Period from December 31, 2001 to July 24, 2002 and the Successor Period from July 25, 2002 to December 29, 2002.

(17) The unaudited pro forma adjustments reflect changes in cash and cash equivalents and restricted cash and marketable securities due to the transactions described in clauses (a), (b) and (c) of the first paragraph of note (2) above and in clause (x) of the third paragraph of note (2) above, and an increase in restricted cash of approximately $0.3 million due to the collateralization of outstanding letters of credit.

(18) The unaudited pro forma adjustments reflect the capitalization of estimated financing fees relating to our proposed new senior revolving credit facility of approximately $0.7 million and the write-off of approximately $6.5 million in deferred financing fees relating to our 7.5% senior secured notes, MHCI s

14.0% senior secured notes and our current working capital facility.

(19) The unaudited pro forma adjustments reflect the repayment of the current portion of MHCI s 14.0% senior secured notes of approximately $4.3 million.

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(20) The unaudited pro forma adjustments reflect approximately $78.0 million of borrowings under our proposed new senior revolving credit facility (as described above, we anticipate that the actual amount of borrowings we will incur under our proposed new senior revolving credit facility in connection with this offering will be less than this amount) and the repayment of our outstanding 7.5% senior secured notes and MHCI s 14.0% senior secured notes.

(21) The unaudited pro forma adjustments reflect the transactions described in clause (a) of the first paragraph and clause (z) of the third paragraph of note (2) above, the estimated prepayment premium relating to our 7.5% senior secured notes and MHCI s 14.0% senior secured notes of approximately $11.5 million and $9.5 million, respectively, a charge incurred in connection with the planned termination of MHLLC s management agreement with Castle Harlan, Inc. of approximately $8.4 million, a charge for investment banking and legal fees in connection with the tender offer for our 7.5% senior secured notes and the repurchase of MHCI s 14.0% senior secured notes of approximately $1.0 million, and the write-off of approximately $6.5 million in deferred financing fees relating to our 7.5% senior secured notes, MHCI s 14.0% senior secured notes and our current working capital facility.

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## RISK FACTORS

*You should carefully consider the risk factors set forth below as well as the other information included in this prospectus before buying shares of our common stock. Any of these risks may have a material adverse effect on our business, financial condition, results of operations and cash flows. In that case, you may lose all or part of your investment.*

### Risks Related to our Business

***Changing discretionary spending patterns and general economic conditions could reduce our guest traffic and/or average revenue per guest, which would have an adverse effect on our revenues.***

Purchases at our restaurants are discretionary for consumers and, therefore, we are susceptible to economic slowdowns. In particular, our Morton s steakhouses cater primarily to business clientele and local fine-dining guests. We believe that the vast majority of our weekday revenues and a substantial portion of our weekend revenues from these restaurants are derived from business people using expense accounts. Accordingly, we believe that our business is particularly susceptible to any factors that cause a reduction in expense account dining by our business clientele. We also believe that consumers generally are more willing to make discretionary purchases, including high-end restaurant meals, during periods in which favorable economic conditions prevail. Changes in spending habits as a result of an economic slowdown or a reduction in consumer confidence are likely to reduce our guest traffic and/or average revenue per guest, which would adversely affect our sales.

The future performance of the U.S. economy is uncertain and is directly affected by numerous global and national political and other factors that are beyond our control. These factors, which also affect discretionary consumer spending, include national, regional and local economic conditions, disposable consumer income, consumer confidence, terrorist attacks and the United States participation in military actions. We believe that these factors have adversely impacted our business and, should these conditions continue or worsen or should similar conditions occur in the future, we would expect them to continue to adversely impact our business.

***Our continued growth depends on our ability to open new restaurants and operate new restaurants profitably.***

A substantial majority of our historical growth has been due to opening new restaurants. For example, we experienced growth of 7.0%, 6.5% and 1.0% in our total revenues in fiscal 2002, 2003 and 2004 attributable to the revenues from our new restaurants opened in fiscal 2001, 2002 and 2003, respectively, compared to total growth in revenues of 0.8%, 8.7% and 6.8% in fiscal 2002, 2003 and 2004, respectively. Our ability to open new restaurants is dependent upon a number of factors, many of which are beyond our control, including our ability to:

- find quality locations;
- reach acceptable agreements regarding the lease or purchase of locations;
- comply with applicable zoning, land use and environmental regulations;

raise or have available an adequate amount of money for construction and opening costs;

timely hire, train and retain the skilled management and other employees necessary to meet staffing needs;

obtain, for an acceptable cost, required permits and approvals; and

efficiently manage the amount of time and money used to build and open each new restaurant.

We are reviewing additional sites for potential future Morton s steakhouses. Typically, there has been a ramp-up period of one to two years before we expect a new Morton s steakhouse to achieve our targeted

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level of performance. This is due to higher operating costs caused by start-up and other temporary inefficiencies associated with opening new restaurants such as lack of market familiarity and acceptance when we enter new markets and unavailability of experienced staff.

We may not be able to attract enough customers to new restaurants because potential customers may be unfamiliar with our restaurants or the atmosphere or the menus of our restaurants might not appeal to them. As a result, the operating results generated at new restaurants may not equal the operating results generated at our existing restaurants. The restaurants may even operate at a loss, which could have a significant adverse effect on our overall operating results. In addition, opening a new restaurant in an existing market could reduce the revenue of our existing restaurants in that market.

For these same reasons, many markets would not successfully support one of our restaurants. Furthermore, our ability to expand into non-U.S. markets also may be impacted by legal considerations such as restrictions on importing USDA prime beef from the United States. For example, we currently are not able to export U.S. beef to our restaurants in Asia.

Our existing senior personnel levels, restaurant management systems, financial controls, information systems and other systems and procedures may be inadequate to support our expansion, which could require us to incur substantial expenditures that could adversely affect our operating results.

***Our results of operations will be adversely affected by the planned closure of one of our Italian restaurants during renovations.***

During January 2006, we signed a new long-term lease with respect to our existing Italian restaurant located in Las Vegas, Nevada. In conjunction with the new lease, a new restaurant will be built at this location, and as a result we are currently planning to close the existing Italian restaurant beginning August 2006. Construction of the new restaurant is currently planned to last from August 2006 through December 2006, although the actual construction period may begin later or last longer. During the construction period, we will incur rent expense, utility expense and other fixed costs and construction costs with respect to the lease of this restaurant and we will also lose the revenues that would have been generated had the existing restaurant remained open, all of which will adversely affect our results of operations. During the period from August 2005 to December 2005, this Italian restaurant generated revenues and income from operations of $4.4 million and $1.4 million, respectively and, assuming that the construction period for the new restaurant lasts from August 2006 through December 2006, we estimate that we will incur pre-opening expenses and other fixed costs relating to this new lease of approximately $1.6 million pre-tax, although the actual amount could be greater. In that regard, the rent under the new lease is substantially higher than the rent under the existing lease. We may not be able to offset all or any part of this increase in rent through operational measures. As a result of this planned closing, and based on current conditions and our current estimates, we believe that, for the third quarter of fiscal 2006, we may incur a consolidated net loss that could be substantially larger than the consolidated net loss that we incurred in the third quarter of fiscal 2005. Moreover, this planned closure and the higher rent under the new lease may continue to adversely affect our results of operations in periods after the third and fourth quarters of 2006. Additionally, the revenue and income from operations, if any, generated at the newly renovated restaurant may not equal the revenue and income from operations generated at the existing restaurant.

***Our restaurants may not be able to compete successfully with other restaurants and, as a result, we may not achieve our projected revenue and profitability targets.***

If our restaurants are unable to compete successfully with other restaurants in new and/or existing markets, we may not achieve our projected revenue and profitability targets. Our industry is intensely competitive with respect to price, quality of service, restaurant location, ambiance of facilities and type and quality of food. We compete with national and regional restaurant chains and independently owned

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restaurants for customers, restaurant locations and qualified management and other restaurant staff. Compared to our business, some of our competitors have greater financial and other resources, have been in business longer, have greater name recognition and are better established in the markets where our restaurants are located or are planned to be located. Our inability to compete successfully with other restaurants may force us to close one or more of our restaurants. We closed one restaurant in fiscal 2002 and two restaurants in fiscal 2003 and may close other restaurants in the future. Closing a restaurant would reduce our revenues, and could subject us to construction and other costs including severance, legal costs and the write-down of leasehold improvements, equipment, furniture and fixtures. In addition, we could remain liable for remaining future lease obligations.

In addition, our continued success depends in part upon the continued popularity of upscale steakhouses. Shifts in consumer preferences away from this type of concept could materially adversely affect our operating results. The restaurant industry is characterized by the continual introduction of new concepts and is subject to rapidly changing consumer preferences, tastes and eating and purchasing habits. Our success depends in part on our ability to anticipate and respond to changing consumer preferences, as well as other factors affecting the restaurant industry, including new market entrants and demographic changes.

***Continued expansion by our competitors in the upscale steakhouse segment of the restaurant industry could prevent us from realizing anticipated benefits from new restaurant growth or continued growth in existing restaurant revenues.***

Our competitors have opened many upscale steakhouses in recent years and a key element of our strategy is to open new steakhouses in both new and existing markets. If we overestimate demand for Morton s steakhouses or underestimate the popularity of our competitors restaurants, we may be unable to realize anticipated revenues from new steakhouses. Similarly, if one or more of our competitors open new restaurants in any of our existing or anticipated markets, sales in our steakhouses may be lower than we expect. Any unanticipated slowdown in demand in any of our restaurants due to industry growth could reduce our revenues, which could cause the price of our common stock to decline substantially.

***Restaurant companies, including ours, have been the target of class action lawsuits and other proceedings alleging, among other things, violations of federal and state workplace and employment laws. Proceedings of this nature, if successful, could result in our payment of substantial damages.***

Our results of operations may be adversely affected by legal or governmental proceedings brought by or on behalf of our employees or customers. In recent years, a number of restaurant companies, including ours, have been subject to lawsuits, including class action lawsuits, alleging violations of federal and state law regarding workplace and employment matters, discrimination and similar matters. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. Similar lawsuits have been instituted against us from time to time and we are also a defendant in a number of pending lawsuits alleging violations of state and federal wage and hour laws regarding the sharing of tips with other employees and failure to pay for all hours worked. An arbitration decision with respect to the wage and hour laws regarding the sharing of tips with other employees in connection with a proceeding involving 88 claimants with respect to two of our Morton s steakhouses located in New York is expected in the near future. See Business Legal Proceedings. We have not established any accruals for judgments, and insurance is not available to cover any liabilities, with respect to these matters. Accordingly, we may incur substantial damages and expenses resulting from lawsuits, which would increase the cost of operating our business and decrease the cash available for other uses, and may require us to make additional borrowings under our proposed new senior revolving credit facility.

***Increases in the prices of, or reductions in the availability of, USDA prime beef could reduce our operating margins and our revenues.***

We purchase large quantities of beef, particularly USDA prime beef, which is subject to extreme price fluctuations due to seasonal shifts, climate conditions, industry demand and other factors. Our beef costs

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represented approximately 48% of our food and beverage costs during fiscal 2004 and approximately 48% of our food and beverage costs during the nine month period ended October 2, 2005. The market for USDA prime beef is particularly volatile. For example, in late 2003, increased demand, together with the impact of supply rationing during late 2001 and 2002, resulted in shortages of USDA prime beef, requiring us to pay significantly higher prices for the USDA prime beef we purchased. Because Morton s steakhouses feature USDA prime beef, we generally would expect to purchase USDA prime beef even if the price increased significantly. If prices for the types of beef we use in our restaurants increase in the future and we choose not to pass, or cannot pass, these increases on to our guests, our operating margins would decrease.

***We may experience higher operating costs, including increases to supply prices and employee salaries and benefits, which will adversely affect our operating results if we cannot increase menu prices to cover them.***

If we increase the compensation or benefits to our employees or pay higher prices for food items or other supplies, we may have an increase in our operating costs. If we are unable or unwilling to increase our menu prices or take other actions to offset increased operating costs, our operating results will suffer. Many factors affect the prices that we pay for the various food and other items that we use to operate our restaurants, including seasonal fluctuations, longer term cycles and other fluctuations in livestock markets, changes in weather or demand and inflation. Factors that may affect the salaries and benefits that we pay to our employees include local unemployment rates and changes in minimum wage and employee benefits laws. Other factors that could cause our operating costs to increase include fuel prices, occupancy and related costs, maintenance expenditures and increases in other day-to-day expenses.

***Our operating results may fluctuate significantly due to the seasonality of our business and these fluctuations make it more difficult for us to predict accurately in a timely manner factors that may have a negative impact on our business.***

Our business is subject to seasonal fluctuations that may vary greatly depending upon the region in which a particular restaurant is located. These fluctuations can make it more difficult for us to predict accurately and address in a timely manner factors that may have a negative impact on our business. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year. See Management s Discussion and Analysis of Financial Condition and Results of Operations Seasonality.

***Our results of operations are affected by a variety of factors, including severe weather conditions, and have fluctuated significantly in the past and can be expected to continue to fluctuate significantly in the future.***

Our results of operations have fluctuated significantly in the past and can be expected to continue to fluctuate significantly in the future. Our results of operations are affected by a variety of factors, including:

- the timing of new restaurant openings, the cost of opening new restaurants and the relative proportion of new restaurants to mature restaurants;
- changes in consumer preferences;
- general economic conditions;

severe weather conditions; and

actions by our competitors.

Some of our restaurants are located in regions that may be susceptible to severe weather conditions. As a result, adverse weather conditions in any of these areas could damage these restaurants, result in fewer guest visits to these restaurants and otherwise have a material adverse impact on our business. For example, our business was adversely impacted in the third quarter of fiscal 2005 and continues to be adversely affected by hurricanes and severe weather in New Orleans and Florida. Therefore, you should not rely on our past results of operations as being indicative of the future.

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***Negative publicity surrounding our restaurants or the consumption of beef generally could adversely affect consumer taste, which could reduce sales in one or more of our restaurants and make our brand less valuable.***

Because our competitive strengths include the quality of our food and our restaurant facilities, we believe that adverse publicity relating to these factors or other similar concerns affects us more than it would restaurants that compete primarily on other factors. Any shifts in consumer preferences away from the kinds of food we offer, particularly beef, whether because of dietary or other health concerns or otherwise, would make our restaurants less appealing and adversely affect our revenues. Adverse changes involving any of these factors could further reduce our guest traffic and/or impose practical limits on pricing, which could further reduce our revenues and operating income.

***Instances of food-borne illness and outbreaks of disease, as well as negative publicity relating thereto, could result in reduced demand for our menu offerings and reduced traffic in our restaurants and negatively impact our business.***

Instances of food-borne illness, including Bovine Spongiform Encephalopotathy, which is also known as BSE or mad cow disease, aphthous fever, which is also known as hoof and mouth disease, as well as hepatitis A, lysteria, salmonella and e-coli, whether or not traced to our restaurants, could reduce demand for our menu offerings. Outbreaks of disease, including severe acute respiratory syndrome, which is also known as SARS, as well as influenza, could reduce traffic in our restaurants. Any of these events would negatively impact our business. In addition, any negative publicity relating to these and other health-related matters may affect consumers perceptions of our restaurants and the food that we offer, reduce guest visits to our restaurants and negatively impact demand for our menu offerings. Because our competitive strengths include the quality of our food, adverse publicity relating to these matters or other similar concerns affects us more than it would restaurants that compete primarily on other factors. For example, the outbreak of SARS in 2003 materially impacted the results of our three restaurants located in Hong Kong, Singapore and Toronto.

***We depend upon frequent deliveries of food and other supplies, in most cases from a limited number of suppliers, which subjects us to the possible risks of shortages, interruptions and price fluctuations.***

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