MORTONS RESTAURANT GROUP INC
Form S-1/A
January 09, 2006
Table of Contents

As filed with the Securities and Exchange Commission on January 9, 2006

Registration No. 333-130072

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1 TO

Form S-1

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

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)**

3333 New Hyde Park Road, Suite 210

New Hyde Park, New York 11042

(516) 562-2727

(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.

3333 New Hyde Park Road, Suite 210

New Hyde Park, New York 11042

(516) 562-2727

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

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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: ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: ¨

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.

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 JANUARY 9, 2006.

PROSPECTUS

Shares

MORTON S RESTAURANT GROUP, INC.

Common Stock

This is Morton s Restaurant Group, Inc. s initial public offering. We are offering shares of our common stock and the selling stockholders identified in this prospectus are offering an additional 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 $ and $ per share.

Prior to this offering there has been no public market for our common stock. We intend to apply to have our common stock listed on the New York Stock Exchange under the symbol MRT.

Investing in our common stock involves risks. See Risk Factors beginning on page 10.

	Per Share	Total

Public Offering Price	$	$
Underwriting Discount 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 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.

Table of Contents

Table of Contents

Table of Contents

Table of Contents

TABLE OF CONTENTS

Neither we nor any of the underwriters have authorized anyone to provide information different from that contained in this prospectus. When you make a decision about whether to invest in our common stock, you must not rely upon any unauthorized information or representations. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common stock. This prospectus is not an offer to sell or solicitation of an offer to buy these shares of our common stock in any circumstances under which or in any jurisdiction where the offer or solicitation is unlawful.

Table of Contents

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 our 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 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 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. In fiscal 2004, we had total revenues of $276.3 million, operating income of $18.4 million and net income of $1.7 million, representing an increase (decrease) from fiscal 2003 of 6.8%, 10.3%, and (58.8)%, respectively. Our net income in fiscal 2004 reflects, among other things, the full year effect of interest on our 7.5% senior secured notes, which were issued on July 7, 2003. In the nine month period ended October 2, 2005, we had total revenues of $217.1 million, operating income of $10.7 million and net income of $1.4 million, representing increases of 8.7%, 30.0% and 168.6%, respectively, over the comparable period in fiscal 2004.

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.

Table of Contents

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 revenues and 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

Table of Contents

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.

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 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 five new Morton s steakhouses in 2006 and approximately five to seven new Morton s steakhouses in each of the next several years.

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 % of our common stock immediately following the consummation of this offering. 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.

Corporate Information

We are a Delaware corporation, incorporated on October 3, 1988, and our principal executive offices are located at 3333 New Hyde Park Road, Suite 210, New Hyde Park, New York 11042. Our telephone number is (516) 562-2727. 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.

Table of Contents

Our Merger and Offering-Related Transactions

In connection with this offering, as described under Unaudited Pro Forma Consolidated Financial Data and elsewhere in this prospectus, we also expect to effect a number of transactions, including the repayment of our outstanding 7.5% senior secured notes, the repayment of the 14% senior secured notes, the termination of our current $15 million working capital facility, the entering into of a proposed new $100 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; MHCI is our immediate parent and a holding company with no independent operations; 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 to its unitholders.

Upon consummation of the merger of MHCI into us, the 14% senior secured notes of MHCI will become our obligation.

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 for one split of our 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; and
- assumes no exercise of the underwriters over-allotment option to purchase up to additional shares of our common stock from us.

4

Table of Contents

THE OFFERING

Common stock offered by us	shares
Common stock offered by the selling stockholders	shares
Common stock to be outstanding immediately after this offering	shares
Use of proceeds	We estimate that the net proceeds from this offering, at an assumed initial public offering price of $ per share, which is the midpoint of the 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 $ million. If the underwriters exercise their over-allotment option in full to purchase up to additional shares of our common stock, we estimate that our net proceeds, calculated as described above, will be approximately $ million. We intend to use the net proceeds from this offering, together with the proceeds from borrowings under a new senior revolving credit facility that we intend to enter into in connection with this offering, as follows: (1) approximately $ million to repay all of our currently outstanding 7.5% senior secured notes, including a prepayment premium of approximately $ million; (2) approximately $ million to repay all of the currently outstanding 14% senior secured notes of MHCI, including a prepayment premium of approximately $ million; (3) approximately $ million to pay the termination fee in connection with the termination of MHLLC s management agreement with Castle Harlan, Inc.; (4) approximately $ million to collateralize outstanding letters of credit issued under our current working capital facility; and (5) the remainder for general corporate purposes. We will not receive any of the proceeds from the common stock sold by selling stockholders in this offering.
Proposed New York Stock Exchange symbol	MRT

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

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

5

Table of Contents

options to purchase shares of common stock at a weighted average exercise price of $ per share that we intend to issue and shares of restricted stock 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 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.

Table of Contents

SUMMARY CONSOLIDATED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following table contains summary consolidated financial data as of October 2, 2005 and for fiscal 2002, 2003, 2004 and for the nine month periods ended October 3, 2004 and October 2, 2005. The following table also contains summary consolidated balance sheet financial data as of October 2, 2005, as adjusted, to give effect to this offering and the other transactions described in the first paragraph under the caption Capitalization as if they had occurred as of October 2, 2005. Interim period summary financial data are not indicative of results for the full fiscal year. The summary financial data for fiscal 2002, 2003 and 2004 are derived from our audited consolidated financial statements contained elsewhere in this prospectus. The summary financial data as of October 2, 2005 and for the nine month periods ended October 3, 2004 and October 2, 2005 are derived from our 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. 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 our 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 period 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, our financial data as of dates and for periods prior to July 25, 2002 are not comparable to our financial data as of dates or for periods on or after July 25, 2002. As a result of the acquisition, our 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 our fixed assets on the date of acquisition became their new cost basis. Accordingly, the depreciation of these assets for the Successor Period 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 gives effect to our merger with MHCI and to this offering and the transactions related thereto as if they had occurred on January 5, 2004. The unaudited pro forma statement of operations data for the nine month period ended October 2, 2005 gives effect to our merger with MHCI and to this offering and the transactions related thereto as if they had occurred on January 3, 2005. The unaudited pro forma balance sheet data as of October 2, 2005 is derived from the balance sheet of such date and gives effect to our merger with MHCI and to this offering and the transactions related thereto 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 our results of operations or financial position would have been had these transactions taken place on the dates indicated and are not intended to project our results of operations or financial position for any future period or date.

We 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 53rd 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 our 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.

Table of Contents

	Fiscal Year 2002							
	Predecessor Period	Successor Period						
			Fiscal Year		Nine Month Periods Ended (unaudited)			
	Dec. 31, 2001 to July 24, 2002 Restated(1)	July 25, 2002 to Dec. 29, 2002 Restated(1)	2003	2004	Oct. 3, 2004	Oct. 2, 2005	Pro Forma Fiscal Year 2004 (unaudited)	Pro Forma Nine Month Period Ended October 2, 2005 (unaudited)
	(dollars in thousands)							
Statement of Operations Data: (2)								
Revenues	$ 132,433	$ 105,704	$ 258,668	$ 276,334	$ 199,682	$ 217,122		
Food and beverage costs	45,566	35,797	86,265	93,222	67,566	72,328		
Restaurant operating expenses	60,111	51,134	124,051	127,000	95,457	104,109		
Pre-opening costs	703	1,254	904	1,059	553	2,050		
Depreciation and amortization	6,593	1,913	5,360	6,435	4,766	5,327		
General and administrative expenses	8,483	6,369	16,680	18,949	14,011	16,431		
Marketing and promotional expenses	3,005	3,597	5,933	8,472	7,002	4,082		
Management fee paid to related party (3)		1,243	2,800	2,800	2,100	2,100		
Operating income	7,972	4,397	16,675	18,397	8,227	10,695		
(Gain) loss on insurance proceeds (4)	(1,443)			(986)				
Costs associated with the repayment of certain debt (5)			2,349	264	264	174		
(Gain) loss on sale of investment (6)						(664)		
Costs associated with strategic alternatives and proxy contest (7)	9,078							
Restaurant closing (credit) costs (8)	(300)							
Interest expense, net	4,647	2,876	8,862	11,510	8,706	8,085		
(Loss) income before income taxes	(4,010)	1,521	5,464	7,609	(743)	3,100		
Income tax expense (benefit)	818	642	1,224	5,864	1,326	1,681		
Net (loss) income	$ (4,828)	$ 879	$ 4,240	$ 1,745	$ (2,069)	$ 1,419		
Net (loss) income per share								
Basic								
Diluted								
Shares used in computing net (loss) income per share (9)								
Basic								
Diluted								
Other Financial Data:								
Average restaurant revenues (10)		$ 3,574	$ 3,790	$ 4,016	$ 3,316	$ 3,613		
Change in comparable restaurant revenues (11)		3.0%	+4.6%	+6.7%	+9.4%	+2.3%		

8

Table of Contents

	As of Oct. 2, 2005 (unaudited)	
	Actual	Pro Forma
	(dollars in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 5,887	$
Current assets	40,160	
Property and equipment, net	65,370	
Total assets	267,344	
Current liabilities	39,006	
7.5% senior secured notes	93,122	
Obligations to financial institutions, less current maturities	3,497	
Stockholder s equity (deficit)	97,320	

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

(3) Management fee paid to related party of $1,243, $2,800, $2,800, $2,100 and $2,100 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.

(4) During fiscal 2002 and fiscal 2004, we received $3,125 and $986, respectively, relating to property insurance and recorded a gain of approximately $1,443 and $986 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.

(5) 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 $2,349 representing: (1) the write-off of deferred financing costs of $718 relating to our previously existing credit facility; (2) prepayment penalties of $463 incurred with the repayment of capital leases and one mortgage; and (3) the write-off of the accumulated other comprehensive loss of $711 and deferred tax assets for $457 which were previously recognized in connection with two interest rate swap agreements. Costs associated with the repayment of certain debt of $264 for both fiscal 2004 and the nine month period ended October 3, 2004 and $174 for the nine month period ended October 2, 2005, represent prepayment penalties that we incurred with the repayment of certain mortgages.

(6) Gain on sale of investment of $664 in the nine month period ended October 2, 2005 represents a gain from the sale of stock in a privately owned company.

(7) Costs associated with strategic alternatives and proxy contest for the 2002 Predecessor Period of $9,078 represent legal costs, investment banking and bank costs, printing, investor relations and proxy solicitation costs and other costs.

(8) Restaurant closing credit of $300 in the 2002 Predecessor Period represents the recovery of assets previously written-down.

(9) These numbers give effect to the 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 respective periods presented.

(10) Average restaurant revenues represents average revenues for restaurants open for the entire period being measured.

(11) 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.

Table of Contents

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 time of one to two years before we expect a new Morton s steakhouse to achieve our

10

Table of Contents

targeted 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 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 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 one or more of our 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.

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 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.

Table of Contents

Our results of operations are affected by a variety of factors and can be volatile as a result.

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.

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.

Our ability to maintain consistent quality throughout our restaurants depends in part upon our ability to acquire fresh food products, including USDA prime beef, and related items from reliable sources in accordance with our specifications and in sufficient quantities. We have relatively short-term contracts with a limited number of suppliers for the distribution of most meat, food and other supplies for our restaurants. Our dependence on a small number of suppliers, as well as the limited number of available suppliers of USDA

Table of Contents

prime beef, subject us to the possible risks of shortages, interruptions and price fluctuations. If any of these suppliers do not perform adequately or otherwise fail to distribute products or supplies to our restaurants, we may be unable to replace the suppliers in a short period of time on acceptable terms. Our inability to replace our suppliers in a short period of time on acceptable terms could increase our costs and could cause shortages at our restaurants of food and other items that may cause us to remove certain items from a restaurant s menu or temporarily close a restaurant. If we temporarily close a restaurant or remove popular items from a restaurant s menu, that restaurant may experience a significant reduction in revenue during the time affected by the shortage and thereafter, as our customers may change their dining habits as a result. We have no long- term contracts for any food items used in our restaurants. We currently do not engage in futures contracts or other financial risk management strategies with respect to potential price fluctuations in the cost of food and other supplies, which we purchase at prevailing market or contracted prices.

We may incur additional costs or liabilities and lose revenues as a result of litigation and government regulation affecting the operation of our restaurants.

Our business is subject to extensive federal, state and local government regulation, including regulations related to the preparation and sale of food, the sale of alcoholic beverages, the sale and use of tobacco, zoning and building codes, land use and employee, health, sanitation and safety matters.

Typically our restaurants licenses to sell alcoholic beverages must be renewed annually and may be suspended or revoked at any time for cause. Alcoholic beverage control regulations relate to various aspects of daily operations of our restaurants, including the minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing and inventory control, handling and storage. The failure of any of our restaurants timely to obtain and maintain liquor or other licenses, permits or approvals required to serve alcoholic beverages or food could delay or prevent the opening of, or adversely impact the viability of, and any negative publicity related thereto could have an adverse effect on, the restaurant and we could lose significant revenue.

Our restaurants are subject in each state in which we operate to dram shop laws, which generally allow a person to sue us if that person was injured by a legally intoxicated person who was wrongfully served alcoholic beverages at one of our restaurants. A judgment against us under a dram shop law could exceed our liability insurance coverage policy limits and could result in substantial liability for us and have a material adverse effect on our results of operations. Our inability to continue to obtain such insurance coverage at reasonable costs also could have a material adverse effect on us.

To the extent that governmental regulations impose material additional obligations on our suppliers, including, without limitation, regulations relating to the inspection or preparation of meat, food and other products used in our business, product availability could be limited and the prices that our suppliers charge us could increase. We may not be able to offset these costs through increased menu prices, which could have a material adverse effect on our business. If any of our restaurants were unable to serve particular food products, even for a short period of time, we could experience a reduction in our overall revenue, which could have a material adverse effect on us. In addition, further government regulation including laws restricting smoking in restaurants and bars may reduce guest traffic and adversely impact our sales.

One or more of our restaurants could be subject to litigation and governmental fine, censure or closure in connection with issues relating to our food and/or our facilities. The food products that we serve, including meat and seafood, are susceptible to food borne illnesses. We and other restaurant companies have been named as defendants in actions seeking damages as a result of food borne illnesses and actions brought under state laws regarding notices with respect to chemicals contained in food products and regarding excess moisture in the business premises. To date, none of these matters has had a material adverse effect on our business, but that may not continue to be the case in the future.

The costs of operating our restaurants may increase if there are changes in laws governing minimum hourly wages, working conditions, overtime and tip credits, health care, workers compensation insurance rates, unemployment tax rates, sales taxes or other laws and regulations such as those governing access for the

Table of Contents

disabled, including the Americans with Disabilities Act. If any of these costs were to increase and we were unable to offset the increase by increasing our menu prices or by other means, this could have a material adverse effect on our business and results of operations. Because we have a significant number of restaurants located in various states, including eight in California, six in Florida and five in Illinois, regulatory changes in these states could have a disproportionate impact on our business. See Business Government Regulation for a discussion of certain regulations affecting our business.

The failure to enforce and maintain our intellectual property rights could enable others to use names confusingly similar to Morton s, Morton s of Chicago and other names and marks used by our restaurants, which could adversely affect the value of the Morton s brand.

We have registered the names Morton s, Morton s of Chicago and certain other names used by our restaurants as trade names, trademarks or service marks with the United States Patent and Trademark Office and in certain foreign countries. The success of our business depends on our continued ability to use our existing trade names, trademarks and service marks in order to increase our brand awareness. In that regard, we believe that our trade names, trademarks and service marks are valuable assets that are critical to our success. The unauthorized use or other misappropriation of our trade names, trademarks or service marks could diminish the value of our brands and restaurant concepts and may cause a decline in our revenue. We are aware of names similar to those of our restaurants used by third parties in certain limited geographical areas.

We occupy most of our restaurants under long-term non-cancelable leases and we may be unable to renew leases at the end of their terms.

Most of our restaurants are located in leased premises. Many of our current leases are non-cancelable and typically have terms ranging from 10 to 15 years with renewal options for terms ranging from five to 15 years. We believe that leases that we enter into in the future likely will also be long-term and non-cancelable and have similar renewal options. If we close a restaurant, we generally remain committed to perform our obligations under the applicable lease, which would include, among other things, payment of the base rent for the balance of the lease term. Our obligation to continue making rental payments in respect of leases for closed restaurants could have a material adverse effect on our business and results of operations. Alternatively, at the end of the lease term and any renewal period for a restaurant, we may be unable to renew the lease without substantial additional cost, if at all. If we are unable to renew our restaurant leases, we may close or relocate a restaurant, which could subject us to construction and other costs and risks, and could have a material adverse effect on our business and results of operations. For example, closing a restaurant, even during the time of relocation, will reduce the sales that the restaurant would have contributed to our revenues. Additionally, the revenue and profit, if any, generated at a relocated restaurant may not equal the revenue and profit generated at the existing restaurant.

Fixed rental payments account for a significant portion of our operating expenses, which increases our vulnerability to general adverse economic and industry conditions and could limit our operating and financing flexibility.

Payments under our operating leases account for a significant portion of our operating expenses. For example, total rental expenses, including additional rental payments based on sales at some of our restaurants, under operating leases were approximately $19.7 million (7.1% of our revenues) and $15.7 million (7.2% of our revenues) for fiscal 2004 and the nine month period ended October 2, 2005, respectively. In addition, as of October 2, 2005, we were a party to operating leases requiring future minimum lease payments aggregating approximately $84.0 million through fiscal 2009 and approximately $124.0 million thereafter. We expect that new restaurants we open will typically be leased by us under operating leases. Our substantial operating lease obligations could have significant negative consequences, including:

- increasing our vulnerability to general adverse economic and industry conditions;

limiting our ability to obtain additional financing;

- requiring a substantial portion of our available cash to be applied to pay our rental obligations, thus reducing cash available for other purposes;
- limiting our flexibility in planning for or reacting to changes in our business or the industry in which we compete; and
- placing us at a disadvantage with respect to some of our competitors.

We depend on cash flow from operations to pay our lease obligations and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities and sufficient funds are not otherwise available to us from borrowings under bank loans or from other sources, we may not be able to service our operating lease obligations, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, which would have a material adverse affect on us.

Our level of indebtedness may adversely affect our financial condition, limit our operational and financing flexibility and negatively impact our business.

In connection with this offering, we plan to enter into a new $100 million senior revolving credit facility. Our new senior revolving credit facility, and other debt instruments we may enter into in the future, may have important consequences to you, including the following:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- we may use a substantial portion of our cash flows from operations to pay interest on our indebtedness, which will reduce the funds available to us for operations and other purposes;
- our level of indebtedness could place us at a competitive disadvantage compared to our competitors that may have proportionately less debt;
- our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate may be limited; and
- our level of indebtedness may make us more vulnerable to economic downturns and adverse developments in our business.

We expect to obtain the money to pay our expenses and to pay any amounts due under our anticipated new senior revolving credit facility and our other indebtedness primarily from our operations. Our ability to make these payments depends on our future performance, which will be affected by financial, business, economic and other factors, many of which we cannot control. Our business may not generate sufficient cash flows from operations in the future and our currently anticipated growth in revenues and cash flows may not be realized, either or both of which could result in our being unable to repay indebtedness, including our anticipated new senior revolving credit facility, or to fund other liquidity needs. If we do not have enough money, we may be required to refinance all or part of our then existing debt, sell assets or borrow more money. We may not be able to accomplish any of these alternatives on terms acceptable to us, or at all. In addition, the terms of existing or future debt agreements, including our new senior revolving credit facility, may restrict us from adopting any of these alternatives.

The anticipated terms of our new senior revolving credit facility will impose significant operating and financial restrictions on us that may impair our ability to respond to changing business and economic conditions.

In connection with this offering, we plan to enter into a new senior revolving credit facility. We anticipate that the credit agreement governing such indebtedness will be secured by substantially all of our assets and contain a number of significant restrictions and covenants that will generally limit our ability to, among other things:

- pay dividends or purchase stock or make other restricted payments to our stockholders;

Table of Contents

- incur additional indebtedness;
- borrow money or issue guarantees;
- make investments;
- use assets as security in other transactions;
- sell assets or merge with or into other companies;
- enter into transactions with affiliates;
- sell stock in our subsidiaries; and
- create or permit restrictions on our subsidiaries ability to make payments to us.

We anticipate that the credit agreement will limit our ability to engage in these types of transactions even if we believed that a specific transaction would contribute to our future growth or improve our operating results. We also anticipate that the credit agreement will require us to achieve specified financial and operating results and maintain compliance with specified financial ratios. Our ability to comply with these provisions may be affected by events outside of our control. A breach of any of these provisions or our inability to comply with required financial ratios in our proposed new senior revolving credit facility could result in a default under the credit facility. If that were to occur, we expect that the lenders will have the right to declare all borrowings to be immediately due and payable. In addition, we expect that the lenders will have the right to demand immediate repayment of all borrowings upon the occurrence of certain change of control events relating to us. We anticipate that if we are unable to repay all borrowings when due, whether at maturity or if declared due and payable following a default or change of control event, the lenders would have the right to proceed against the collateral granted to secure the indebtedness. If we breach these covenants or fail to comply with the terms of our new senior revolving credit facility, or a change of control event occurs, lenders may demand immediate repayment of all borrowings, which would have a material adverse effect on our cash flow.

In addition, we will be exposed to market risk related to changes in interest rates because our proposed new senior revolving credit facility will carry a floating rate of interest. Accordingly, our results of operations may be adversely affected by changes in interest rates. Assuming a 100 basis point increase in the interest rate on our $100 million proposed new senior revolving credit facility, if the entire amount available under the facility were drawn, interest expense would increase by approximately $1.0 million over the course of twelve months.

We could face labor shortages that could slow our growth and adversely impact our ability to operate our restaurants.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees, including restaurant managers, kitchen staff and servers, necessary to keep pace with our anticipated expansion schedule and meet the needs of our existing restaurants. A sufficient number of qualified individuals of the requisite caliber to fill these positions may be in short supply in some areas. Any future inability to recruit and retain qualified individuals may delay the planned openings of new restaurants and could adversely impact our existing restaurants. Any such delays, any material increases in employee turnover rates in existing restaurants or any widespread employee dissatisfaction could have a material adverse effect on our business and results of operations. Additionally, competition for qualified employees could require us to pay higher wages, which could result in higher labor costs, which could have a material adverse effect on our results of operations.

We depend on the services of key executives, the loss of whom could materially harm our business and our strategic direction if we were unable to replace them with executives of equal experience and capabilities.

Some of our senior executives, such as Thomas J. Baldwin, are important to our success because they have been instrumental in setting our strategic direction, operating our business, identifying, recruiting and

Table of Contents

training key personnel, identifying expansion opportunities and arranging necessary financing. Losing the services of any of these individuals could adversely affect our business until a suitable replacement could be found. We also believe that they could not quickly be replaced with executives of equal experience and capabilities and their successors may not be as effective. Although we have an employment agreement with our Chief Executive Officer, we could not prevent him from terminating his employment with us. Other executives are not bound by employment agreements with us. We do not maintain key person life insurance policies on any of our executives. See Management.

We expect to incur substantial additional expenses to meet our reporting obligations as a public company. In addition, failure to maintain adequate financial and management processes and controls could lead to errors in our financial reporting and could harm our ability to manage our expenses.

Reporting obligations as a public company and our anticipated growth are likely to continue to place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel. In addition, as a public company we will be required to document and test our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 so that our management can certify as to the effectiveness of our internal controls and our independent registered public accounting firm can render an opinion on management s assessment and on the effectiveness of our internal control over financial reporting by the time our annual report for fiscal 2007 is due and thereafter, which will require us to document and may require us to make significant changes to our internal controls over financial reporting. As a result, we may be required to improve our financial and managerial controls, reporting systems and procedures and incur substantial expenses to test our systems and to make such improvements. If our management is unable to certify the effectiveness of our internal controls or if our independent registered public accounting firm cannot render an unqualified opinion on management s assessment and on the effectiveness of our internal control over financial reporting, or if material weaknesses in our internal controls are identified, or if we fail to comply with other obligations imposed by the Sarbanes-Oxley Act or New York Stock Exchange, or NYSE, rules relating to corporate governance matters, we could be subject to regulatory scrutiny and a loss of public confidence, which could have a material adverse effect on our business and our stock price. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could cause a decline in our stock price and adversely affect our ability to raise capital.

Our current insurance policies may not provide adequate levels of coverage against all claims and we may incur losses that are not covered by our insurance.

We believe we maintain insurance coverage that is customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure. For example, we believe that insurance covering liability for violations of wage and hour laws is generally not available. These losses, if they occur, could have a material adverse effect on our business and results of operations.

Risks Related to the Offering

Our stock price may be volatile, the market price of our common stock may decline and you could lose all or a significant part of your investment. In addition, there is no existing market for our common stock, and we do not know if one will develop to provide you with adequate liquidity.

Prior to this offering, there has not been a public market for our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on the NYSE or otherwise or how liquid any trading market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy.

Table of Contents

The initial public offering price for our common stock was determined by negotiations between us, the selling stockholders and the underwriters and does not purport to be indicative of prices that will prevail in the open market following this offering. The market price of our common stock may be influenced by many factors, some of which are beyond our control, including:

- the failure of securities analysts to cover our common stock after this offering or changes in financial estimates by analysts of us, our competitors or the restaurant industry in general;
- announcements by us or our competitors of new locations or menu items, capacity changes, strategic investments or acquisitions;
- actual or anticipated variations in our or our competitors operating results;
- our and our competitors growth rates;
- failure by us or our competitors to meet analysts projections or guidance that we or our competitors may give the market;
- general economic conditions;
- fluctuations in operating results;
- terrorist acts;
- future sales of our common stock; and
- investor perceptions of us, our competitors and our industry.

As a result of these factors, investors in our common stock may experience a decrease, which could be substantial, in the value of their investment, including decreases unrelated to our operating performance or prospects. In addition, the stock market in general, and the market for stocks of some restaurant companies in particular, has experienced extreme price and volume fluctuations. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of publicly traded shares of a company, securities class-action litigation has often been instituted against that company. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management s attention and resources, which could materially and adversely harm our financial condition and results of operations.

We may not receive sufficient proceeds from this offering and have sufficient available funds under our proposed new senior revolving credit facility to enable us to repurchase or redeem all of our outstanding notes.

In connection with this offering, we intend to redeem or repurchase our 7.5% senior secured notes and our 14% senior secured notes and to terminate our current working capital facility with the proceeds from this offering and borrowings that we anticipate making under a new senior revolving credit facility. As of October 2, 2005, approximately $93.1 million of aggregate accreted principal amount of our 7.5% senior secured notes, maturing on July 1, 2010, remained outstanding. As of October 2, 2005, approximately $44.3 million of aggregate principal amount of our 14.0% senior secured notes, maturing on July 1, 2010, remained outstanding. We may not receive sufficient proceeds from this offering and have sufficient available funds under our new senior revolving credit facility to enable us to repurchase or redeem any portion of our 7.5% senior secured notes or our 14% senior secured notes, which could result in our being unable to maintain what we believe to be appropriate levels of debt to operate our business.

Castle Harlan owns a substantial portion of our common stock and may have conflicts of interest with other stockholders in the future.

Immediately after this offering, Castle Harlan will own approximately % (or % if the underwriters over-allotment option is exercised in full) of our outstanding common stock, and our officers and directors and those of our stockholders holding more than 5.0% of our common stock prior to this offering, including Castle Harlan, will together own approximately % (or % if the underwriters over-allotment option is exercised in full) of our outstanding common stock, in each case based on shares outstanding as of October 2, 2005. As a result, these stockholders, acting individually or together, could exert significant influence over, and acting together may be able to control, matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in control of our company and make some transactions more difficult or impossible without the support of these stockholders. The interests of these stockholders may not always coincide with our interests as a company or the interests of other stockholders. Accordingly, these stockholders could cause us to enter into transactions or agreements of which you would not approve or make decisions with which you would disagree.

Future sales of our common stock in the public market could cause our stock price to fall.

If our existing stockholders sell substantial amounts of our common stock in the public market following this offering, the market price of our common stock could decrease significantly. The perception in the public market that our existing stockholders might sell substantial amounts of our common stock could also depress the market price of our common stock.

Immediately after completion of this offering, we will have shares of common stock outstanding, including approximately shares that will be beneficially owned by Castle Harlan, in each case based on shares outstanding as of October 2, 2005 and assuming no exercise of the underwriters over-allotment option. In general, the shares sold in this offering will be freely transferable without restriction or additional registration under the Securities Act of 1933, or the Securities Act. In addition, all of the remaining shares of our common stock that will be outstanding immediately after completion of this offering will be available for sale in the public markets, pursuant to Rule 144 or Rule 701 under the Securities Act, 180 days (subject to extension for up to an additional 34 days under limited circumstances as described under Underwriting) after the completion of this offering following the expiration of lock-up agreements entered into by the holders of substantially all of our common stock outstanding immediately prior to the consummation of this offering, including our directors and executive officers, for the benefit of the underwriters. Furthermore, immediately after completion of this offering and based on shares outstanding as of October 2, 2005, the holders of substantially all of those shares of our outstanding common stock, including Castle Harlan, will have the right to demand that we file a registration statement with respect to those shares, and will have the right to include those shares in any registration statement that we file with the Securities and Exchange Commission, or SEC, subject to exceptions, which would enable those shares to be sold in the public market, subject to the restrictions under the lock-up agreements referred to above.

Wachovia Capital Markets, LLC may, in its sole discretion and at any time or from time to time, without notice, release all or any portion of the shares of common stock subject to the lock-up agreements for sale in the public and private markets prior to the expiration of the lock-up. The market price for shares of our common stock may drop significantly when the restrictions on resale by our existing stockholders lapse or if those restrictions on resale are waived. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities.

If you purchase shares of common stock sold in this offering, you will experience immediate and substantial dilution.

Prior investors have paid substantially less per share for our common stock than the initial public offering price. Accordingly, if you purchase shares of our common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the estimated price range set forth on the cover page of this preliminary prospectus, you will experience immediate and substantial dilution of $ in net tangible book value per share of common stock because the price that you pay will be substantially greater than the net tangible book value per share of common stock of the shares you acquire. For a description of how we compute dilution in net tangible book value per share, see Dilution.

Table of Contents

We plan to issue options and/or restricted stock, which have the potential to dilute stockholder value and cause the price of our common stock to decline.

We expect to offer stock options, restricted stock and/or other forms of stock-based compensation to our directors, officers and employees, none of which will be vested at the time of this offering. If the options that we issue are exercised, or the restricted stock that we issue vests, and those shares are sold into the public market, the market price of our common stock may decline. In addition, the availability of shares of common stock for award under our equity incentive plan, or the grant of stock options, restricted stock or other forms of stock-based compensation, may adversely affect the market price of our common stock.

Provisions of our charter documents, Delaware law and other documents could discourage, delay or prevent a merger or acquisition at a premium price.

Our certificate of incorporation and bylaws include provisions that:

- permit us to issue preferred stock in one or more series and, with respect to each series, fix the number of shares constituting the series and the designation of the series, the voting powers (if any) of the shares of the series and the preferences and other special rights, if any, and any qualifications, limitations or restrictions, of the shares of the series;

- restrict the ability of stockholders to act by written consent or to call special meetings;

- limit the ability of stockholders to amend our certificate of incorporation and bylaws, including stockholder supermajority voting requirements;

- require advance notice for nominations for election to the board of directors and for stockholder proposals; and

- establish a classified board of directors with staggered three-year terms.

These provisions may discourage, delay or prevent a merger or acquisition of our company, including a transaction in which the acquiror may offer a premium price for our common stock.

We are subject to Section 203 of the Delaware General Corporation Law, or the DGCL, which imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock. In addition, our equity incentive plan will provide for vesting of stock options and/or restricted stock, and/or payments to be made to the employees thereunder, if their employment is terminated in connection with a change of control of our company, which could discourage, delay or prevent a merger or acquisition at a premium price. In addition, we expect that our proposed new senior revolving credit facility will include, and other debt instruments we may enter into in the future may include, provisions entitling the lenders to demand immediate repayment of all borrowings upon the occurrence of certain change of control events relating to our company, which also could discourage, delay or prevent a business combination transaction. See Description of Capital Stock Provisions of Our Certificate of Incorporation and Bylaws and Delaware Law That May Have an Anti-Takeover Effect.

We do not intend to pay dividends on our common stock for the foreseeable future, and the instruments governing our indebtedness in the future will contain various covenants that limit our ability to pay dividends.

It is our present intention not to pay dividends on our common stock for the foreseeable future. Although our board of directors may, at its discretion, modify or repeal our dividend policy, future dividends, if any, with respect to shares of our common stock will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant. Accordingly, we may not pay dividends in the future.

We expect that our new senior revolving credit agreement will contain, and debt instruments that we enter into in the future may contain, covenants that place limitations on the amount of dividends we may pay. In addition, under Delaware law, our board of directors may declare dividends only to the extent of our surplus (which is defined as total assets at fair market value minus total liabilities, minus statutory capital) or, if there is no surplus, out of our net profits for the then current and/or immediately preceding fiscal years.

Table of Contents

TRADEMARKS AND SERVICE MARKS

We own or have the rights to various trademarks and trade names used in this prospectus, including Morton s and Morton s of Chicago. This prospectus also includes trade names and trademarks of other companies. Our use or display of other parties trade names or trademarks is not intended to and does not imply a relationship with, or endorsement or sponsorship of us by, the trade name or trademark owners.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. Forward-looking statements are those that do not relate solely to historical fact. They include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. They may contain words such as believe, expect, anticipate, estimate, intend, plan, target, project, likely, will, would, cou of similar meaning. They may relate to, among other things:

- our liquidity and capital resources;
- competitive pressures and trends in the restaurant industry;
- prevailing interest rates;
- legal proceedings and regulatory matters;
- general economic conditions;
- our development and expansion plans and expectations for the futures; and
- the matters described in Risk Factors.

All forward-looking statements involve risks and uncertainties, including, but not limited to, economic, competitive and governmental factors outside of our control, that may cause actual results to differ materially from trends, plans or expectations set forth in the forward-looking statements. These risks and uncertainties may include those discussed in Risk Factors. Given these risks and uncertainties, we urge you to read this prospectus completely with the understanding that actual future results may be materially different from what we plan or expect. These factors and the other risk factors described in this prospectus are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements.

All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements made in this prospectus may not prove to be correct.

INDUSTRY AND MARKET DATA

Industry, market and demographic data appearing throughout this prospectus, including information relating to our relative position in the restaurant industry, the projected growth of sales in the U.S. restaurant industry, projected increases in real disposable personal income and projected population growth, are derived principally from publicly available information, industry publications, U.S. government data, data made available by market research firms, our own data and similar sources. Information in this prospectus concerning the average check at our restaurants excludes tax and tip.

Table of Contents

USE OF PROCEEDS

Our net proceeds from this offering will be approximately $ (or approximately $ if the underwriters exercise in full their over-allotment option to purchase up to additional shares of our common stock), based on an assumed initial public offering price of $ per share, which is the midpoint of the estimated price range appearing on the cover page of this preliminary prospectus, after deducting underwriting discounts and commissions and other estimated offering expenses payable by us.

In connection with this offering, we intend to enter into a new $ million senior revolving credit facility. We intend to use the net proceeds from this offering, together with approximately $ million of borrowings under this new senior revolving credit facility, as follows:

- approximately $ million to repay all of our currently outstanding 7.5% senior secured notes, including a prepayment premium of approximately $ million;
- approximately $ million to repay all of the currently outstanding 14% senior secured notes, including a prepayment premium of approximately $ million;
- approximately $ million to pay the termination fee in connection with the termination of MHLLC s management agreement with Castle Harlan, Inc.;
- approximately $ million to collateralize outstanding letters of credit issued under our current working capital facility; and
- the remainder for general corporate purposes.

However, as discussed below, the amount we expend to repay our 7.5% senior secured notes may be greater than the estimated amounts set forth above.

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

Pending use for the purposes set forth above, we intend to invest the net proceeds in short-term, investment-grade, interest-bearing securities. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for additional information regarding our sources and uses of capital.

As of October 2, 2005, $105 million aggregate principal amount at maturity of our 7.5% senior secured notes remained outstanding. The aggregate principal amount at maturity represents the face amount of the notes. On January 3, 2006, we launched a tender offer to repurchase up to $68,250,000 aggregate principal amount at maturity of those notes (which constitutes 65%) for a total offer price of approximately $69.4 million, including accrued interest and a premium. In addition, we intend to redeem any and all of our 7.5% senior secured notes that are not tendered and accepted for payment in the tender offer, up to 35% of the aggregate principal amount at maturity of the notes. However, we do not intend to redeem or arrange to redeem any notes until after the expiration of the tender offer and we are under no obligation to redeem any notes.

We estimate the cost to redeem those notes to be $36.5 million, including accrued interest and a premium. To the extent that the amounts we pay in the tender offer and the anticipated redemption exceed the estimated amounts, we intend to pay that excess through borrowings under our proposed new senior revolving credit facility. Accordingly, the amounts that we pay in connection with the repayment of the 7.5% senior secured notes may be greater or less than the estimated amounts appearing above, and it is possible that we may not repay all of the outstanding 7.5% senior secured notes.

As a result of the expected merger of MHCI into us prior to the consummation of this offering, we will become liable for MHCI s existing 14% senior secured notes. As of October 2, 2005, approximately $44.3

24

Table of Contents

million of aggregate principal amount of 14% senior secured notes remained outstanding, including interest paid in the form of additional notes, which we refer to as PIK notes. We intend to use approximately $ million of the net proceeds of this offering to repurchase those outstanding notes, including accrued interest and a premium.

The interest rate and maturity of the indebtedness that we intend to repay using the net proceeds from this offering are described below:

7.5% Senior Secured Notes. Our 7.5% senior secured notes were issued at a discount of 15% and a yield to maturity of 12.005% including the accretion of the discount and the amortization of the related deferred financing costs. The notes are fully and unconditionally guaranteed on a senior secured basis by all of our present and future domestic restricted subsidiaries and are secured by substantially all of our and our domestic restricted subsidiaries tangible and intangible assets, as well as by a pledge of a portion of the stock of the subsidiaries owned by us and by our domestic restricted subsidiaries, in each case subject to the prior ranking claims on such assets by the lender under our current working capital facility and certain other secured indebtedness. Our domestic restricted subsidiaries presently consist of all of our domestic subsidiaries that either own restaurants or own subsidiaries that own restaurants. The 7.5% senior secured notes mature on July 1, 2010.

14% Senior Secured Notes. Interest on our 14% senior secured notes is payable in cash or by the issuance of PIK notes in lieu of cash interest payments. Pursuant to the notes, if at the end of a fiscal quarter we meet certain financial tests, we are required to repay, to the extent permitted, outstanding PIK notes. The 14% senior secured notes are secured by a pledge of all of MHCI s assets, which include the stock of Morton s Restaurant Group, Inc. The 14% senior secured notes mature on December 30, 2010. The proceeds from the original issuance of the 14% senior secured notes were used to pay a dividend distribution of $36.9 million to the equity holders of MHLLC.

DILUTION

Dilution represents the difference between the amount per share paid by investors in this offering and the pro forma net tangible book value per share of our common stock immediately after this offering. Net tangible book value per share is equal to our total tangible assets less the amount of our total liabilities, divided by the sum of the number of shares of common stock outstanding. Our net tangible book value (deficit) as of October 2, 2005 was $(96.0) million, or $ per share of common stock.

After giving effect to our receipt of the estimated net proceeds from our sale of common stock in this offering at an assumed offering price of $ per share, the midpoint of the range set forth on the cover page of this preliminary prospectus, and after deducting the underwriting discounts and commissions and other estimated offering expenses payable by us, our net tangible book value, as adjusted, as of October 2, 2005 would have been $ million, or $ per share of common stock. This represents an immediate increase in net tangible book value to our existing stockholders of $ per share and an immediate dilution to new investors in this offering of $ per share. This calculation does not give effect to our use of proceeds from this offering or any borrowings under our proposed new senior revolving credit facility. The following table illustrates this per share dilution:

Assumed initial public offering price		$
Net tangible book value per share of common stock as of October 2, 2005	$	
Increase in net tangible book value per share of common stock attributable to new investors		
As adjusted net tangible book value per share of common stock after this offering		
Dilution per share of common stock to new investors in this offering		$

The following table summarizes, as of October 2, 2005, on an as adjusted basis, the total number and percentage of shares of common stock purchased from us, the aggregate consideration paid to us and the average price per share paid by existing stockholders and by new investors, based on the assumed initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this preliminary prospectus, before deducting the underwriting discounts and commissions and other estimated offering expenses payable by us:

	Shares of Common Stock Purchased		Total Consideration		Average Price Per Share of Common Stock
	Number	**Percent**	**Amount**	**Percent**	
Existing common stockholders		%	$	%	$
New investors					
Total		100%	$	100%	

Excluding options and/or restricted stock grants that we intend to issue in connection with this offering, the total number of shares of common stock purchased by our existing stockholders would be , the aggregate cash consideration paid by our existing stockholders would be $ and the average price per share paid by our existing stockholders would be approximately $. In addition, you will incur additional dilution if we grant more options and/or restricted stock in the future with exercise prices below the initial public offering price.

If the underwriters exercise their over-allotment option in full, our existing stockholders would own approximately % and our new investors would own approximately % of the total number of shares of our common stock outstanding immediately after this offering, based on shares outstanding as of October 2, 2005.

Table of Contents

DIVIDEND POLICY

It is our present intention not to pay dividends on our common stock for the foreseeable future. Although our board of directors may, at its discretion, modify or repeal our dividend policy, future dividends, if any, with respect to shares of our common stock will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant. Accordingly, we cannot assure you that we will pay dividends in the future.

We expect that our new senior revolving credit agreement will contain, and debt instruments that we enter into in the future may contain, covenants that place limitations on the amount of dividends we may pay. In addition, under Delaware law, our board of directors may declare dividends only to the extent of our surplus (which is defined as total assets at fair market value minus total liabilities, minus statutory capital) or, if there is no surplus, out of our net profits for the then current and/or immediately preceding fiscal years.

Table of Contents

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and our consolidated capitalization as of October 2, 2005 on an actual basis and on an as adjusted basis. The as adjusted data appearing below give effect to the following transactions as if they had occurred as of October 2, 2005:

- Our issuance and sale of common stock in this offering and our receipt of approximately $ million in net proceeds, based on an assumed initial public offering price of $ 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;

- the effectiveness of our proposed new $100 million senior revolving credit facility and the incurrence of approximately $ million of borrowings under that credit facility and the termination of our existing senior secured working capital facility;

- the application of the estimated net proceeds we receive from this offering, together with the proceeds from the borrowings under our new credit facility referred to above, to repay all of our currently outstanding 7.5% senior secured notes for an estimated total cost of $ million, to repay all of our currently outstanding 14% senior secured notes for an estimated cost of $ million, to terminate MHLLC s management agreement with Castle Harlan, Inc. for a cost of approximately $ million, and to collateralize outstanding letters of credit for a total cost of approximately $ million.

However, the amounts that we may be required to expend to repay our outstanding 7.5% senior secured notes and 14% senior secured notes may differ from the amounts that we have assumed for purposes of preparing this as adjusted data and it is possible that we may not repay all of our outstanding 7.5% senior secured notes. Moreover, the as adjusted data are subject to a number of other uncertainties and assumptions. Accordingly, the as adjusted data appearing below do not purport to reflect what our consolidated cash and cash equivalents or our consolidated capitalization would have been had these transactions occurred as of October 2, 2005.

Table of Contents

You should read this table together with the information in this prospectus under Use of Proceeds, Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and Description of Capital Stock and together with the consolidated financial statements and accompanying notes included elsewhere in this prospectus.

	As of October 2, 2005 (unaudited)	
	Actual	As Adjusted
	($ in millions)	
Cash and cash equivalents	$ 5.9	$
Long-term debt, including current maturities (1):		
New senior revolving credit facility		
7.5% senior secured notes	93.1	
14% senior secured notes	44.3	
Obligations to financial institutions	3.6	
Total long-term debt, including current maturities	$ 141.0	$
Stockholder s Equity:		
Common Stock, $0.01 par value; actual: shares authorized, shares issued and outstanding; as adjusted: shares authorized, shares issued and outstanding (2)		
Preferred Stock, $0.01 par value; actual: no shares authorized, issued or outstanding; as adjusted: shares authorized, no shares issued and outstanding		
Additional paid-in capital		
Accumulated other comprehensive income		
Accumulated deficit		
Stockholder s equity		
Total capitalization	$	$

(1) We currently have a $15.0 million senior secured working capital facility with Wells Fargo Foothill, Inc. As of October 2, 2005, we had no borrowings outstanding under our current working capital facility and $0.3 million was restricted for letters of credit issued by the lender.

(2) Gives effect to a for one split of our outstanding common stock that will be effected prior to the consummation of this offering.

The share information in the table above excludes:

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

- options to purchase shares of common stock at a weighted average exercise price of $ per share that we intend to issue and shares of restricted stock 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 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.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA

The following table contains selected consolidated financial data as of and for fiscal 2000, 2001, 2002, 2003 and 2004 and as of and for the nine month periods ended October 3, 2004 and October 2, 2005. The selected financial data as of and for fiscal 2000, 2001, 2002, 2003 and 2004 have been derived from our audited consolidated financial statements. Audited consolidated financial data for fiscal 2002, 2003 and 2004, and audited consolidated balance sheet data as of the end of fiscal 2003 and 2004, are derived from our consolidated financial statements contained elsewhere in this prospectus. The selected financial data as of and for the nine month periods ended October 3, 2004 and October 2, 2005 have been derived from our 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 such periods. The interim period selected financial data are not necessarily indicative of the results for the full year. The selected financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our 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, our financial data as of dates and for periods prior to July 25, 2002 are not comparable to our financial data as of dates or for periods on or after July 25, 2002. As a result of the acquisition, our 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 our fixed assets on the date of acquisition became their new cost basis. Accordingly, the depreciation of these assets for the Successor Period is based upon their newly established cost basis. Other effects of purchase accounting in the Successor Period are not considered significant.

We 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 53rd 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 our 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.

Table of Contents

	Predecessor Period				Successor Period			
	Fiscal Year		Fiscal Year 2002		Fiscal Year		Nine Month Periods Ended (unaudited)	
	2000 Restated(1)	2001 Restated(1)	Dec. 31, 2001 to July 24, 2002 Restated(1)	July 25, 2002 to Dec. 29, 2002 Restated(1)	2003	2004	Oct. 3, 2004	Oct. 2, 2005
				(dollars in thousands)				
Statement of Operations Data (2):								
Revenues	$ 247,510	$ 236,163	$ 132,433	$ 105,704	$ 258,668	$ 276,334	$ 199,682	$ 217,122
Food and beverage costs	84,224	82,150	45,566	35,797	86,265	93,222	67,566	72,328
Restaurant operating expenses	105,580	107,905	60,111	51,134	124,051	127,000	95,457	104,109
Pre-opening costs	4,008	3,700	703	1,254	904	1,059	553	2,050
Depreciation, amortization and non-cash charges	7,079	8,978	6,593	1,913	5,360	6,435	4,766	5,327
General and administrative expenses	19,811	17,201	8,483	6,369	16,680	18,949	14,011	16,431
Marketing and promotional expenses	6,879	6,927	3,005	3,597	5,933	8,472	7,002	4,082
Management fee paid to related party (3).				1,243	2,800	2,800	2,100	2,100
Operating income	19,929	9,302	7,972	4,397	16,675	18,397	8,227	10,695
(Gain) loss on insurance proceeds (4)			(1,443)			(986)		
Costs associated with the repayment of certain debt (5)					2,349	264	264	174
(Gain) loss on sale of investment (6)								(664)
Costs associated with strategic alternatives and proxy contest (7)		730	9,078					
Restaurant closing costs (credit) (8)		1,625	(300)					
Interest expense, net	6,427	7,617	4,647	2,876	8,862	11,510	8,706	8,085
Income (loss) before income taxes	13,502	(670)	(4,010)	1,521	5,464	7,609	(743)	3,100
Income tax expense (benefit)	3,993	(1,072)	818	642	1,224	5,864	1,326	1,681
Net income (loss)	$ 9,509	$ 402	$ (4,828)	$ 879	$ 4,240	$ 1,745	$ (2,069)	$ 1,419
Net income (loss) per share								
Basic								
Diluted								
Shares used in computing net income (loss) per share (9)								
Basic								
Diluted								

31

Table of Contents

	As of Dec. 31, 2000	As of Dec. 30, 2001	As of Dec. 29, 2002	As of Jan. 4, 2004	As of Jan. 2, 2005	As of Oct. 2, 2005
			(dollars in thousands)			(unaudited)
Balance Sheet Data:(2)(3)						
Cash and cash equivalents	$ 2,296	$ 4,827	$ 1,703	$ 17,997	$ 10,179	$ 5,887
Current assets	24,392	25,680	24,219	44,165	40,324	40,160
Property and equipment, net	110,987	117,251	55,759	55,724	61,487	65,370
Total assets	156,486	168,092	245,552	263,320	264,436	267,344
Current liabilities	37,539	33,247	43,802	35,020	38,192	39,006
7.5% senior secured notes				90,013	91,717	93,122
Obligations to financial institutions less current maturities	85,012	100,232	82,542	12,274	6,636	3,497
Stockholder s (deficit) equity	(2,013)	(1,887)	97,413	102,322	97,341	97,320

(1) During fiscal 2003, we restated our consolidated financial statements for fiscal 2000, 2001 and 2002. See Note 3 to our consolidated financial statements included elsewhere herein.

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

(3) Management fee paid to related party of $1,243, $2,800, $2,800, $2,100 and $2,100 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.

(4) During fiscal 2002 and fiscal 2004, we received $3,125 and $986, respectively, relating to property insurance and recorded a gain of approximately $1,443 and $986 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.

(5) 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 $2,349 representing: (1) the write-off of deferred financing costs of $718 relating to our previously existing credit facility; (2) prepayment penalties of $463 incurred with the repayment of capital leases and one mortgage; and (3) the write-off of the accumulated other comprehensive loss of $711 and deferred tax assets for $457 which were previously recognized in connection with two interest rate swap agreements. Costs associated with the repayment of certain debt of $264 for both fiscal 2004 and the nine month period ended October 3, 2004 and $174 for the nine month period ended October 2, 2005, represent prepayment penalties that we incurred with the repayment of certain mortgages.

(6) Gain on sale of investment of $664 in the nine month period ended October 2, 2005 represents a gain from the sale of stock in a privately owned company.

(7) Costs associated with strategic alternatives and proxy contest for fiscal 2001 and the 2002 Predecessor Period of $730 and $9,078, respectively, represent legal costs, investment banking and bank costs, printing, investor relations and proxy solicitation costs and other costs.

(8) Restaurant closing costs of $1,625 in fiscal 2001 represents costs associated with the closing of the Morton s Steakhouse restaurant that was located in Sydney, Australia. The $1,625 consisted of the write-down of the net book value of the restaurant, consisting of property and equipment of approximately $1,300 (which included an unpaid invoice of $120 related to the construction of the restaurant), inventory and smallwares of approximately $100, security deposits of approximately $45, accrued legal costs of approximately $100 and certain exit costs of approximately $60 associated with the closing of the restaurant. Restaurant closing credit of $300 in the 2002 Predecessor Period represents the recovery of assets previously written-down.

(9) These numbers give effect to the 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 respective periods presented.

32

Table of Contents

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The unaudited pro forma statement of operations for fiscal 2004 gives effect to our merger with MHCI and to this offering and the transactions related thereto as if they had occurred on January 5, 2004. The unaudited pro forma consolidated statement of operations for the nine month period ended October 2, 2005 gives effect to our merger with MHCI and to this offering and the transactions related thereto as if they had occurred on January 3, 2005. The unaudited pro forma balance sheet as of October 2, 2005 is derived from the balance sheet of such date and gives effect to our merger with MHCI and to this offering and the transactions related thereto as if they had occurred on October 2, 2005.

The pro forma adjustments are based on available information and certain assumptions that we believe are reasonable, and may be revised as additional information becomes available. The pro forma adjustments are more fully described in the notes to the pro forma consolidated financial information below.

The unaudited pro forma consolidated financial statements should not be considered indicative of actual results that would have been achieved had the transactions described above been completed as of the dates indicated and does not purport to project the financial condition or results of operations and cash flows for any future date or period.

The unaudited pro forma statements of operations set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our and MHCI s consolidated financial statements and the notes thereto contained elsewhere in this prospectus.

Unaudited Pro Forma Consolidated

Statement of Operations

For the fiscal year ended January 2, 2005

(Amounts in thousands)

	MRG	Pro Forma MHCI Merger	Subtotal	Pro Forma Transactions	Total
Revenues	$ 276,334		276,334		
Food and beverage costs	93,222		93,222		
Restaurant operating expenses	127,000		127,000		
Pre-opening costs					
Depreciation and amortization	7,494		7,494		
General and administrative expenses	18,949		18,949		
Marketing and promotional expenses	8,472		8,472		
(Gain) loss on insurance proceeds	(986)		(986)		
Cost associated with the repayment of certain debt	264		264		
Interest expense, net	11,510	3,479(A)	14,989		
Castle Harlan Management fee	2,800		2,800		
Income (loss) income before income taxes	7,609	(3,479)	4,130		
Income tax expense	5,864	(996)	4,868		

Net income (loss)	$ 1,745	(2,483)	(738)		

(A) Represents interest expense relating to the 14.0% senior secured notes and the amortization of the related deferred financing fees.

Table of Contents

Unaudited Pro Forma Consolidated

Statement of Operations

Nine month period ended October 2, 2005

(Amounts in thousands)

	MRG	Pro Forma MHCI Merger	Subtotal	Pro Forma Transactions	Total
Revenues	$ 217,122		217,122		
Food and beverage costs	72,328		72,328		
Restaurant operating expenses	104,109		104,109		
Pre-opening costs, depreciation, amortization, and non-cash charges	7,377		7,377		
General and administrative expenses	16,431		16,431		
Marketing and promotional expenses	4,082		4,082		
Cost associated with the repayment of certain debt	174		174		
Gain on sale of investment	(664)		(664)		
Interest expense, net	8,085	4,860(A)	12,945		
Castle Harlan Management fee	2,100		2,100		
Income (loss) income before income taxes	3,100	(4,860)	(1,760)		
Income tax expense	1,681	(3,036)	(1,355)		
Net income (loss)	$ 1,419	(1,824)	(405)		

(A) Represents interest expense relating to the 14.0% senior secured notes and the amortization of the related deferred financing fees.

Table of Contents

Unaudited Pro Forma

Consolidated Balance Sheet

October 2, 2005

(Amounts in thousands)

Assets

	MRG	Pro Forma MHCI Merger	Subtotal	Pro Forma Transactions	Total
Current assets:					
Cash and cash equivalents	$ 5,887		5,887		
Restricted cash	417		417		
Marketable securities	8,176		8,176		
Accounts receivable	5,421		5,421		
Inventories	8,991		8,991		
Prepaid expenses, and other 7,404 current assets	7,404		7,404		
Deferred income taxes	3,864	290	4,154		
Total current assets	40,160	290	40,450		
Property and equipment, net	65,370		65,370		
Intangible asset	92,000		92,000		
Goodwill	61,528		61,528		
Other assets and deferred expenses, net	8,286	2,066(A)	10,352		
	$ 267,344	2,356	269,700		
Liabilities and Stockholder s Equity					
Current liabilities:					
Accounts payable	$ 6,023		6,023		
Accrued expenses	32,361	1,551(B)	33,912		
Current portion of obligations to financial institution	111		111		
Current portion of 14% senior secured notes		4,299(C)	4,299		
Accrued income taxes	511	(17)	494		
Total current liabilities	39,006	5,833	44,839		
7.5% senior secured notes, net of unamortized discount of $11,878	93,122		93,122		
14.0% senior secured notes, less current maturities		40,000(C)	40,000		
Obligations to financial institutions, less current maturities	3,497		3,497		
Deferred income taxes	21,910	(3,726)	18,184		
Other liabilities	12,489				