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 **(State or other jurisdiction of** **incorporation or organization)**	**5812** **(Primary Standard Industrial Classification Code Number)**	**13-3490149** **(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.

Table of Contents

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.

6

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%		

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

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.

Table of Contents

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

14

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

17

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.

20

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.

22

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

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.

Table of Contents

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.

26

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.

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.

34

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		12,489		
Total liabilities	170,024	42,107	212,131		
Commitments and contingencies					
Stockholder s equity (deficit):					
Common stock, $0.01 par value per share. Authorized, issued and outstanding 1,000 shares at October 2, 2005					
Additional paid-in capital	97,077	(36,124)	60,953		
Accumulated other comprehensive loss	205		205		

Retained earnings (accumulated deficit)	38	(3,627)	(3,589)		
Total stockholder s equity (deficit)	97,320	(39,751)	57,569		
	$267,344	2,356	269,700		

(A) Represents deferred financing fees, net, relating to the 14.0% senior secured notes.
(B) Represents the accrued interest relating to the 14.0% senior secured notes.
(C) Represents the outstanding balance of the 14.0% senior secured notes.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with Selected Consolidated Financial Data and our consolidated financial statements and related notes thereto included elsewhere in this prospectus. The following discussion includes forward-looking statements that involve certain risks and uncertainties. See Cautionary Statement Regarding Forward-Looking Statements.

We use a 52 or 53-week fiscal year that ends on the Sunday closest to January 1. We sometimes refer to our fiscal years ended December 31, 2000, December 30, 2001, December 29, 2002, January 4, 2004 and January 2, 2005 as fiscal 2000, fiscal 2001, 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. Accordingly, some of the changes in our results of operations discussed below are due to the different lengths of these fiscal years. The nine month periods ended October 3, 2004 and October 2, 2005, each consisted of 39 weeks.

Restatement of Consolidated Financial Statements

During fiscal 2003, we restated our consolidated financial statements for fiscal 2002, 2001, 2000, 1999 and 1998 as a result of having incorrectly provided estimates for expirations and non-redemption of gift certificates that we had sold. The effect of the restatement was to reduce revenues for the period from the beginning of fiscal 2002 until July 25, 2002, and for the period from July 25, 2002 until the end of fiscal 2002, by the amounts of $0.3 million and $0.3 million, respectively, and to reduce revenues for fiscal 2001, fiscal 2000, fiscal 1999 and fiscal 1998 by $0.9 million, $0.9 million, $0.4 million and $0.4 million, respectively. We recorded an adjustment to retained earnings of $1.1 million at December 31, 2000 for the cumulative effect of these restatement adjustments in prior periods. The restatement had no effect on our net operating cash position. See Note 3 to our consolidated financial statements included elsewhere herein.

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. 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. We own and operate all of our restaurants and do not have any franchisees. 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.

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.

Table of Contents

Our Going-Private Transaction

On July 25, 2002, Castle Harlan acquired us in a going private transaction. We accounted for the July 25, 2002 acquisition under the purchase method of accounting in accordance with Statement of Financial Accounting Standards, or SFAS, No. 141, Business Combinations, issued by the Financial Accounting Standards Board, or FASB. As a result of the acquisition, our capital structure and 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.

Results of Operations

On December 31, 2005, we entered into a separation agreement with Mr. Bernstein in connection with his retirement. The agreement provides that, among other things, Mr. Bernstein is entitled to the following benefits: (i) his annual bonus for 2005 and (ii) a payment of $7.0 million, payable in twelve quarterly installments beginning January 2, 2006. We expect to incur a charge of $6.6 million in the fourth quarter of fiscal 2005 with respect to the present value of payments pursuant to the separation agreement with Mr. Bernstein.

During the first quarter of fiscal 2006, we expect to incur a number of other one-time charges in connection with the transactions contemplated by this prospectus that will adversely affect our results of operations. For example, we currently estimate that we will incur charges aggregating approximately $27.0 million representing the following:

- the write-off of deferred financing fees relating to our 7.5% senior secured notes, MHCI s 14.0% senior secured notes and our working capital facility aggregating approximately $6.0 million;

- prepayment penalties relating to the repayment of our 7.5% senior secured notes and MHCI s 14.0% senior secured notes of approximately $20.0 million; and

- other debt exit costs of approximately $1.0 million.

However, this estimate is subject to a number of assumptions and uncertainties, including the assumption that all of our outstanding 7.5% senior secured notes will be repurchased by us in our tender offer or subsequently redeemed by us and that the premiums we offer to repurchase our 7.5% senior secured notes and 14% senior secured notes are acceptable to the holders. The actual charges we incur in connection with this repayment may be greater than our estimate. We also expect to incur a charge of approximately $8.4 million relating to the termination of MHLLC s management agreement with Castle Harlan, Inc.

Although various Morton s steakhouses have temporarily closed in the past due to weather conditions, the impact of severe weather on us was more significant in the third quarter of fiscal 2005. As a result of the impact of Hurricane Katrina, the Morton s steakhouse in New Orleans remains closed. We currently expect to re-open the restaurant during the first quarter of fiscal 2006, although we cannot assure you that this will occur. As a result of the impact of Hurricane Wilma, the Morton s steakhouses in Boca Raton, Miami, North Miami and Palm Beach Florida were temporarily closed for an average of 9 days in October 2005. These events have adversely affected our results of operations in the third and fourth quarters of fiscal 2005.

The following discussion and analysis relates to MRG s consolidated financial condition and results of operations unless otherwise noted. MHCI is our immediate parent and a holding company with no independent operations.

Table of Contents

Nine Month Period Ended October 2, 2005 Compared to Nine Month Period Ended October 3, 2004

Our net income for the nine month period ended October 2, 2005 was $1.4 million compared to a net loss of $2.1 million for the nine month period ended October 3, 2004. The increase is primarily due to an increase in comparable restaurant revenues and the impact of new restaurants, net of the related food and beverage costs, and a decrease in marketing and promotional expenses partially offset by an increase in pre-opening costs as discussed below.

MHCI s net loss for the nine month period ended October 2, 2005 was $0.4 million compared to $2.8 million for the nine month period ended October 3, 2004. The increase is primarily due to an increase in revenues from restaurants open all of both periods and the impact of new restaurants, net of the related food and beverage costs, and a decrease in marketing and promotional expenses partially offset by increases in interest expense and pre-opening costs as discussed below.

Revenues increased $17.4 million, or 8.7%, to $217.1 million for the nine month period ended October 2, 2005 from $199.7 million for the nine month period ended October 3, 2004. Revenues increased $4.4 million due to an increase in revenues from restaurants open all of both periods. Revenues increased $13.0 million due to the opening of five new restaurants (four in the nine month period ended October 2, 2005 and one in fiscal 2004). Average revenue per restaurant open all of either period increased 2.9%. Revenues for the nine month period ended October 2, 2005 also reflect the impact of aggregate menu price increases of approximately 3% in February 2004 and approximately 0.5% in May 2005.

Percentage changes in restaurant revenues for the nine month period ended October 2, 2005 versus October 3, 2004 for restaurants open all of both periods are as follows:

	Percentage Change Nine Month Period Ended October 2, 2005 vs. October 3, 2004
Morton s	2.3%
Bertolini s	2.7%
Total	2.3%

Our business is somewhat seasonal in nature, with revenues generally being less in the third quarter primarily due to our reduced summer volume.

Food and beverage costs increased $4.8 million, or 7.0%, to $72.3 million for the nine month period ended October 2, 2005 from $67.6 million for the nine month period ended October 3, 2004. This increase was primarily due to the opening of four additional restaurants in the nine month period ended October 2, 2005. These costs as a percentage of revenues decreased by 0.5% to 33.3% for the nine month period ended October 2, 2005 from 33.8% for the nine month period ended October 3, 2004. During fiscal 2004 high demand for U.S. beef products decreased the availability of USDA prime beef which resulted in increased food costs. We were generally able to offset such cost increases with the benefit of menu price increases, which resulted in a slight increase in food and beverage costs as a percentage of revenues for fiscal 2004. We cannot be sure that we will be able or willing to increase menu prices or take other actions to offset increases in these costs in the future.

Restaurant operating expenses, which include labor, occupancy and other operating expenses, increased $8.7 million, or 9.1%, to $104.1 million for the nine month period ended October 2, 2005 from $95.5 million for the nine month period ended October 3, 2004. These increases were primarily due to the opening of four additional restaurants in the nine month period ended October 2, 2005 and increases in labor and benefit costs. Restaurant operating expenses as a percentage of revenues increased 0.1% to 47.9% for the nine month period ended October 2, 2005 from 47.8% for the nine month period ended October 3, 2004. Included in the nine month periods ended October 2, 2005 and October 3, 2004 is non-cash rent recorded in accordance with SFAS No. 13 of $0.7 million and $1.2 million, respectively.

Table of Contents

Pre-opening costs, depreciation and amortization increased $2.1 million, or 38.7%, to $7.4 million for the nine month period ended October 2, 2005 from $5.3 million for the nine month period ended October 3, 2004. These costs as a percentage of revenues increased by 0.7% to 3.4% for the nine month period ended October 2, 2005 from 2.7% for the nine month period ended October 3, 2004. We expense all costs incurred during start-up activities, including pre-opening costs, as incurred. Pre-opening costs incurred and recorded as expense increased $1.5 million to $2.1 million for the nine month period ended October 2, 2005 from $0.6 for the nine month period ended October 3, 2004. The number of restaurants opened, the timing of restaurant openings and the costs per restaurant opened affected the amount of these costs.

General and administrative expenses increased $2.4 million, or 17.3%, to $16.4 million for the nine month period ended October 2, 2005 from $14.0 million for the nine month period ended October 3, 2004. These costs as a percentage of revenues increased 0.6% to 7.6% for the nine month period ended October 2, 2005 from 7.0% for the nine month period ended October 3, 2004. These increases were primarily due to increased legal and professional costs and salary, bonus and benefit costs.

Marketing and promotional expenses decreased $2.9 million, or 41.7%, to $4.1 million for the nine month period ended October 2, 2005 from $7.0 million for the nine month period ended October 3, 2004. These costs as a percentage of revenues decreased 1.6% to 1.9% for the nine month period ended October 2, 2005 from 3.5% for the nine month period ended October 3, 2004. These decreases were primarily due to decreased spending for print media advertising.

Costs associated with the repayment of certain debt of $0.2 million and $0.3 million for the nine month periods ended October 2, 2005 and October 3, 2004, respectively, represent prepayment penalties that were incurred with the early repayment of certain mortgages.

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

Interest expense, net, decreased $0.6 million, or 7.1%, to $8.1 million for the nine month period ended October 2, 2005 from $8.7 million for the nine month period ended October 3, 2004. The decrease is primarily due to the repayment of certain mortgages in April 2004 and February 2005. Interest income was not significant in any of these periods.

MHCI s interest expense, net, increased $2.3 million, or 21.3%, to $12.9 million for the nine month period ended October 2, 2005 from $10.7 million for the nine month period ended October 3, 2004. These increases are primarily due to the interest relating to the 14% senior secured notes offset by the repayment of certain mortgages in April 2004 and February 2005. Interest income was not significant in any of these periods.

Management fee paid to related party was $2.1 million for the nine month periods ended October 2, 2005 and October 3, 2004. We paid this fee pursuant to MHLLC s management agreement with Castle Harlan, Inc. As discussed above, this management agreement will be terminated in connection with this offering.

Provision for income taxes consisted of income tax expense of $1.7 million and $1.3 million for the nine month periods ended October 2, 2005 and October 3, 2004, respectively. Our 2005 effective tax rate differs from the statutory rate due to non-deductible interest relating to our 7.5% senior secured notes and other non-deductible items. Our 2005 effective tax rate differs from our 2004 effective tax rate due to the fact that during the third quarter of fiscal 2004, we determined to elect to treat certain of our employee-portion Federal Insurance Contributions Act, or FICA, tax payments as current income tax deductions rather than income tax credits.

MHCI s provision for income taxes consisted of income tax benefit of $1.4 million and income tax expense of $0.1 million for the nine month periods ended October 2, 2005 and October 3, 2004, respectively.

Table of Contents

MHCI s 2005 effective tax rate differs from the statutory rate due to non-deductible interest relating to our 7.5% senior secured notes and 14% senior secured notes, and other non-deductible items. MHCI s 2005 effective tax rate differs from its 2004 effective tax rate due to the fact that during the third quarter of fiscal 2004, we determined to elect to treat certain of our employee-portion FICA tax payments as current income tax deductions rather than income tax credits.

Fiscal Year Ended January 2, 2005 (52 weeks) Compared to Fiscal Year Ended January 4, 2004 (53 weeks)

Our net income decreased $2.5 million, or 58.8%, to $1.7 million for fiscal 2004 from $4.2 million for fiscal 2003. MHCI s net income decreased $4.9 million, or 117.4%, to a net loss of $0.7 million for fiscal 2004 from net income of $4.2 million for fiscal 2003. These decreases are due, in part, to increases in general and administrative expenses, marketing and promotional expenses, interest expense, net and income tax expense discussed below. These decreases were partially offset by an increase in comparable restaurant revenues plus the impact of new restaurants, less food and beverage costs and restaurant operating expenses, a decrease in cost associated with the repayment of certain debt and a gain on insurance proceeds. Some of the changes from fiscal 2003 to fiscal 2004 were also due to the fact that there were 53 weeks in fiscal 2003 compared to 52 weeks in fiscal 2004.

Revenues increased $17.7 million, or 6.8%, to $276.3 million for fiscal 2004 from $258.7 million for fiscal 2003. Revenues increased $16.9 million due to an increase in comparable revenues from restaurants open all of both fiscal years. Revenues increased $2.5 million due to the opening of one new Morton s steakhouse in fiscal 2004. Revenues declined $1.3 million primarily due to the closing of the Morton s steakhouses formerly located in Hong Kong (Central) (closed since January 2003) and Addison, Texas (closed since August 2003). These steakhouses were closed due to their comparatively low revenues and negative cash flows. Revenues decreased $0.4 million due to a decline in revenues attributable to one new restaurant opened in fiscal 2003. Average revenue per restaurant open all of either period increased 6.0%. Revenues for fiscal 2004 also reflect the impact of aggregate menu price increases of approximately 3% in November 2003 and approximately 3% in February 2004.

Percentage changes in restaurant revenues for fiscal 2004 (52 weeks) versus fiscal 2003 (53 weeks) for restaurants open all of both periods are as follows:

	Percentage Change Fiscal 2004 (52 weeks) vs. Fiscal 2003 (53 weeks)
Morton s	6.8%
Bertolini s	4.7%
Total	6.7%

During the first and second quarters of fiscal 2003, we believe that the war in Iraq and the weak economic environment adversely affected many of the markets in which we operate which, in turn, contributed to weak revenue trends and negative comparable restaurant revenues. Additionally, during the first and second quarters of fiscal 2003, we believe the outbreak of severe acute respiratory syndrome materially affected the results of our three restaurants located in Hong Kong, Singapore and Toronto. During the first and second quarters of fiscal 2004, an improved economy contributed to stronger revenue trends. During the third quarter of fiscal 2004, we believe that revenues were adversely impacted by hurricanes and severe weather in Florida and the southeastern United States.

Food and beverage costs increased $7.0 million, or 8.1%, to $93.2 million for fiscal 2004 from $86.3 million for fiscal 2003. These costs as a percentage of revenues increased by 0.4% to 33.7% for fiscal 2004 from 33.3% for fiscal 2003. During fiscal 2004 high demand for U.S. beef products decreased the availability of USDA prime beef which resulted in increased food costs. We were generally able to offset such cost increases with the benefit of menu price increases, which resulted in a slight increase in food and beverage costs as a percentage of revenues for fiscal 2004 compared to fiscal 2003. We cannot be sure that we will be able or willing to increase menu prices or take other actions to offset increases in these costs in the future.

Restaurant operating expenses, which include labor, occupancy and other operating expenses, increased $2.9 million, or 2.4%, to $127.0 million for fiscal 2004 from $124.1 million for fiscal 2003. This increase was primarily due to increases in labor and benefit costs and the opening of additional restaurants. Restaurant operating expenses as a percentage of revenues decreased 2.0% to 46.0% for fiscal 2004 from 48.0% for fiscal 2003. The decrease in restaurant operating expenses as a percentage of revenues is primarily due to the benefit of menu price increases and the increase in recoveries for business interruption insurance. Included in fiscal 2004 and fiscal 2003 are recoveries of approximately $2.8 million and $0.9 million for business interruption insurance benefits related to the closing of the Morton s steakhouse formerly located at 90 West Street, New York, New York, two blocks from the World Trade Center, which was closed permanently due to structural damages. On December 23, 2004, we entered into a Settlement Agreement and General Release with St. Paul Fire and Marine Insurance Company, or St. Paul, pursuant to which we agreed to settle our claims against St. Paul for losses sustained in connection with the September 11, 2001 attacks. The terms of the Settlement Agreement and General Release included payment to us of approximately $4.3 million and a mutual release and discharge with respect to the insurance contract between us and St. Paul for the property located at 90 West Street, New York, New York. The payment of approximately $4.3 million was received in December 2004. There will be no future insurance recoveries relating to the 90 West Street restaurant. See Note 4(b) to our consolidated financial statements included elsewhere herein. Also included in fiscal 2004 and fiscal 2003 is non-cash rent recorded in accordance with SFAS No. 13 of $1.4 million and $1.3 million, respectively.

Pre-opening costs, depreciation and amortization increased $1.2 million, or 19.6%, to $7.5 million for fiscal 2004 from $6.3 million for fiscal 2003. These costs increased as a percentage of revenues by 0.3% to 2.7% for fiscal 2004 from 2.4% for fiscal 2003. We expense all costs incurred during start-up activities, including pre-opening costs, as incurred. Pre-opening costs incurred and recorded as expense increased to $1.1 million for fiscal 2004 from $0.9 million for fiscal 2003. The number of restaurants opened, the timing of restaurant openings and the costs per restaurant opened affected the amount of these costs.

General and administrative expenses increased $2.3 million, or 13.6%, to $18.9 million for fiscal 2004 from $16.7 million for fiscal 2003. These costs as a percentage of revenues increased 0.5% to 6.9% for fiscal 2004 from 6.4% for fiscal 2003. The increases were primarily due to increased salary, bonus and benefit costs and legal and professional costs.

Marketing and promotional expenses increased $2.5 million, or 42.8%, to $8.5 million for fiscal 2004 from $5.9 million for fiscal 2003. These costs as a percentage of revenues increased 0.8% to 3.1% for fiscal 2004 from 2.3% for fiscal 2003. These increases were primarily due to increased spending for print media advertising in conjunction with our Savor the Good Life theme in 2004.

Gain on insurance proceeds of $1.0 million for fiscal 2004 represents the amount of insurance proceeds received for property coverage relating to the Morton s steakhouse formerly located at 90 West Street, New York, New York. There was no comparable gain on insurance proceeds in fiscal 2003. See Note 4(b) to our consolidated financial statements included elsewhere herein.

Costs associated with the repayment of certain debt of $0.3 million for fiscal 2004 represent prepayment penalties that were incurred with the early repayment of two of our mortgages. Costs associated with the repayment of certain debt of $2.3 million for fiscal 2003 represent: (1) the write-off of deferred financing costs of $0.7 million relating to our previously existing capital facility; (2) prepayment penalties of $0.5 million that we incurred with the repayment of our capital leases and one mortgage; and (3) the write-off of the accumulated other comprehensive loss of $0.7 million and deferred tax assets of $0.4 million previously recognized in connection with two interest rate swap agreements, one which expired on October 24, 2004 and

one which expired on October 24, 2005, which due to the repayment of our previously existing capital facility were accounted for as speculative instruments. See Note 8 to our consolidated financial statements included elsewhere herein. Changes in their fair market value were charged or credited to interest expense, net in the consolidated statements of operations.

Interest expense, net, increased $2.6 million, or 29.9%, to $11.5 million for fiscal 2004 from $8.9 million for fiscal 2003. The increase is primarily due to the issuance of the 7.5% senior secured notes in July 2003. Interest income was not significant in any of these periods.

MHCI s interest expense, net, increased $6.1 million, or 69.1%, to $15.0 million for fiscal 2004 from $8.9 million for fiscal 2003. The increase is primarily due to the issuance of the 7.5% senior secured notes in July 2003 and 14% senior secured notes in June 2004. Interest income was not significant in any of these periods.

Management fee paid to related party was $2.8 million for fiscal 2004 and fiscal 2003. We paid this fee pursuant to MHLLC s management agreement with Castle Harlan, Inc.

Provision for income taxes consisted of an income tax expense of $5.9 million for fiscal 2004 and $1.2 million for fiscal 2003. Our 2004 effective tax rate differs from the statutory rate due to the change in utilization of 2003 FICA tax payments from a credit to a deduction and certain non-deductible interest expense related to our 7.5% senior secured notes. The impact of this change resulted in recording additional tax expense of approximately $1.7 million to our income tax expense for fiscal 2004. See Note 9 to our 2004 consolidated financial statements. Our 2003 effective tax rate differs from the statutory rate due to the establishment of additional deferred tax assets relating to FICA and other tax credits.

MHCI s provision for income taxes consisted of income tax expense of $4.9 million for fiscal 2004 and $1.2 million for fiscal 2003. MHCI s 2004 effective tax rate differs from the statutory rate due to the change in utilization of 2003 FICA tax payments from a credit to a deduction and certain non-deductible interest expense related to our 7.5% senior secured notes and our 14% senior secured notes. The impact of this change resulted in recording additional tax expense of approximately $1.7 million to our income tax expense for fiscal 2004. See Note 9 to MHCI s consolidated financial statements included elsewhere herein. MHCI s 2003 effective tax rate differs from the statutory rate due to the establishment of additional deferred tax assets relating to FICA and other tax credits.

Fiscal Year Ended January 4, 2004 (53 weeks) Compared to Fiscal Year Ended December 29, 2002 (52 weeks)

Revenues increased $20.5 million, or 8.6%, to $258.7 million for fiscal 2003 from $238.1 million for fiscal 2002. Revenues increased $13.3 million due to the opening of five new restaurants (one in fiscal 2003 and four in fiscal 2002). Revenues increased $10.5 million due to an increase in comparable revenues from restaurants open all of both fiscal years. Revenues declined $3.3 million due to the closing of the Morton s steakhouse formerly located in Hong Kong (Central) (closed since January 2003) and Addison, Texas (closed since August 2003). These steakhouses were closed due to their comparatively low revenues and negative cash flows. Average revenue per restaurant open all of either period increased 6.0%. Revenues for fiscal 2003 also reflect the impact of aggregate menu price increases of approximately 2% in January 2003 and 3% in November 2003. Some of the changes from fiscal 2002 to fiscal 2003 were also due to the fact that there were 52 weeks in fiscal 2002 compared to 53 weeks in fiscal 2003. In addition, we were acquired by Castle Harlan on July 25, 2002, which, as described above, resulted in accounting changes that affect the comparability of results between fiscal 2003 and fiscal 2002.

42

Table of Contents

Percentage changes in restaurant revenues for fiscal 2003 (53 weeks) versus fiscal 2002 (52 weeks) for restaurants open all of both periods are as follows:

	Percentage Change
	Fiscal 2003 (53 weeks) vs. Fiscal 2002 (52 weeks)
Morton s	4.3%
Bertolini s	8.1%
Total	4.6%

During the first and second quarters of fiscal 2003, we believe that the war in Iraq and the weak economic environment adversely affected many of the markets in which we operate which, in turn, contributed to weak revenue trends and negative comparable restaurant revenues. Additionally, during the first and second quarters of fiscal 2003, we believe the outbreak of severe acute respiratory syndrome materially affected the results of our three restaurants located in Hong Kong, Singapore and Toronto.

Food and beverage costs increased $4.9 million, or 6.0%, to $86.3 million for fiscal 2003 from $81.4 million for fiscal 2002. These costs as a percentage of revenues decreased by 0.9% to 33.3% for fiscal 2003 from 34.2% for fiscal 2002. This percentage decrease was primarily due to the benefit of menu price increases.

Restaurant operating expenses, which include labor, occupancy and other operating expenses, increased $12.9 million, or 11.5%, to $124.1 million for fiscal 2003 from $111.2 million for fiscal 2002. This increase was primarily due to the opening of additional restaurants and increases in labor and benefit costs. Restaurant operating expenses as a percentage of revenues increased 1.3% to 48.0% for fiscal 2003 from 46.7% for fiscal 2002. Included in both fiscal 2003 and fiscal 2002 are recoveries of approximately $0.9 million and $1.9 million, respectively from business interruption insurance benefits related to the closing of the Morton s steakhouse formerly located at 90 West Street, New York, New York, two blocks from the World Trade Center, which was closed permanently due to structural damages. As of January 4, 2004, cumulative benefits recorded were $3.6 million and cumulative amounts received were $2.6 million for this insurance.

Pre-opening costs, depreciation, amortization and non-cash charges were $6.3 million, or 2.4% as a percentage of revenues, for fiscal 2003. Pre-opening costs, depreciation, amortization and non-cash charges were $3.2 million, or 3.0% as a percentage of revenues, for the Successor Period from July 25, 2002 to December 29, 2002. Pre-opening costs, depreciation, amortization and non-cash charges were $7.3 million, or 5.5% as a percentage of revenues, for the Predecessor Period from December 31, 2001 to July 24, 2002. We expense all costs incurred during start-up activities, including pre-opening costs, as incurred. Pre-opening costs incurred and recorded as an expense were $0.9 million for fiscal 2003. Pre-opening costs incurred and recorded as an expense were $1.3 million for the Successor Period from July 25, 2002 to December 29, 2002. Pre-opening costs incurred and recorded as an expense were $0.7 million for the Predecessor Period from December 31, 2001 to July 24, 2002. The number of restaurants opened, the timing of restaurant openings and the costs per restaurant opened affected the amount of these costs.

General and administrative expenses were $16.7 million, or 6.4% as a percentage of revenues, for fiscal 2003. General and administrative expenses were $6.4 million, or 6.0% as a percentage of revenues, for the Successor Period from July 25, 2002 to December 29, 2002. General and administrative expenses were $8.5 million, or 6.4% as a percentage of revenues, for the Predecessor Period from December 31, 2001 to July 24, 2002. The increase was primarily due to compensation related costs including increases in salaries, benefits and bonuses.

Marketing and promotional expenses were $5.9 million, or 2.3% as a percentage of revenues, for fiscal 2003. Marketing and promotional expenses were $3.6 million, or 3.4% as a percentage of revenues, for the

Table of Contents

Successor Period from July 25, 2002 to December 29, 2002. Marketing and promotional expenses were $3.0 million, or 2.3% as a percentage of revenues, for the Predecessor Period from December 31, 2001 to July 24, 2002. The decrease was primarily due to fewer direct mail promotions.

Gain on insurance proceeds of $1.4 million for the Predecessor Period from December 31, 2001 to July 24, 2002 represents the amount of insurance proceeds received in excess of the insurance receivable of approximately $1.7 million which was recorded as of December 30, 2001. The insurance receivable was recorded to write off the net book value of the assets of the Morton s steakhouse formerly located at 90 West Street, New York, New York. During the Predecessor Period from December 31, 2001 to July 24, 2002, we received $3.1 million relating to this insurance and therefore recorded a gain of approximately $1.4 million in the accompanying consolidated statements of operations. There was no comparable gain on insurance proceeds in fiscal 2003 and the Successor Period from July 25, 2002 to December 29, 2002.

Costs associated with the repayment of certain debt of $2.3 million for fiscal 2003 represent: (1) the write-off of deferred financing costs of $0.7 million relating to our previously existing capital facility; (2) prepayment penalties of $0.5 million that we incurred with the repayment of our capital leases and one mortgage; and (3) the write-off of the accumulated other comprehensive loss of $0.7 million and deferred tax assets of $0.4 million previously recognized in connection with two interest rate swap agreements that expired on October 24, 2004 and October 24, 2005, which due to the repayment of our previously existing capital facility were accounted for as speculative instruments. Changes in their fair market value were charged or credited to interest expense in the consolidated statements of operations. There were no comparable costs associated with the repayment of certain debt in the fiscal 2002 Predecessor Period or Successor Period.

Costs associated with strategic alternatives and proxy contest were $9.1 million for the Predecessor Period from December 31, 2001 to July 24, 2002. Costs associated with strategic alternatives and proxy contest of $9.1 million represent $4.2 million in legal costs, $3.1 million in investment banking costs, $0.9 million in bank costs, $0.6 million in printing, investor relations and proxy solicitation costs and $0.3 million in other costs. There were no comparable costs associated with strategic alternatives and proxy contest in the 2002 Successor Period or in fiscal 2003.

Restaurant closing costs (credit) recorded during the Predecessor Period from December 31, 2001 to July 24, 2002 represents a pre-tax credit of $0.3 million recorded in conjunction with a mutual release with the lessor, representing the recovery of assets previously written-down, which included inventory that was utilized in another Morton s steakhouse and the recovery of a security deposit that had not been anticipated, and exit costs, such as legal costs, which were less than initially accrued for closing the Morton s steakhouse formerly located in Sydney, Australia. In addition, we reversed an accrual for a construction invoice of $0.1 million, which we determined was no longer required. There were no comparable restaurant closing costs (credit) in the 2002 Successor Period or in fiscal 2003.

Interest expense, net, was $8.9 million for fiscal 2003, $2.9 million for the Successor Period from July 25, 2002 to December 29, 2002 and $4.6 million for the Predecessor Period from December 31, 2001 to July 24, 2002. This increase was primarily due to the issuance of the 7.5% senior secured notes in fiscal 2003. Interest income was not significant in any of these periods.

Management fee paid to related party was $2.8 million for fiscal 2003. Management fee paid to related party was $1.2 million for the Successor Period from July 25, 2002 to December 29, 2002. We paid this fee pursuant to MHLLC s management agreement with Castle Harlan, Inc.

Provision for income taxes consisted of income tax expense of $1.2 million for fiscal 2003. Our provision for income taxes consisted of an income tax expense of $0.6 million for the Successor Period from July 25, 2002 to December 29, 2002. Our provision for income taxes consisted of income tax expense of $0.8 million for the Predecessor Period from December 31, 2001 to July 24, 2002. Our effective tax rate differs from the statutory rate due to the establishment of additional deferred tax assets relating to FICA and other tax credits. See Note 9 to our consolidated financial statements included elsewhere herein.

Liquidity and Capital Resources

Upon the consummation of this offering, our principal liquidity requirements will be to meet our lease obligations and our working capital and capital expenditure needs and to pay principal and interest on our debt. Subject to our operating performance, which, if significantly adversely affected, would adversely affect the availability of funds, we expect to be able to meet our liquidity requirements for the foreseeable future through cash provided by operations, net proceeds from this offering and through borrowings available under our proposed new senior revolving credit facility. We cannot be sure, however, that this will be the case. In addition, we rely to a significant degree on landlord contributions as a means of financing the costs of opening new restaurants, and any substantial reduction in the amount of those contributions could adversely affect our liquidity. As of October 2, 2005, we had cash and cash equivalents of $5.9 million and marketable securities of $8.2 million.

Working Capital and Cash Flows

In the past we have had, and in the future we may have, negative working capital balances. We do not have significant receivables and we receive trade credit based upon negotiated terms in purchasing food and supplies. Funds available from cash sales not needed immediately to pay for food and supplies or to finance receivables or inventories historically have typically been used for noncurrent capital expenditures and or payments of long-term debt balances under our prior revolving credit agreement.

Operating Activities. Cash flows provided by operating activities for the nine month period ended October 2, 2005 were $13.1 million, consisting primarily of a net increase in cash of $9.7 million resulting from net income before depreciation, amortization and other non-cash charges and an increase in accounts payable, accrued expenses and other liabilities of $5.3 million. Cash flows provided by operating activities for the nine month period ended October 3, 2004 were $4.9 million, consisting primarily of a net increase in cash of $6.0 million resulting from net income before depreciation, amortization and other non-cash charges partially offset by a net decrease in cash of $1.1 million due to an increase in accounts receivable. Cash flows provided by operating activities for fiscal 2004 were $20.1 million, consisting primarily of a net increase in cash of $12.4 million resulting from net income before depreciation and amortization, a change in deferred income taxes of $5.2 million and a net increase in cash of $5.7 million resulting from an increase in accounts payable, accrued expenses and other liabilities, partially offset by a net decrease in cash of $1.7 million resulting from an increase in prepaid expenses and other assets. Cash flows provided by operating activities for fiscal 2003 were $12.1 million, consisting primarily of a net increase in cash of $12.2 million resulting from net income before depreciation and amortization and a net increase in cash of $1.7 million resulting from a decrease in prepaid expenses and other assets, partially offset by a net decrease in cash of $3.2 million resulting from a decrease in accounts payable, accrued expenses and other liabilities. The decrease in accounts payable, accrued expenses and other liabilities primarily relates to payment of construction costs and merger and legal costs, as well as a series of monthly settlement payments relating to a Bertolini s restaurant that was closed in fiscal 1999. Cash flows provided by operating activities for the Successor Period from July 25, 2002 to December 29, 2002 were $8.1 million, consisting primarily of an increase in accounts payable, accrued expenses and other liabilities of $7.3 million that primarily related to an increase in accrued construction costs, accrued restaurant operating expenses, accrued merger and legal costs and accrued gift certificates. Cash flows provided by operating activities for the Predecessor Period from December 31, 2001 to July 24, 2002 were $5.5 million, consisting primarily of a net increase in cash of $2.8 million attributable to an increase in accounts payable, accrued expenses and other liabilities and a net increase in cash of $1.3 million resulting from a decrease in accounts receivable.

Investing Activities. Cash flows used in investing activities for the nine month period ended October 2, 2005 were $12.5 million, consisting primarily of purchases of property and equipment of $9.2 million, which include capital expenditures related to the three Morton s steakhouses opened during the first quarter of fiscal 2005 and the one Morton s steakhouse opened during the third quarter of fiscal 2005 and $4.0 million related to the purchase of marketable securities. Cash flows used in investing activities for the nine month period ended October 3, 2004 were $7.5 million due to purchases of property and equipment of $6.4 million, which include capital expenditures related to the Morton s steakhouse opened in the third quarter of fiscal 2004, and purchases of marketable securities of $7.3 million partially offset by proceeds from the sale of marketable securities of $6.2 million. Cash flows used in investing activities for fiscal 2004 were $15.4 million due to purchases of property and equipment of $12.1 million, which include capital expenditures related to the Morton s steakhouse opened in the third quarter of fiscal 2004 and the three Morton s steakhouses opened during the first quarter of 2005 and purchases of marketable securities of $10.7 million partially offset by proceeds from the sale of marketable securities of $6.4 million and insurance proceeds of approximately $1.0 million related to the Morton s steakhouse formerly located at 90 West Street, New York, New York. Cash flows used in investing activities for fiscal 2003 were $5.2 million, attributable to purchases of property and equipment primarily related to the opening of one Morton s steakhouse in February 2003. Cash flows used in investing activities for the Successor Period from July 25, 2002 to December 29, 2002 were $5.9 million, consisting primarily of purchases of property and equipment primarily related to the opening of one Morton s steakhouse in each of September, October and November of 2002. Cash flows used in investing activities for the Predecessor Period from December 31, 2001 to July 24, 2002 were $2.1 million, consisting of purchases of property and equipment of $5.2 million primarily related to the opening of one Morton s steakhouse in each of April and September of 2002 partially offset by insurance proceeds of approximately $3.1 million received from the recovery related to costs incurred from the Morton s steakhouse formerly located at 90 West Street, New York, New York.

Financing Activities. Cash flows used in financing activities for the nine month period ended October 2, 2005 were $4.9 million, consisting primarily of net principal reduction on obligations to financial institutions of $3.5 million, primarily due to the early repayment of two mortgages aggregating $3.4 million, and the payment of dividends to MHCI of $1.5 million. MHCI used the proceeds of such dividends for the partial redemption of its PIK notes. Cash flows used in financing activities for the nine month period ended October 3, 2004 were $12.7 million primarily consisting of the payment of a dividends of $6.8 million, net principal reduction on obligations to financial institutions of $5.7 million, primarily due to the early repayment of two mortgages aggregating $5.3 million, and the payment of deferred financing costs of $0.6 million relating to our 7.5% senior secured notes offering and our working capital facility. In addition to these activities, MHCI had the proceeds from its 14.0% senior secured notes offering of $40.0 million partially offset by the dividend paid with the proceeds of $36.9 million. Cash flows used in financing activities for fiscal 2004 were $12.6 million, consisting of the payment of dividends of $6.8 million, net principal reduction on obligations to financial institutions of $5.8 million, primarily due to the early repayment of two mortgages aggregating $5.3 million, and the payment of deferred financing costs of $0.6 million relating to our 7.5% senior secured notes offering and our current working capital facility. In addition to these activities, MHCI had the proceeds from its 14.0% senior secured notes offering of $40.0 million partially offset by the dividend paid with the proceeds of $36.9 million. Cash flows provided by financing activities for fiscal 2003 were $9.3 million, consisting of net proceeds from the 7.5% senior secured notes offering of $89.3 million, partially offset by net principal reductions on obligations to financial institutions and capital leases of $72.4 million, the payment of deferred financing costs relating to our 7.5% senior secured notes offering and our current working capital facility of $6.3 million and $1.1 million of cash restricted as collateral for our two interest rate swap agreements with Bank of America, formerly Fleet National Bank. Cash flows used by financing activities for the Successor Period from July 25, 2002 to December 29, 2002 were $3.6 million, consisting primarily of the net principal reduction on obligations to financial institutions and capital leases. Cash flows used by financing activities for the Predecessor Period from December 31, 2001 to July 24, 2002 were $5.2 million, consisting primarily of net principal reduction on obligations to financial institutions and capital leases of $5.7 million, partially offset by proceeds from the issuance of stock of $0.5 million.

Debt and Other Obligations

New Senior Revolving Credit Facility. In connection with this offering, we plan to enter into a new senior revolving credit facility, consisting of up to $100 million in available revolving loan borrowings, maturing in . We expect that our new senior revolving credit facility will contain customary affirmative and negative covenants and require us to meet certain financial ratios. We expect these financial ratios to include a maximum adjusted leverage ratio and minimum fixed charge coverage ratio. The fixed charge coverage ratio is the ratio of our consolidated net income (with certain adjustments) to consolidated fixed charges for the preceding four quarters. We expect the senior secured credit facility also to restrict the maximum amount of our capital expenditures during each year of the term of the senior secured credit facility. In addition, our proposed new senior credit facility will most likely contain covenants that place limitations on the amount of dividends we may pay. We anticipate that the new senior revolving credit facility will be secured by substantially all of our assets. See Risk Factors 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 and Description of Certain Indebtedness.

Current Working Capital Facility. As of October 2, 2005, we had no borrowings outstanding under our current senior secured working capital facility, maturing on July 7, 2007, with Wells Fargo Foothill, Inc. and approximately $0.3 million was restricted for letters of credit issued by the lender. In connection with this offering, we intend to terminate this facility and secure the outstanding letters of credit. See Use of Proceeds.

7.5% Senior Secured Notes. 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. In connection with this offering, we intend to repay these notes. See Use of Proceeds. However, as discussed under Use of Proceeds, it is possible that some of these notes may remain outstanding.

14% Senior Secured Notes. As of October 2, 2005, approximately $44.3 million of aggregate principal amount of MHCI s 14.0% senior secured notes, maturing on December 30, 2010, remained outstanding. In connection with this offering, we intend to repay these notes. See Use of Proceeds.

Mortgages. During 1998 and 1999, certain of our subsidiaries entered into a total of six mortgage loans with GE Capital Franchise Finance aggregating $18.9 million, the proceeds of which were used to fund the purchases of land and construction of restaurants. As of October 2, 2005, approximately $3.6 million of principal relating to one mortgage remained outstanding. The remaining outstanding mortgage bears interest at 8.98% and is scheduled to mature in March 2021.

Restaurant Operating Leases. Our obligations for restaurant operating leases include certain restaurant operating leases for which we or one of our subsidiaries guarantees, for a portion of the lease term, the performance of the lease by the operating company that is a party thereto. See Note 11 to our consolidated financial statements included elsewhere herein.

Contractual Commitments. The following table represents our contractual commitments associated with our debt and other obligations disclosed above as of October 2, 2005:

	Remainder of 2005	**2006**	**2007**	**2008**	**2009**	**Thereafter**	**Total**
				(amounts in thousands)			
7.5% senior secured notes, including interest	$ 3,938	$ 7,875	$ 7,875	$ 7,875	$ 7,875	$ 108,938	$ 144,376
Mortgage loans with GE Capital Franchise Finance, including interest	109	436	436	435	435	4,888	6,739

Subtotal	4,047	8,311	8,311	8,310	8,310	113,826	151,115
Operating leases	4,792	19,348	20,262	20,054	19,560	123,982	207,998
Purchase commitments	9,064	2,310					11,374
Letters of credit	275						275
Total	$ 18,178	$ 29,969	$ 28,573	$ 28,364	$ 27,870	$ 237,808	$ 370,762

The following table represents our contractual commitments associated with our debt and other obligations disclosed above as of October 2, 2005, on a pro forma basis assuming our receipt of the net proceeds from our sale of common stock in this offering at an assumed public offering price of $ per share (the mid-point of the estimated price range appearing on the cover page of this preliminary prospectus), the effectiveness of our proposed new senior revolving credit facility and the incurrence of approximately $ million of borrowings thereunder at an assumed interest rate of %, the termination of our current working capital facility and our repayment of all of our outstanding 7.5% senior secured notes and our 14% senior secured notes for an aggregate price of $, as if those transactions had occurred as of that date. As noted under Use of Proceeds, there can be no assurance that we will not be required to incur additional borrowings under our anticipated new senior credit facility for these purposes and it is possible that some of the 7.5% senior secured notes will remain outstanding after this offering.

	Remainder of 2005	2006	2007	2008	2009	Thereafter	Total
	(amounts in thousands)						
New senior revolving credit facility	$	$	$	$	$	$	$
Mortgage loan with GE Capital Franchise Finance, including interest	109	436	436	435	435	4,888	6,739
Subtotal							
Operating leases	4,792	19,348	20,262	20,054	19,560	123,982	207,998
Purchase commitments	9,064	2,310					11,374
Letters of credit	275						275
Total							

Capital Expenditures. During the nine month period ended October 2, 2005, our expenditures for fixed assets and related investment costs, including expensed pre-opening costs, approximated $11.2 million. We estimate that we will expend up to an aggregate of $9.7 million in fiscal 2005 and $18.5 million in fiscal 2006, net of landlord contributions, to finance ordinary refurbishment of existing restaurants, remodel the bar area in selected restaurants to include our Bar 12·21 concept, add additional Boardrooms in selected restaurants and make capital expenditures for new restaurants. We anticipate that funds generated through operations and through borrowings under our new senior revolving credit facility, together with the remaining net proceeds from this offering and landlord contributions, will be sufficient to fund these currently planned expenditures through the end of 2006. We cannot be sure, however, that this will be the case.

Off-Balance Sheet Arrangements

Other than our operating leases, we do not have any off-balance sheet arrangements.

Net Operating Loss Carryforwards

At October 2, 2005, we had approximately $4.6 million of federal and state income tax net operating loss carryforwards that expire in various periods through 2023. As of October 2, 2005, we had approximately $10.5 million in FICA and other tax credits expiring in various periods through 2025 available to reduce income taxes payable in future years. Approximately $0.1 million of our deferred tax assets represents capital loss carryforwards. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon generating future taxable income during the periods in which temporary differences become deductible and net operating losses can be carried forward. We consider the scheduled reversal of deferred tax assets, projected future taxable income and tax planning strategies in making this assessment. Tax benefits that are recognized in future periods by the elimination of the valuation allowance at the date of the acquisition of us by Castle Harlan ($6.9 million) are to be applied, first to reduce to zero any goodwill related to the acquisition, and then to reduce to zero any noncurrent intangible assets related to the acquisition. See Note 9 to our consolidated financial statements included elsewhere herein.

Quantitative and Qualitative Disclosure about Market Risk

The inherent risk in market risk sensitive instruments and positions primarily relates to potential losses arising from adverse changes in foreign currency exchange rates and interest rates.

As of October 2, 2005, we owned and operated four international restaurants, one in Hong Kong, one in Singapore, one in Toronto, Canada and one in Vancouver, Canada. As a result, we are subject to risk from changes in foreign exchange rates. These changes result in cumulative translation adjustments, which are included in accumulated other comprehensive income (loss). We do not consider the potential loss resulting from a hypothetical 10% adverse change in quoted foreign currency exchange rates, as of October 2, 2005, to be material.

We also are subject to market risk from exposure to changes in interest rates based on our financing activities. This exposure relates to borrowings under our proposed new senior revolving credit facility that will be payable at floating rates of interest. Our other indebtedness, consisting of our 7.5% senior secured notes, our mortgage and the 14% senior secured notes, are payable at a fixed rate of interest. As of October 2, 2005, there were no borrowings outstanding under our floating rate working capital facility. As a result, a hypothetical 10% fluctuation in interest rates, as of October 2, 2005, would not have had any impact on earnings for the nine month period ended October 2, 2005. We anticipate that interest on borrowings under our new senior revolving credit facility will be payable at a floating rate.

Value of Equity Compensation Issued in Fiscal 2005

In January, May and July 2005, MHLLC, our parent, granted 20,800, 1,600 and 150,000, respectively, of its common units pursuant to employee subscription agreements. Common units granted to an employee pursuant to employee subscription agreements are granted at no cost to the employee. These common units are subject to vesting. The fair value of each common unit on the respective date of grant was $0.01. The fair value was determined by MHLLC s Board of Advisors based on an internally prepared contemporaneous valuation. An appraisal of MHLLC s enterprise value was performed by a third party as of January 4, 2004. For any grants subsequent to January 4, 2004, we prepared an internal valuation utilizing the same methodology as the third party valuation.

Significant Factors, Assumptions and Methodologies Used in Determining Fair Value

Determining the fair value of MHLLC common units required complex and subjective judgments. The appraisal of the enterprise value of MHLLC performed by a third party as of January 4, 2004 applied an income approach and a market approach and did not then contemplate an initial public offering. MHLLC s Board of Advisors, in its subsequent valuations, allocated the blended enterprise value (average enterprise value calculated using the enterprise values as determined by the market approach and the income approach) to the then outstanding debt and preferred units. After allocating the value of the outstanding debt and preferred units, it was determined that no value remained to the common units. As a result, the MHLLC Board of Advisors assigned a nominal value ($0.01) to each common unit of MHLLC granted.

The market value approach was based on acquisition multiples for a comparable group of public restaurant companies, computing average ratios and applying these multiples to MHLLC. Based on historical acquisition multiples for restaurant company acquisitions, the average enterprise value to earnings before interest, taxes, depreciation and amortization, or EBITDA, multiple and average enterprise value to earnings before interest and taxes, or EBIT, multiple were determined to be 6.9 and 12.4, respectively. The acquisition of the Company in July 2002 in an arm s length transaction with an active bidding process was effected at actual multiples of 8 times EBITDA, 13 times EBIT and 4.7 times earnings before interest, taxes, depreciation, amortization and rental expense, or EBITDAR. These actual multiples were used in the January 4, 2004 appraisal as they were considered to be the best indicator of the value of the Company.

The income approach was based on forecasted cash flows discounted using discount factors that took into account the timing and risk associated with the forecasted free cash flows. Cash flows were discounted at a weighted average cost of capital of 12% calculated based on a group of public restaurant companies that we believe to be comparable.

Inflation

Over the past five years, inflation has not significantly affected our operations. However, the impact of inflation on labor, food and occupancy costs could, in the future, significantly affect our operations. We pay many of our employees hourly rates related to the applicable federal or state minimum wage. Food costs as a percentage of net sales have been somewhat stable due to procurement efficiencies and menu price adjustments, although no assurance can be made that our procurement will continue to be efficient. Costs for construction, taxes, repairs, maintenance and insurance all impact our occupancy costs. We believe that our current strategy, which is to seek to maintain operating margins through a combination of menu price increases, cost controls, careful evaluation of property and equipment needs, and efficient purchasing practices, has been an effective tool for dealing with inflation.

Seasonality

Our business is somewhat seasonal in nature, with revenues generally being less in the third quarter primarily due to our reduced summer volume, and revenues generally being higher in the first and fourth quarter primarily due to increased redemption of gift certificates and increased usage of Boardrooms, respectively.

The following table sets forth historical, unaudited quarterly revenues for Morton s and our Italian restaurants that were open for all of fiscal 2002 and 2003 (63 restaurants) and for all of fiscal 2003 and 2004 (67 restaurants). The fourth quarter of fiscal 2003 includes one additional week as fiscal 2003 includes a 53rd week.

Comparable Restaurant Revenues

(dollars in thousands)

	2002		2003		2003		2004	
	63 restaurants				67 restaurants			
	$	%	$	%	$	%	$	%
First Quarter	59,650	26.2	60,153	25.2	63,820	25.2	72,133	26.7
Second Quarter	55,813	24.5	54,583	22.9	58,208	23.0	64,112	23.7
Third Quarter	51,522	22.6	53,894	22.6	57,267	22.6	59,829	22.1
Fourth Quarter	60,921	26.7	69,857	29.3	74,275	29.2	74,422	27.5
	227,906	100.0	238,487	100.0	253,570	100.0	270,496	100.0

Critical Accounting Policies And Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the periods. Significant accounting policies that we employ, including the use of estimates, are presented in the notes to our consolidated financial statements included elsewhere herein.

Critical accounting estimates involved in applying our accounting policies are those that require us to make assumptions about matters that are highly uncertain at the time the accounting estimate was made and

Table of Contents

those for which different estimates reasonably could have been used for the current period, or changes in the accounting estimate are reasonably likely to occur from period to period, and would have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. Our most critical accounting estimates, discussed below, pertain to accounting policies for goodwill and other intangible assets, property and equipment and income taxes.

Goodwill and Other Intangible Assets

We account for our goodwill and intangible asset in accordance with SFAS No. 141, Business Combinations, as of July 1, 2001, and SFAS No. 142, Goodwill and Other Intangible Assets, as of December 31, 2001. In accordance with SFAS No. 141, goodwill, as restated, of approximately $68.4 million and an intangible asset of $92.0 million representing Morton s trade name were recognized in connection with our acquisition by Castle Harlan that occurred on July 25, 2002. In accordance with SFAS No. 142, goodwill and the trade name, which has an indefinite useful life, are not being amortized. However, both goodwill and the trade name intangible asset are subject to annual impairment testing in accordance with SFAS 142.

Goodwill at the date of the acquisition includes an adjustment of $1.3 million reflecting the cumulative effect of the restatements. See Note 3 to our consolidated financial statements included elsewhere herein. Other changes to the carrying amount of goodwill of $6.8 million during fiscal 2003 consist of adjustments of $4.1 million primarily consisting of the reversal of accrued lease exit costs in connection with the finalization of purchase accounting adjustments and tax benefits that have been recorded with regard to changes in estimates of income tax uncertainties of $2.7 million. During fiscal 2004, goodwill was reduced by $0.4 million representing tax benefits that have been recorded with regard to changes in estimates of income tax uncertainties. Additionally, during the fourth quarter of fiscal 2004, goodwill was increased by $0.6 million which represents an adjustment in purchase accounting as a result of a revision to a liability assumed at the time of the acquisition. During the nine month period ended October 2, 2005, goodwill was reduced by $0.3 million which represents an adjustment in purchase accounting as a result of a revision to a deferred tax asset valuation allowance assumed at the time of the acquisition.

The impairment evaluation for goodwill is conducted annually using a two-step process. In the first step, the fair value of each reporting unit is compared with the carrying amount of the reporting unit, including goodwill. We consider a reporting unit to be an individual restaurant. The estimated fair value of the reporting unit is generally determined on the basis of discounted future cash flows. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, then a second step must be completed in order to determine the amount of the goodwill impairment that should be recorded. In the second step, the implied fair value of the reporting unit s goodwill is determined by allocating the reporting unit s fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets) in a manner similar to a purchase price allocation. The resulting implied fair value of the goodwill that results from the application of this second step is then compared to the carrying amount of the goodwill and an impairment charge is recorded for the difference.

The evaluation of the carrying amount of other intangible assets with indefinite lives is made annually by comparing the carrying amount of these assets to their estimated fair value. The estimated fair value is generally determined on the basis of discounted future cash flows. If the estimated fair value is less than the carrying amount of the other intangible assets with indefinite lives, then an impairment charge is recorded to reduce the asset to its estimated fair value.

The assumptions used in the estimate of fair value are generally consistent with the past performance of each reporting unit and other intangible assets and are also consistent with the projections and assumptions that are used in current operating plans. These assumptions are subject to change as a result of changing economic and competitive conditions.

Goodwill was assigned to reporting units and transitional impairment tests were performed for goodwill and other intangible assets during the second quarter of fiscal 2002. The annual impairment tests were most recently performed in fiscal 2004. No impairment of assets was determined as a result of these tests.

Property and Equipment

We assess recoverability of property and equipment in accordance with SFAS No. 144, Accounting for Impairment or Disposal of Long-Lived Assets. Our assessment of recoverability of property and equipment is performed on a restaurant-by-restaurant basis. Certain events or changes in circumstances may indicate that the recoverability of the carrying amount of property and equipment should be assessed. Such events or changes may include a significant decrease in market value, a significant change in the business climate in a particular market, or a current-period operating or cash flow loss combined with historical losses or projected future losses. If an event occurs or changes in circumstances are present, we estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, we recognize an impairment loss. The impairment loss recognized is the amount by which the carrying amount exceeds the fair value.

Our assessments of cash flows represent our best estimate as of the time of the impairment review and are consistent with our internal planning. If different cash flows had been estimated in the current period, the property and equipment balances could have been materially impacted. Furthermore, our accounting estimates may change from period to period as conditions in the world change, and this could materially impact our results in future periods. Factors that we must estimate when performing impairment tests include, among other items, sales volume, prices, inflation, marketing spending, exchange rates and capital spending.

During the first three quarters of fiscal 2005, we considered and analyzed impairment indicators related to property and equipment. Based on our analysis, we concluded that no material items recorded in property and equipment required an impairment charge.

Income Taxes

We have accounted for, and currently account for, income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. This statement requires an asset and liability approach for financial accounting and reporting of income taxes. Under SFAS No. 109, income taxes are accounted for based upon the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry-forwards. Income taxes are one of our critical accounting policies and estimates and therefore involve a certain degree of judgment. During fiscal 2004, we determined we would elect to treat certain of our employee-portion FICA tax payments as current income tax deductions rather than income tax credits. Such election was made in order to minimize cash paid for income taxes in the short-term. The impact of this change resulted in recording additional tax expense of approximately $1.7 million to our income tax expense for fiscal 2004. Our fiscal 2005 effective tax rate differs from our fiscal 2004 effective tax rate due to the fact that during the third quarter of fiscal 2004, we determined we would elect to treat certain of our employee-portion FICA tax payments as current income tax deductions rather than income tax credits. Such election was made in order to minimize cash paid for income taxes in the short-term.

The realization of tax benefits of deductible temporary differences and operating loss or tax credit carryforwards will depend on whether we will have sufficient taxable income of an appropriate character within the carryback and carryforward period permitted by the tax law to allow for utilization of the deductible amounts and carryforwards. Without sufficient taxable income to offset the deductible amounts and carryforwards, the related tax benefits will expire unused. We have evaluated both positive and negative

Table of Contents

evidence in making a determination as to whether it is more likely than not that all or some portion of the deferred tax asset will not be realized. As a result of our acquisition, tax benefits that are recognized in future periods by the elimination of the valuation allowance at the acquisition date are to be applied, first to reduce to zero any goodwill related to the acquisition, and then to reduce to zero any noncurrent intangible assets related to the acquisition.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment. This statement replaces SFAS No. 123, Accounting for Stock-Based Compensation and supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. SFAS No. 123(R) requires all stock-based employee compensation to be recorded as an expense in the consolidated statement of operations and that such cost be measured according to the fair value of stock options. SFAS No. 123(R) will be effective the first annual reporting period that begins after June 15, 2005. As we already charge stock-based employee compensation expense related to common units of MHLLC issued pursuant to employee subscription agreements based on the fair value of such units, the adoption of this statement will not have a material effect on our consolidated financial statements. See Note 12 to our consolidated financial statements included elsewhere herein. We have not yet determined the impact of SFAS No. 123(R) on our anticipated new equity incentive plan.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29. SFAS No. 153 addresses the measurement of exchanges of nonmonetary assets. It eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of Accounting Principles Board, or APB, Opinion No. 29 Accounting for Nonmonetary Transactions and replaces it with an exception for exchanges that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 will be effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of this statement will not have any effect on our consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, which we refer to as FIN 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51. FIN 46 was subject to significant interpretation by the FASB, and was revised and reissued in December 2003, which we will refer to as FIN 46R. FIN 46R states that if an entity has a controlling financial interest in a variable interest entity, the assets, the liabilities and results of activities of the variable interest entity should be included in the consolidated financial statements to the entity. The adoption of FIN 46 and FIN 46R did not have any effect on our consolidated financial statements, as we do not have any special purpose entities and no other arrangements that meet the definition of a variable interest entity which would require consolidation.

In March 2005, the FASB issued FIN 47, Accounting for Conditional Asset Retirement Obligations. FIN 47 clarifies that a conditional asset retirement obligation, as used in SFAS No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of the settlement are conditional on a future event that may or may not be within the control of the entity. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. FIN 47 is effective January 1, 2006, with early adoption allowed. We have not yet determined the impact, if any, FIN 47 will have on our consolidated financial statements.

In June 2005, the FASB issued Emerging Issues Task Force, which we refer to as EITF 05-06, Determining the Amortization Period for Leasehold Improvements. EITF 05-06 addresses the amortization period for leasehold improvements in operating leases that are either placed in service significantly after and not contemplated at or near the beginning of the initial lease term or acquired in a business combination. The adoption of EITF 05-06 will not have a material effect on our consolidated financial statements.

Table of Contents

During October 2005, the FASB issued FASB Staff Position No. FAS 13-1, which we will refer to as FSP 13-1, which requires a lessee to cease capitalizing rental costs during the construction period as of the first reporting period beginning after December 15, 2005, which is the effective date of FSP 13-1. In accordance with FSP 13-1, beginning January 2, 2006 rental costs incurred during the construction period will be recognized as rental expense.

Table of Contents

BUSINESS

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.

Restaurant Industry Overview

According to the National Restaurant Association, or the NRA, a restaurant trade association, U.S. restaurant industry sales in 2004 were approximately $454 billion, representing approximately 4% of the U.S. gross domestic product. The NRA projects that 2005 U.S. restaurant industry sales will be $476 billion, which would mark the fourteenth consecutive year of sales growth, adjusted for inflation, for the industry and a 4.9% increase over 2004. The NRA reports that the U.S. restaurant industry grew at a compound annual growth rate of 7.2% from 1970 through 2004, inclusively. Further, the NRA reports that 47% of total U.S. food expenditures are spent at restaurants, up from 25% in 1955. This figure is projected by the NRA to grow to 53% of total U.S. food expenditures by 2010. Technomic, Inc., a national consulting and market research firm, projects sales at full-service restaurants in the United States will grow at a higher rate than sales for the U.S. restaurant industry as a whole, with sales in the full service steak segment expected to grow at a 6% average annual rate from 2004 through 2009.

The Economist Intelligence Unit, a market research firm, estimates that real disposable personal income, adjusted for inflation, in the United States will increase 3.9% in 2005 over 2004, following an increase of 3.4% in 2004 over 2003. In addition, according to Fitch Ratings, a ratings agency and research firm, the decrease in the size of the average U.S. household and the aging of the U.S. population have contributed to an increase in food-away-from-home expenditures. Fitch Ratings projects that these trends will continue to increase demand in the U.S. restaurant industry over the next 10 to 20 years.

Table of Contents

According to U.S. Census Bureau projections, the population of the United States is expected to grow 9.5% from 2000 to 2010, while people in the 45 to 64 age group are expected to increase 29.7% over the same time frame, reflecting the aging of baby boomers. Additionally, the 45 to 64 age group is expected to represent 26.2% of the population in 2010, versus 22.1% in 2000, an increase of 18.5%. As a targeted demographic of Morton s, we believe that the 45 to 64 age group has a higher level of discretionary spending than younger age groups and we expect it to generate a significant amount of sales for the U.S. upscale dining industry.

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. In addition, we believe that our brand is enhanced by the sophisticated interior design of our Morton s steakhouses, which are consistent in terms of style, concept and decor, and by the typical location of our restaurants in upscale retail, hotel, commercial and office complexes in major metropolitan and urban centers and surrounding suburban areas.

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. We offer a wide selection of appetizers and salads. Besides featuring our USDA prime aged steaks, our menu includes other fresh premium items including lamb, chicken, lobster and a variety of other seafood. Complementing our substantial main course selections is our dessert menu that features our original Morton s Legendary Hot Chocolate Cake, New York cheesecake, crème brulee and soufflés. In addition, each Morton s steakhouse has a fully stocked bar and extensive premium wine list that offers approximately 200 wines selections in all restaurants, and a broader list of over 400 wines in selected restaurants. Every Morton s steakhouse open at the end of 2004 received the Wine Spectator Award of Excellence, which was awarded for our well chosen selections of quality wines. During fiscal 2004 and the nine month period ended October 2, 2005, the average per-person Morton s steakhouse check was approximately $84.70 and $86.25, respectively.

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. Among the key aspects of the experience is our signature tableside presentation of many of our menu items. Our servers conduct this presentation to our dining room guests in all Morton s steakhouses. We believe this visual presentation allows our guests to see the freshness and quality of our food and enhances our guests experience. In addition, all Morton s steakhouses feature common design elements, including rich woods, a wine display wall, LeRoy Neiman artwork and private wine lockers. All Morton s steakhouses also feature an open display kitchen where our chefs and broilers are visible, which we believe increases the energy level of the restaurant and further enhances our guests experience. Our typical table to server ratio is three to one, which helps us provide our guests with personal, attentive service.

Strong Restaurant-Level 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. Morton s steakhouses open for all of fiscal 2004 generated average revenues of approximately $4.0 million per restaurant. In the case of the four new Morton s steakhouses that we opened during the nine month period ended October 2, 2005, our average initial cash investment, net of landlord contributions and equipment financing, was approximately $2.0 million, including pre-opening costs of approximately $0.5 million, which are expensed under GAAP. 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.

Table of Contents

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. We also believe that centralized sourcing from our primary suppliers of beef and other products gives us significant cost and availability advantages over many independent steakhouses. In addition, all Morton s steakhouses report daily to our headquarters through a sophisticated point-of-sale system that allows us to monitor revenues, costs, labor, inventory and other operating statistics.

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. Edie A. Ames, President of our subsidiary, Morton s of Chicago, Inc., who joined us in 2005, has over 20 years of experience in the restaurant industry. Ronald M. DiNella, our Senior Vice President and Chief Financial Officer, has been with us since 1992 and has over 23 years of experience in the restaurant industry. 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. Recently, we also have increased our focus on local fine-dining guests. We have 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. We have evolved our menu to include new appetizers, such as tuna tartare, and additional entree items, such as slightly smaller steaks and Australian lobster tails. We have also enhanced our wine program through the introduction of upscale stemware and specialized wine training for our restaurant managers and servers. In addition, we have recently introduced a new bar concept, Bar 12·21, which we believe has further broadened our appeal, increased revenues and increased dining capacity in the restaurants where it has been implemented.

Expand Bar 12·21 Concept. Our new bar concept, named Bar 12·21 to commemorate the date that our original Morton s steakhouse opened, is intended to provide a comfortable, warm atmosphere to meet friends or business associates and enjoy a large selection of fine spirits, wines and appetizers. Our new Bar Bites menu, exclusively offered in the bar and starting at $3, features appetizers such as mini prime cheeseburgers, petite filet mignon sandwiches, potato skins and chicken goujonettes. The redesign typically includes opening the bar area to the restaurant and reconfiguring the bar top and adjacent tables to create more comfortable seating and what we believe is a more inviting area for gathering and dining. We feature our Bar 12·21 concept in all new Morton s steakhouses opened after fiscal 2003, and we have remodeled the bar area in three existing Morton s steakhouses to include our Bar 12·21 concept. During fiscal 2006, we plan to remodel the bar area in at least six other Morton s steakhouses to provide a similar atmosphere. We currently expect to remodel the bar area in approximately four to six other Morton s steakhouses in each of the next several years.

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. We host many business and

57

Table of Contents

non-business events in our Boardrooms such as corporate events, sales meetings, presentations, charity events and private parties, and can accommodate both small and large groups. We believe that we are able to provide guests in our Boardrooms with audio-visual capabilities that are comparable, and a level of food and service quality that is comparable or superior, to many upscale hotels. We have a national sales and marketing department at our corporate offices in addition to sales and marketing employees at 68 of our Morton s steakhouses that target corporate clients and special occasion celebrations of our local guests with the goal of increasing our Boardroom utilization. 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. In these situations, we typically look to rent additional space contiguous to the current restaurant for more Boardrooms and, as necessary, to increase kitchen area to support higher volume levels.

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 believe that many of the major markets in which we currently operate can support one or more additional Morton s steakhouses due to the large local business and local fine-dining guest population. 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.

Site Development and Expansion

We employ rigorous selection criteria for both existing and new markets when selecting new Morton s steakhouse sites. Our training department oversees our new restaurant-opening program, which includes teams whose objective is to optimize the performance and efficiencies of our new restaurants. Typically, we open our new Morton s steakhouses with a combination of seasoned restaurant managers, trainers and chefs from our established Morton s steakhouses. The training team typically spends approximately four to five weeks ensuring that the new employees are well trained and capable of consistently maintaining our high standards for service and food at the new location.

To date, we have sought to reduce our capital investments in new Morton s steakhouses by obtaining substantial landlord contributions. These landlord contributions typically take the form of cash payments to us but sometimes take the form of reduced rent. Morton s steakhouse leases typically provide for a minimum annual rent and contingent rent to be determined as a percentage of the applicable restaurant s annual gross revenues, subject to market-based minimum annual rents. As a result, annual rent expense, which we include in restaurant operating expenses in our consolidated statements of operations, varies according to restaurant revenues. This leasing strategy has enabled us to reduce our net investments in newly developed restaurants. The costs of opening a Morton s steakhouse vary by restaurant depending upon, among other things, the location of the site and construction required. We generally lease Morton s steakhouse sites and operate both free-standing restaurants and restaurants located in upscale retail, hotel, commercial and office complexes, which we refer to as in-line restaurants, in major metropolitan and urban centers and surrounding suburban areas. We currently target our initial average cash investment, net of landlord contributions and equipment financing, to open new Morton s steakhouses in leased premises to be approximately $2.0 million per restaurant, including pre-opening costs of $0.5 million, which are expensed under GAAP, although we may expend greater amounts for particular restaurants.

The standard decor and interior design of each of our restaurant concepts can be readily adapted to accommodate different types of locations. We believe that the locations of our restaurants are critical to our long-term success, and we devote significant time and resources to analyzing each prospective site. As we have expanded, we have developed and refined specific criteria by which we evaluate each prospective site. Potential sites generally are sought in major metropolitan areas. We consider factors such as demographic

Table of Contents

information, average household size, income, traffic patterns, proximity to shopping areas and office buildings, hotels and convention centers, area restaurant competition, accessibility and visibility. Our ability to open new restaurants depends upon, among other things, finding quality locations, reaching acceptable agreements regarding the lease or purchase of locations, raising or having available an adequate amount of money for construction and opening costs, timely hiring, training and retaining the skilled management and other employees necessary to meet staffing needs, obtaining, for an acceptable cost, required permits and approvals and efficiently managing the amount of time and money used to build and open each new restaurant. For information regarding the risks associated with expansion, see Risk Factors Our continued growth depends on our ability to open new restaurants and operate new restaurants profitably.

Properties

Locations

Our restaurants generally are located in space leased by our subsidiaries. Our restaurant lease expirations, including renewal options, range from one to 36 years. Our leases typically provide for renewal options for terms ranging from five to 15 years. Restaurant leases typically provide for a minimum annual rent and contingent rent to be determined as a percentage of the applicable restaurant s annual gross revenues, subject to market-based minimum annual rents. Generally, leases are net leases that require our subsidiary that is a party to the lease to pay its pro rata share of taxes, insurance and maintenance costs. Typically, one of our subsidiaries is a party to the lease, and performance is guaranteed by another one of our subsidiaries for a portion of the lease term. We operate six restaurants on properties that we own and operate 67 restaurants on leased properties.

We lease our executive offices in approximately 9,800 square feet in New Hyde Park, New York. We also lease office space in approximately 20,700 square feet in Chicago. We believe that our current office and operating space is suitable and adequate for its intended purposes.

We owned and operated 69 Morton s steakhouses and four Italian restaurants as of October 2, 2005. The following table provides information with respect to those restaurants:

Morton s, Date Opened

Chicago, IL (1) December 1978

Washington (Georgetown), DC November 1982

Westchester/Oakbrook, IL June 1986

Dallas (Downtown), TX May 1987

Boston, MA December 1987

Rosemont, IL June 1989

Cleveland, OH September 1990

Atlanta (Buckhead), GA March 1994

Charlotte, NC July 1994

San Francisco, CA November 1994

Denver (Downtown), CO March 1995

Atlanta (Downtown), GA November 1995

Houston, TX January 1996

Phoenix, AZ March 1996

Orlando, FL March 1996

Washington (Connecticut Ave.), DC January 1997

Tysons Corner, VA November 1990

Columbus, OH April 1991

Cincinnati, OH August 1991

San Antonio, TX September 1991

Palm Beach, FL November 1991

Minneapolis, MN December 1991

Beverly Hills, CA(2) October 1992

Detroit (Southfield), MI November 1992

Sacramento, CA May 1993

Pittsburgh, PA August 1993

New York (Midtown Manhattan), NY October 1993

St. Louis (Clayton), MO December 1993

Palm Desert, CA January 1994

San Diego, CA April 1997

Baltimore, MD August 1997

Miami (Downtown), FL December 1997

Stamford, CT February 1998

Singapore May 1998

North Miami Beach, FL July 1998

Toronto, Canada September 1998

Portland, OR December 1998

Nashville, TN January 1999

Scottsdale, AZ January 1999

Philadelphia, PA July 1999

Boca Raton, FL August 1999

Table of Contents

Kansas City, MO October 1999

Indianapolis, IN November 1999

Schaumburg, IL December 1999

Hong Kong (Kowloon) December 1999

Seattle, WA December 1999

Denver (Tech Center), CO March 2000

Las Vegas, NV May 2000

Jacksonville, FL June 2000

Hartford, CT September 2000

San Juan, PR October 2000

Great Neck (Long Island), NY October 2000

Vancouver, Canada October 2000

New Orleans, LA December 2000

Louisville, KY June 2001

Reston, VA July 2001

Santa Ana/Costa Mesa, CA November 2001

Los Angeles (Downtown), CA (2) November 2001

Honolulu, HI November 2001

King of Prussia, PA April 2002

Hackensack, NJ September 2002

Arlington, VA October 2002

Burbank, CA (2) November 2002

Richmond, VA February 2003

White Plains, NY July 2004

Charlotte, NC (Southpark) January 2005

Chicago, IL (Wacker Place) February 2005

Bethesda, MD February 2005

Atlantic City, NJ August 2005

Italian Restaurants(3), Date Opened

Las Vegas, NV May 1992

King of Prussia, PA November 1995

Indianapolis, IN October 1996

West Las Vegas, NV December 1998

(1) Does not have Boardroom Facilities.

(2) Operates under the name Arnie Morton s of Chicago.

(3) Operate under the name Bertolini s Authentic Trattorias.

We currently have signed leases f0r five new Morton s steakhouses in Troy, Michigan, Coral Gables, Florida, Northbrook, Illinois, Fort Lauderdale, Florida and Houston, Texas.

Restaurant Operations and Management

Our restaurants have a well-developed management infrastructure and we operate and manage Morton s steakhouses and our Italian restaurants as distinct concepts. Regional managers supervise the operations for our restaurants, and each is responsible for several restaurants and reports to a regional vice president. We believe we have created a culture of accountability whereby regional vice presidents and regional managers meet monthly with senior corporate management to review operations and address issues. Working in concert with regional vice presidents, regional managers and restaurant general managers, senior corporate management sets operations and performance objectives for each restaurant. We have established incentive plans tied to achieving specified revenue, profitability and operating targets and related quality objectives for regional vice presidents, regional managers and some of our restaurant managers. We believe that our Morton s restaurant management staff is highly trained, experienced and motivated in part due to a success-based compensation program and benefit plans that we believe help reduce employee turnover and enhance operating efficiencies.

We strive to maintain quality and consistency in our restaurants through the careful training and supervision of personnel and the establishment of standards relating to food and beverage preparation, maintenance of facilities and conduct of personnel. Restaurant managers, many of whom have been promoted from our restaurant personnel, must complete a training program in the restaurant of typically six to twelve weeks during which we instruct them in areas of restaurant management, including food quality and preparation, customer service, alcoholic beverage service, liquor liability avoidance and employee relations. We also provide restaurant managers with operations manuals relating to food and beverage preparation and operation of restaurants. These manuals are designed to ensure uniform operations, consistently high quality products and service, and proper management and accounting for restaurant operations. On a quarterly basis, we conduct Morton s University, which is a one week classroom experience for our entry level managers that focuses on specific Morton s expectations, accountability, communication, compliance and development of camaraderie amongst management teams. We continually seek to improve and evolve our training and development processes. We hold regular meetings of our restaurant managers, as well as holding our annual general manager conference and our annual sales and marketing conference, to discuss sales opportunities, menu items, ongoing training and development of staff and other aspects of effective business management.

Table of Contents

The staff for a typical Morton s steakhouse consists of one general manager, up to four assistant managers and approximately 40 to 60 hourly employees. The staff for each of our Italian restaurants consists of one general manager, up to six assistant managers and approximately 70 to 100 hourly employees. Each of our new restaurant employees typically participates in a training program during which the employee works under the close supervision of restaurant managers. We strive to instill enthusiasm and dedication in our employees. Restaurant management regularly solicits employee suggestions concerning restaurant operations, and strives to be responsive to employee concerns and to meet regularly with employees at each of the restaurants.

We devote considerable attention to managing food and operating costs. We make extensive use of information technology to provide us with pertinent information on daily revenues and inventory requirements, thus reducing the need to carry excessive quantities of food inventories. This cost management system is complemented by our ability to obtain certain volume-based discounts. In addition, all of the restaurants within each of our two restaurant concepts have similar menu items and common operating methods, allowing for more simplified management operating controls.

Each Morton s steakhouse employs a full time food and beverage controller, which provides us with an in-house purchasing manager from both a quality and control standpoint. The food and beverage controller is responsible for minimizing product losses and ensuring that all products received meet our high quality standards.

We maintain financial and accounting controls for each of our restaurants through the use of centralized accounting and management information systems and specified reporting requirements. On a daily basis, we collect revenue, cost and related information for each restaurant. We provide restaurant managers with operating statements for their respective restaurants. Cash and credit card receipts are controlled through daily deposits to local or concentration operating accounts, the balances of which are transferred or deposited to cash concentration accounts. All of our restaurants utilize the same computerized point of sale system, which provides consistent centralized reporting that is available to both restaurant and corporate management. Information captured by the point of sale system flows to the restaurant accounting system, which allows management to review product sales mix, profit margins, cost of sales data, inventory levels and cash and credit card receipts on a daily basis. Sales are reported daily and reconciled by the accounting department in our corporate office before they are posted to our accounting system. Cost of sales, inventory and other operating expenses are imported directly from the restaurant accounting system into the general ledger.

Our corporate financial reporting system provides additional comprehensive financial reports. Information such as daily, weekly, monthly and year to date sales comparisons, financial statements, ideal versus actual reported costs and ideal versus actual cost of sales are prepared on a restaurant, regional and consolidated basis. These reports are made available to operations and senior management through our internal intranet site.

All Morton s steakhouses utilize OpenTable, a third-party reservation and data management system that allows us to recognize and record the preferences of our guests through its shared reservation database. This system enables our managers to record guest reservations, special requests and any other relevant guest information. Through the OpenTable website, our guests can make reservations online 24 hours a day, seven days a week for all worldwide Morton s locations.

Purchasing

Our ability to maintain consistent high quality throughout our restaurants depends in part upon the ability to procure food products and related items from approved sources in accordance with our strict product specifications. Morton s has typically entered into purchasing arrangements, generally lasting for up to one year each, directly with our major beef suppliers. Our procurement strategies are intended to provide

us with flexibility to benefit from market opportunities should they arise, without sacrificing product quality. These strategies have historically provided us with a consistent supply and helped us to manage purchase costs.

Our largest single purchase item is beef, which, for our U.S. and Canadian restaurants, consists of USDA prime beef for all of our steaks other than our filet mignon, which is USDA choice. Morton s domestic beef is shipped from our suppliers directly to our two meat cutters in Chicago, where it is aged and portion cut by skilled meat cutters in accordance with our specifications. The portion controlled meat is packaged and shipped to domestic Morton s steakhouses by refrigerated common carrier. We believe this process allows us to serve a more consistent product in each Morton s steakhouse. We also make supply contingency arrangements to cover business fluctuations or additional short-term restaurant needs. Due to restrictions imposed in December 2003 on the export of U.S. beef, we use high quality non-U.S. aged beef in our restaurants in Asia that we believe closely mirrors our domestic standards and specifications. We use several global vendors for additional items such as shrimp, seafood and cheesecake to maintain the high quality and consistency that Morton s specifications require. Additional products used by Morton s are locally procured using similar stringent standards and product specifications. Our Italian restaurants also adhere to strict product specifications and use national, regional and local suppliers.

Food and supplies are shipped directly to the restaurants and invoices for purchases are processed in local restaurant accounting systems for cost analysis and then sent for review and payment to our Chicago office.

Marketing

We believe that our commitment to providing quality food, hospitality, service and a high level of value at our price point is an effective approach to attracting and maintaining guests. As part of this approach, we have nine dedicated sales and marketing employees at the corporate level, and an additional dedicated sales and marketing employee at 68 of our Morton s steakhouses. We utilize a variety of local and company-wide marketing and public relations techniques intended to maintain and build our guest traffic, maintain and enhance our Morton s brand image and continually improve and refine our fine-dining steakhouse experience. For example, we use databases to identify our target guests and use paper and electronic direct mailings to increase their awareness of our fine-dining steakhouse experience and of our local promotional activities. We also host a number of special events such as wine dinners, opening benefit parties, sports theme dinners and our Local Legend dinners featuring a local celebrity. For example, during 2004, we commissioned the world s largest wine bottle, as certified by the Guinness Book of World Records, which we exhibited at many of our Morton s steakhouses throughout the United States. Our world s largest wine bottle was auctioned at Sotheby s and the proceeds were donated to Share Our Strength.

In addition, we use various local public relations and marketing consultants and limited airport signage and targeted print advertising. In the past we have placed, and may continue to place, selected advertisements in periodicals such as Boston Magazine, Chicago Magazine, Los Angeles Magazine and New York Magazine.

Competition

The restaurant business is highly competitive and fragmented, and the number, size and strength of competitors vary widely by region. We believe that restaurant competition is based on, among other things, quality of food products, customer service, reputation, restaurant decor and location, name recognition and price. Our restaurants compete with a number of restaurants within their markets, both locally-owned restaurants and other restaurants that are members of regional or national chains. The restaurant business is also impacted by various factors including changes in consumer taste, economic and market conditions, demographic trends, traffic patterns, employee availability and benefits, regulatory developments, product availability and cost increases. For information regarding the risks associated with competition, see Risk Factors 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.

Table of Contents

Intellectual Property

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. We are aware of names similar to those of our restaurants used by third parties in certain limited geographical areas, although we do not anticipate that such use will prevent us from using our marks in those areas. We believe that our trade names, trademarks and service marks are valuable to the operation of our restaurants and are important to our marketing strategy. For information regarding the risks associated with service marks and trademarks, see Risk Factors 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.

Employees

As of October 2, 2005, we had 3,948 employees, of whom 3,438 were hourly restaurant employees, 399 were salaried restaurant employees engaged in administrative and supervisory capacities and 111 were corporate and office personnel. Many of our hourly employees are employed on a part-time basis to provide services necessary during peak periods of restaurant operations. None of our employees are covered by a collective bargaining agreement. We believe that we generally have good relations with our employees.

Government Regulation

Our restaurants are subject to licensing and regulation by state and local health, safety, fire and other authorities, including licensing and regulation requirements for the sale of alcoholic beverages and food. We maintain the necessary restaurant, alcoholic beverage and retail licenses, permits and approvals. The development and construction of additional restaurants will also be subject to compliance with applicable zoning, land use and environmental regulations. Federal and state labor laws govern our relationship with our employees and affect operating costs. These laws include minimum wage requirements, overtime, unemployment tax rates, workers compensation rates, citizenship requirements and sales taxes. We are also subject to the Fair Labor Standards Act, the Immigration Reform and Control Act of 1986 and various federal and state laws governing such matters as minimum wages, overtime, tips, tip credits and other working conditions.

Our restaurants are subject in each state in which we operate to dram shop laws, which allow, in general, a person to sue us if that person was injured by an 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. For information regarding the risks associated with government regulation, see Risk Factors We may incur additional costs or liabilities and lose revenues as a result of litigation and government regulation affecting the operation of our restaurants.

Legal Proceedings

Since August 2002, a number of our current and former employees in New York, Massachusetts and Florida have initiated arbitrations with the American Arbitration Association in their respective states alleging that we have violated state (Massachusetts arbitration), state and federal (New York arbitrations) and federal (Florida arbitrations) wage and hour laws regarding the sharing of tips with other employees and failure to pay for all hours worked. There are two group arbitrations pending in Florida. One is proceeding in Palm Beach as a collective action with approximately 21 claimants. The second is proceeding in Miami as a consolidated action with approximately six claimants. In addition, there are two individual demands for arbitration pending in Florida that may ultimately be joined to the Miami arbitration. The arbitrator in the New York arbitrations has permitted the approximately 88 claimants to consolidate their arbitrations into one action and proceed as a collective action, and a decision with respect to this proceeding is expected in the near future. The Massachusetts arbitrator has ruled that the claimants may proceed as a class, but to date there are three people in the class and the arbitrator recently ruled that there would be no automatic certification. In general, the complainants are seeking restitution of tips, the difference between the tip credit wage and the minimum wage, payment for hours worked off the clock (in the Miami arbitration and in the individual Florida arbitrations only), liquidated damages and attorneys fees and costs. We are contesting these matters vigorously. The complainants in New York are seeking an aggregate of approximately $1.7 million. The complainants in Florida and Massachusetts have not stated the estimated amount of damages they seek and, at this stage of the proceedings, it is not possible to state the estimated damages sought by the complainants.

In November 2004, current and former employees of the Sacramento, California Morton s steakhouse commenced a federal lawsuit in the Superior Court of the State of California, County of Sacramento, asserting individual, representative and class claims against the Sacramento Morton s steakhouse and several other Morton s steakhouses. The plaintiffs asserted claims based on our alleged failure to provide them with meal and rest periods, and for unlawful tip sharing and unfair competition. The plaintiffs seek restitution of tips, meal and break period compensation and attorneys fees. The plaintiffs have not stated the estimated amount of damages they seek and, at this stage of the proceedings, it is not possible to state the estimated damages sought by the plaintiffs. Dismissals with prejudice for all defendants, except the Sacramento Morton s steakhouse, were granted. The claims against the Sacramento Morton s steakhouse have been moved to arbitration.

In May 2005, a former employee of the Boston, Massachusetts Morton s steakhouse filed a nationwide class action complaint in federal court in the United States District Court, District of Massachusetts, alleging that the sharing of tips with other restaurant employees violates the Fair Labor Standards Act. The plaintiffs have not stated the estimated amount of damages they seek and, at this stage of the proceedings, it is not possible to state the estimated damages sought by the plaintiffs. We moved to dismiss the complaint and compel arbitration. While the motion was pending, the plaintiff filed a nationwide collective action demand for arbitration with the American Arbitration Association. The demand for arbitration alleges the same facts as the lawsuit filed in federal court. Our motion to dismiss was granted and the matter is moving forward as an arbitration. There is currently one named claimant.

We have not established any accruals for judgments, and insurance is not available to cover any liabilities, with respect to these wage and hour matters. We are involved in various other claims and legal actions arising in the ordinary course of business. We do not believe that the ultimate resolution of these actions will have a material adverse effect on our financial condition.

Table of Contents

MANAGEMENT

Executive Officers and Directors

Our directors and executive officers, their ages and their titles upon consummation of this offering will be as set forth below.

Name	Age	Position
Thomas J. Baldwin	50	Chairman, Chief Executive Officer, President and Director
Ronald M. DiNella	45	Senior Vice President, Chief Financial Officer, Secretary and Treasurer
Roger J. Drake	45	Vice President of Communications
Allan C. Schreiber	65	Senior Vice President of Development
Edie A. Ames	39	President-Morton s of Chicago, Inc.
Klaus W. Fritsch	63	Vice Chairman and Co-Founder-Morton s of Chicago, Inc.
Kevin E. Weinert	55	Senior Vice President of Operations-Morton s of Chicago, Inc.
John K. Castle	65	Director
Lee M. Cohn	58	Director
Dr. John J. Connolly	66	Director
Robert A. Goldschmidt	67	Director
Dr. Laurence E. Paul	41	Director
Stephen E. Paul	38	Director
David B. Pittaway	54	Director
Dianne H. Russell	62	Director
Alan A. Teran	60	Director
Justin B. Wender	36	Director

Thomas J. Baldwin has been Chairman, Chief Executive Officer and President since December 2005. He has been a director since February 2003 and previously was a director from November 1998 through July 2002. Previously, he served as Executive Vice President and Chief Financial Officer from January 1997 until December 2005. He served as Senior Vice President, Finance from June 1992 and Vice President, Finance from December 1988. In addition, Mr. Baldwin served as Chief Financial Officer and Treasurer from December 1988 until December 2005. From October 2002 to December 2005, Mr. Baldwin also served as Secretary after serving as Assistant Secretary since 1988. His previous experience includes two years at Citicorp and seven years at General Foods Corp., now part of Kraft Foods. Mr. Baldwin is a member of the board of directors of the March of Dimes Connecticut Division.

Ronald M. DiNella has been Senior Vice President, Chief Financial Officer, Secretary and Treasurer since December 2005. Mr. DiNella previously served as Senior Vice President, Finance for Morton s of Chicago, Inc., our indirect wholly-owned subsidiary, from 1998 to 2005 and Vice President, Finance from 1992 to 1998. Mr. DiNella s previous experience includes nine years with Arnie Morton s Management Group, a local Chicago restaurant chain headed by Morton s co-founder, Arnie Morton, where he served as Controller. Mr. DiNella serves on the board of directors of the Illinois Restaurant Association and is its immediate past chairman. Mr. DiNella is a licensed certified public accountant in the State of Illinois.

Roger J. Drake has been Vice President of Communications since May 1999. Previously, he served as Director of Communications since February 1994. Mr. Drake previously owned and operated Drake Productions, a video and marketing communications company, from April 1987 to December 1993. Prior to that, Mr. Drake served as senior producer, editor and copywriter at Major League Baseball Productions, from May 1981 to June 1986.

Allan C. Schreiber has been Senior Vice President of Development since January 1999. Previously, he served as Vice President of Real Estate since January 1996 and as Director of Real Estate since November 1995. Mr. Schreiber had been a Senior Managing Director at The Galbreath Company since 1991. Prior to joining Galbreath, he served as an Executive Vice President of National Westminster Bank USA from 1982 to

1991. Previously, Mr. Schreiber had been a Vice President and Division Executive of the Chase Manhattan Bank. Mr. Schreiber has indicated that he intends to retire in July 2006.

Edie A. Ames has been President of Morton s of Chicago, Inc., our indirect wholly-owned subsidiary, since July 2005. Previously, Ms. Ames had been Regional Vice President of Operations and Training for California Pizza Kitchen, Inc. since January 2004. Prior to that, Ms. Ames worked for California Pizza Kitchen, Inc. where she served in various positions including Regional Director of Operations, Senior General Manager and General Manager since January 1994. Ms. Ames served as Manager and Director of Training for Malone s Grill & Bar, from 1986 to 1994.

Klaus W. Fritsch has been Vice Chairman of Morton s of Chicago, Inc., our indirect wholly-owned subsidiary, since May 1992. Mr. Fritsch has been with Morton s of Chicago, Inc. since its inception in 1978, when he co-founded Morton s. After Mr. Arnold Morton ceased active involvement in 1987, Mr. Fritsch assumed all operating responsibilities as President, in which capacity he served until May 1992.

Kevin E. Weinert has been Senior Vice President of Operations of Morton s of Chicago, Inc., our indirect wholly-owned subsidiary, since January 2004. Mr. Weinert previously served as its Vice President of Operations from January 1999 to January 2004. Prior to that, Mr. Weinert was a Regional Manager and General Manager for Morton s steakhouses in several cities and has been employed by us for twenty-four years.

John K. Castle will be a director upon consummation of this offering and has been a member of MHLLC s board of advisors since October 2002. Mr. Castle was also a director from December 1988 through July 2002. Mr. Castle is Chairman and Chief Executive Officer of Castle Harlan, Inc. Immediately prior to forming Castle Harlan, Inc. in 1986, Mr. Castle was President and Chief Executive Officer of Donaldson, Lufkin & Jenrette, Inc., one of the nation s leading investment banking firms. At that time, he also served as a director of the Equitable Life Assurance Society of the U.S. Mr. Castle is a board member of Ames True Temper, Inc., Advanced Accessory Systems, LLC, Horizon Lines, LLC, Wilshire Restaurant Group, Inc., and various private equity companies. Mr. Castle has also been elected to serve as a Life Member of the Massachusetts Institute of Technology. He has served for 22 years as a trustee of New York Medical College, including eleven of those years as Chairman of the Board. He is a member of the Board of the Whitehead Institute for Biomedical Research, and was Founding Chairman of the Whitehead Board of Associates. He is also a member of The New York Presbyterian Hospital Board of Trustees. Mr. Castle received his bachelors degree from the Massachusetts Institute of Technology, his MBA as a Baker Scholar with High Distinction from Harvard, and has two Honorary Doctorate Degrees of Humane Letters.

Lee M. Cohn will be a director upon consummation of this offering and has been a member of MHLLC s board of advisors since February 2003. He previously served as a director from August 1997 through July 2002. Mr. Cohn co-founded and has been the Chief Executive Officer of Big 4 Restaurants, Inc., located in Scottsdale, Arizona, since 1973. Mr. Cohn has served on the boards of Valley Big Brothers and the Phoenix Ballet Company and is an active member of The Phoenix Thunderbirds, The Fiesta Bowl Committee and the Young Presidents Organization. Mr. Cohn is a director of McCormick and Schmick Holdings LLC and Wilshire Restaurant Group, Inc., which are affiliates of Castle Harlan, Inc.

Dr. John J. Connolly will be a director upon consummation of this offering and has been a member of MHLLC s board of advisors since February 2003. Dr. Connolly previously served as a director from October 1994 through July 2002. He has been the President and Chief Executive Officer of Castle Connolly Medical Ltd. since 1992. He previously served as President and Chief Executive Officer of New York Medical College for over ten years. He serves on the President s Advisory Council of the United Hospital Fund, as a member of the board of advisors of the Whitehead Institute and as a director of the New York Business Group on Health. He also has served as Chairman of the Board of Trustees of St. Francis Hospital in Poughkeepsie and was the first Chairman of the Dutchess County Industrial Development Agency. He is a fellow of the New York Academy of Medicine and is a founder and past Chairman of the American Lyme Disease Foundation.

Dr. Connolly serves as a Trustee Emeritus and past Chairman of the Board of the Culinary Institute of America. Dr. Connolly also presently serves as a director of Dearborn Risk Management, Health Enhancement Inc. and Publishing Works, Ltd.

Robert A. Goldschmidt will be a director upon consummation of this offering. Mr. Goldschmidt is currently retired, and from time to time serves as an independent consultant. Mr. Goldschmidt previously served as the Chief Financial Officer for the Archdiocese of New York from November 1994 to February 2002. Mr. Goldschmidt is a Certified Public Accountant and a Professional Engineer.

Dr. Laurence E. Paul will be a director upon consummation of this offering and has been a member of MHLLC s board of advisors since October 2002. Dr. Paul is a Managing Principal of Laurel Crown Capital, LLC, a private investment company. Dr. Paul was a Vice President of The Louis Berkman Company from May 2001 through September 2002. Formerly, Dr. Paul was a Managing Director at Donaldson, Lufkin & Jenrette, Inc. and then CS First Boston after Credit Suisse Group s purchase of Donaldson, Lufkin & Jenrette, Inc. He served at Donaldson, Lufkin & Jenrette, Inc. and its successor from 1994 through 2001. Dr. Paul is a director of Biovail Corporation, Ampco-Pittsburgh Corporation and Global Fitness Holdings LLC. In addition he serves on the boards of Harvard Medical School, the Biomedical Services division of the American Red Cross and the Los Angeles Chapter of the American Red Cross. Dr. Paul received his bachelors degree and M.D. from Harvard University and earned an M.B.A. from The Stanford Graduate School of Business. Laurence E. Paul and Stephen E. Paul are brothers.

Stephen E. Paul will be a director upon consummation of this offering and has been a member of MHLLC s board of advisors since October 2002. Mr. Paul is a Managing Principal of Laurel Crown Capital, LLC, a private investment company. Mr. Paul was a Vice President of The Louis Berkman Company from May 2001 through September 2002. Formerly, Mr. Paul was a Vice President of Business Development of eToys, Inc. since May 1998, and before that, an Associate at Donaldson, Lufkin & Jenrette, Inc., where he was employed from August 1995 to May 1998. Mr. Paul is a director of Ampco-Pittsburgh Corporation and Global Fitness Holdings LLC. In addition, he is a Trustee of The Loomis Chaffee School. Mr. Paul is a graduate of Cornell University and earned an M.B.A. from Harvard Business School. Laurence E. Paul and Stephen E. Paul are brothers.

David B. Pittaway will be a director upon consummation of this offering and has been a member of MHLLC s board of advisors since October 2002. Mr. Pittaway previously served as a director from December 1988 through July 2002. Mr. Pittaway is currently the Senior Managing Director, Senior Vice President and Secretary of Castle Harlan, Inc. He has been with Castle Harlan, Inc. since 1987. Mr. Pittaway has been Vice President and Secretary of Branford Castle, Inc., an investment company, since October 1986. From 1987 to 1998 he was Vice President, Chief Financial Officer and a director of Branford Chain, Inc., a marine wholesale company, where he is now a director and Vice Chairman. Prior thereto, Mr. Pittaway was Vice President of Strategic Planning and Assistant to the President of Donaldson, Lufkin & Jenrette, Inc. Mr. Pittaway is also a director of Dave & Busters, Inc., Equipment Support Services, Inc., BKH Acquisition Corp., Wilshire Restaurant Group, Inc., McCormick & Schmick s Seafood Restaurants, Inc. and The Dystrophic Epidermolysis Bullosa Research Association of America, Inc. Mr. Pittaway is a graduate of the University of Kansas (B.A. with Highest Distinction), and has both an M.B.A. with High Distinction (Baker Scholar) and a Juris Doctor degree from Harvard University.

Dianne H. Russell will be a director upon consummation of this offering and has been a member of MHLLC s board of advisors since February 2003. She previously served as a director from May 1993 through July 2002. Ms. Russell is a Senior Vice President and Regional Managing Director of the Technology and Life Sciences Division of Comerica Bank (formerly Imperial Bank) in Boston, heading the Northeast Region. Formerly, Ms. Russell was President of Hyde Boston Capital, a financial consulting company, since January 1992, and before that, a Senior Vice President and Department Executive at BankBoston, N.A., a national bank, where she was employed from 1975 to 1991. Ms. Russell is the chair of the Financial Advisory Board of the Commonwealth of Massachusetts.

Table of Contents

Alan A. Teran will be a director upon consummation of this offering and has been a member of MHLLC s board of advisors since February 2003. He previously served as a director from May 1993 through July 2002. Mr. Teran was the President of Cork N Cleaver Restaurants from 1975 to 1981. Since 1981, Mr. Teran has been a principal in private restaurant businesses. Mr. Teran is currently a director of Good Times, Inc., and previously served on the board of Boulder Valley Bank and Trust.

Justin B. Wender will be a director upon consummation of this offering and has been a member of MHLLC s board of advisors since April 2002. Mr. Wender is also a Senior Managing Director and the Chief Investment Officer of Castle Harlan, Inc. Prior to joining Castle Harlan, Inc. in 1993, Mr. Wender worked in the Corporate Finance Group of Merrill Lynch & Co., where he assisted clients with a variety of corporate finance matters. He is a board member of BKH Acquisition Corp, McCormick & Schmick s Seafood Restaurants, Inc., CHATT Holdings LLC and Polypipe Building Products Ltd. In addition, he is a Trustee of Carleton College and Chair of the International Center for the Disabled. Mr. Wender is a Cum Laude graduate of Carleton College and earned an MBA from the Wharton School at the University of Pennsylvania.

Executive Compensation

The following table sets forth information regarding compensation for the last three fiscal years (ended January 2, 2005, January 4, 2004 and December 29, 2002) awarded to, earned by or paid to our Chief Executive Officer and the other four most highly compensated executive officers at the end of fiscal 2004, which we sometimes refer to as our named executive officers:

Name and Principal Position	Annual Compensation (4) Fiscal Year	Salary ($)	Bonus ($)	Long-Term Compensation (5) Restricted Stock Awards ($)	All Other Compensation ($)
Allen J. Bernstein					
	2004	$724,000	$ 422,000		$ 45,686(6)(7)
Former Chairman of the Board, Former President and	2003	$703,040	$ 239,000	$ 7,986	$ 45,561(8)(9)
Former Chief Executive Officer (1)	2002	$676,000			$ 41,686(10)(11)
Thomas J. Baldwin					
Former Executive Vice President, Former Chief	2004	$285,000	$ 177,000		$ 5,425(6)(7)
Financial Officer, and Former Secretary and Treasurer	2003	$276,640	$ 100,000	$ 2,852	$ 5,300(8)(9)
(2)	2002	$266,000			$ 300(10)
Allan C. Schreiber	2004	$201,000	$ 80,000		$ 5,425(6)(7)
	2003	$195,520	$ 50,000	$ 150	$ 5,300(8)(9)
Senior Vice President of Development	2002	$188,000			$ 1,565(10)(11)
Klaus W. Fritsch					
	2004	$188,000	$ 106,000		$ 3,059(6)(7)
Vice Chairman and Co-Founder of Morton s of Chicago,	2003	$182,000	$ 60,000	$ 500	$ 2,575(8)(9)
Inc.	2002	$175,000			$ 314(11)
John T. Bettin	2004	$268,000	$ 133,000		$ 5,312(6)(7)
	2003	$260,000	$ 75,000	$ 1,711	$ 5,377(8)(9)
Former President of Morton s of Chicago, Inc. (3)	2002	$250,000			$ 580(11)

(1) Allen J. Bernstein retired as Chairman, President and Chief Executive Officer in December 2005.

(2) Thomas J. Baldwin was named Chairman, President and Chief Executive Officer in December 2005, at which time Ronald M. DiNella was named Senior Vice President, Chief Financial Officer, Secretary and Treasurer.

(3) John T. Bettin resigned as President of Morton s of Chicago, Inc. on April 26, 2005.

(4) Includes cash bonuses paid in the referenced fiscal year with respect to services rendered in the prior fiscal year. Excludes cash bonuses paid in the following fiscal year with respect to services rendered in

the referenced fiscal year. No cash bonuses were paid in fiscal 2002 with respect to services rendered in fiscal 2001. Cash bonuses totaling $1,025,000 for these officers were paid in the nine month period ended October 2, 2005 with respect to services rendered in fiscal 2004.

(5) Represents the dollar value of common units of MHLLC that were granted, subject to vesting, to Allen J. Bernstein (798,627 common units), Thomas J. Baldwin (285,224 common units), Allan C. Schreiber (15,000 common units), Klaus W. Fritsch (50,000 common units) and John T. Bettin (171,131 common units). The number and value of the aggregate restricted common units held by each of the executive officers at the end of the nine month period ended October 2, 2005 is the same as set forth in the table and in the immediately preceding sentence other than restricted common units previously held by John T. Bettin, which had not vested prior to his resignation. See Certain Equity Arrangements. Common units of MHLLC will become vested, to the extent not already vested, prior to the consummation of this offering and will entitle the holder thereof to receive shares of our common stock in a distribution by MHLLC that we anticipate will be effected prior to the consummation of this offering.

(6) Includes the dollar value of insurance premiums paid by us with respect to term life insurance for the benefit of Allen J. Bernstein ($40,561), Thomas J. Baldwin ($300), Allan C. Schreiber ($300), Klaus W. Fritsch ($822) and John T. Bettin ($187).

(7) Includes employer contributions made by us pursuant to the Morton s of Chicago, Inc. Profit Sharing and Cash Accumulation Plan, or the Morton s Plan, which is a retirement plan intended to be qualified under Sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended, for the benefit of Allen J. Bernstein ($5,125), Thomas J. Baldwin ($5,125), Allan C. Schreiber ($5,125), Klaus W. Fritsch ($2,237) and John T. Bettin ($5,125).

(8) Includes the dollar value of insurance premiums paid by us with respect to term life insurance for the benefit of Allen J. Bernstein ($40,561), Thomas J. Baldwin ($300), Allan C. Schreiber ($300), Klaus W. Fritsch ($1,044) and John T. Bettin ($377).

(9) Includes employer contributions made by us pursuant to the Morton s Plan for the benefit of Allen J. Bernstein ($5,000), Thomas J. Baldwin ($5,000), Allan C. Schreiber ($5,000), Klaus W. Fritsch ($1,531) and John T. Bettin ($5,000).

(10) Represents or includes the dollar value of insurance premiums paid by us with respect to term life insurance for the benefit of Allen J. Bernstein ($40,561), Thomas J. Baldwin ($300) and Allan C. Schreiber ($300).

(11) Represents or includes employer contributions made by us pursuant to the Morton s Plan for the benefit of Allen J. Bernstein ($1,125), Allan C. Schreiber ($1,265), Klaus W. Fritsch ($314) and John T. Bettin ($580).

Board Composition

Upon the consummation of this offering, we anticipate that our board of directors will consist of eleven members. Immediately prior to the consummation of this offering, we intend to divide the members of our board into three classes of directors of four, four and three members, respectively.

Compensation of Directors

Members of our board of directors other than Messrs. Baldwin, Castle, L. Paul, S. Paul, Pittaway and Wender will be entitled to receive director s fees at the rate of $15,000 per year. All members of our board of directors will be reimbursed for actual expenses incurred in connection with attendance at meetings of the board and of committees of the board.

Compensation Committee Interlocks and Insider Participation

There are no compensation committee interlocks (i.e., no executive officer of ours serves as a member of the board of directors or the compensation committee of another entity that has an executive officer serving on our board of directors).

69

Table of Contents

Employment Agreements

General

We have an employment agreement with Mr. Baldwin, which we anticipate will be amended prior to the consummation of this offering in connection with Mr. Baldwin s promotion to Chairman, Chief Executive Officer and President. The terms of Mr. Baldwin s new employment agreement have not been finalized. Mr. Baldwin s current employment agreement extends until December 31, 2005, but beginning on January 1, 2004, the employment term under his employment agreement continues such that at any date, two years always remain on the term, unless his employment agreement is terminated at any time as discussed below. As of the date of this prospectus, Mr. Baldwin s annual base salary is $350,000. His agreement provides for his annual base salary to be increased each year to reflect the rate of increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers or at a faster rate at the discretion of the board of directors. Mr. Baldwin may receive annual bonuses at our discretion. Mr. Baldwin is eligible to participate in our benefit programs that are in effect for executive personnel. Mr. Baldwin is provided with a monthly automobile allowance.

Termination Provisions

If Mr. Baldwin s employment is terminated by us other than for cause related reasons (as described in his employment agreement) or by Mr. Baldwin with good reason related reasons (as described in his employment agreement), we would be required to pay to Mr. Baldwin a lump sum of up to $692,664 (such payment may be reduced if deemed to constitute a Parachute Payment under the Internal Revenue Code of 1986, as amended). Mr. Baldwin would be required to seek alternative comparable employment. If Mr. Baldwin obtains such alternative employment, Mr. Baldwin would be required to repay us $7,392 multiplied by the difference between (i) 24 months and (ii) the number of months between the date of termination and the date his alternative employment begins.

Certain Equity Arrangements

Equity Incentive Plan

Prior to the consummation of this offering, we plan to implement a new equity incentive plan. The equity incentive plan will be designed to motivate and retain individuals who are responsible for the attainment of our primary long-term performance goals and it is anticipated that the plan would cover employees, directors and consultants. The plan would provide for the grant of nonqualified stock options, incentive stock options for shares of our common stock and restricted shares of our common stock to participants of the plan selected by our board of directors, a committee of our board or an administrator. We anticipate that shares of our common stock will be reserved under the plan at the time of this offering. It is also anticipated that the exercise price of an award will not be less than the offering price of the shares of our common stock pursuant to this offering. The terms and conditions of awards will be determined by the administrator for each grant.

Employee Subscription Agreements

Certain of our executives and other employees have been granted common units of MHLLC pursuant to employee subscription agreements. MHLLC common units granted to employees pursuant to employee subscription agreements were granted at no cost to the employee. These MHLLC common units are subject to vesting and will vest, to the extent not already vested, prior to the consummation of this offering. The MHLLC common units will entitle the holder thereof to receive shares of our common stock in a distribution by MHLLC that we anticipate will be effected prior to the consummation of this offering.

Table of Contents

The following table sets forth the members of our executive management team entitled to receive shares of our common stock as a result of preferred and common units of MHLLC held by them.

Name	Position
Allen J. Bernstein	former Chairman, former President and former Chief Executive Officer
Thomas J. Baldwin	Chairman, Chief Executive Officer and President; former Executive Vice President, former Chief Financial Officer and former Secretary and Treasurer
Klaus W. Fritsch	Vice Chairman and Co-Founder of Morton s of Chicago, Inc.
Edie A. Ames	President of Morton s of Chicago, Inc.
Ronald M. DiNella	Senior Vice President, Chief Financial Officer, Secretary and Treasurer
Allan C. Schreiber	Senior Vice President of Development

Board Committees

Our board of directors has the authority to appoint committees to perform certain management and administration functions. Prior to the consummation of this offering we anticipate that our board currently will have an audit committee, a compensation committee, a nominating/corporate governance committee and an executive committee. We intend for the composition of our board of directors and board committees to comply, when required, with the applicable rules of the NYSE and the provisions of the Sarbanes-Oxley Act of 2002.

Audit Committee

The audit committee will select, on behalf of our board of directors, an independent public accounting firm to be engaged to audit our financial statements, pre-approve all audit and non-audit services to be performed by our independent auditors, review our relationship with our independent auditors and discuss with our independent auditors their independence, review and discuss the audited financial statements with the independent auditors and management and recommend to our board whether the audited financial statements should be included in our annual reports on Form 10-K to be filed with the SEC.

Upon consummation of this offering, Robert A. Goldschmidt will become chairperson of our audit committee. The other members of our audit committee have not yet been determined. Prior to the consummation of this offering, we expect our board of directors to determine that Mr. Goldschmidt is an audit committee financial expert under the requirements of the SEC and meets similar qualifications under the requirements of the NYSE.

Compensation Committee

The compensation committee will review and either approve on behalf of our board of directors or recommend to our board of directors for approval (1) the annual salaries and other compensation of our executive officers and (2) equity incentive grants and other equity or equity-based awards. The compensation committee will also evaluate the performance of our executive officers in light of organizational goals, provide assistance and recommendations with respect to our compensation policies and practices, and assist with the administration of our compensation plans.

The members and chairperson of our compensation committee have not yet been determined.

Table of Contents

Nominating/Corporate Governance Committee

The nominating/corporate governance committee will assist our board of directors in fulfilling its responsibilities by identifying and approving individuals qualified to serve as members of our board, selecting director nominees for our annual meetings of stockholders, evaluating the performance of our board and developing and recommending to our board corporate governance guidelines and oversight with respect to corporate governance and ethical conduct.

The members and chairperson of our nominating/corporate governance committee have not yet been determined.

Executive Committee

The executive committee, on behalf of our board of directors, will exercise the full powers and prerogatives of our board of directors, to the extent permitted by applicable law as well by our certificate of incorporation and bylaws, between board meetings.

The members and chairperson of our executive committee have not yet been determined.

Table of Contents

PRINCIPAL AND SELLING STOCKHOLDERS

Immediately prior to the consummation of this offering, our outstanding capitalization will consist of shares of common stock. The following table sets forth information with respect to the beneficial ownership of our capital stock, based upon currently available information, and as adjusted to reflect the consummation of this offering, by:

- each person who is known by us to beneficially own 5% or more of our outstanding stock;
- each director;