

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

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form S-1/A

(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)

Copies to:

Michael R. Littenberg, Esq.

Schulte Roth & Zabel LLP

919 Third Avenue

New York, NY 10022

Ph: (212) 756-2000

Fax: (212) 593-5955

Eric S. Haueter, Esq.

James O. Connor, Esq.

Sidley Austin LLP

787 Seventh Avenue

New York, NY 10019

Ph: (212) 839-5300

Fax: (212) 839-5599

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.

| <u>Per Share</u> | <u>Total</u> |
|------------------|--------------|
|------------------|--------------|

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form S-1/A

| | | |
|---|----|----|
| 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

| | |
|--|-----|
| <u>Prospectus Summary</u> | 1 |
| <u>Risk Factors</u> | 10 |
| <u>Trademarks and Service Marks</u> | 22 |
| <u>Cautionary Statement Regarding Forward-Looking Statements</u> | 23 |
| <u>Industry and Market Data</u> | 23 |
| <u>Use of Proceeds</u> | 24 |
| <u>Dilution</u> | 26 |
| <u>Dividend Policy</u> | 27 |
| <u>Capitalization</u> | 28 |
| <u>Selected Consolidated Financial Data</u> | 30 |
| <u>Unaudited Pro Forma Consolidated Financial Data</u> | 33 |
| <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 36 |
| <u>Business</u> | 55 |
| <u>Management</u> | 65 |
| <u>Principal and Selling Stockholders</u> | 73 |
| <u>Certain Relationships and Related Transactions</u> | 75 |
| <u>Description of Certain Indebtedness</u> | 77 |
| <u>Description of Capital Stock</u> | 78 |
| <u>Shares Eligible for Future Sale</u> | 81 |
| <u>U.S. Federal Tax Considerations for Non-U.S. Holders</u> | 83 |
| <u>Underwriting</u> | 87 |
| <u>Legal Matters</u> | 92 |
| <u>Experts</u> | 92 |
| <u>Where You Can Find More Information</u> | 92 |
| <u>Index to Consolidated Financial Statements</u> | F-1 |

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.

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form S-1/A

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

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form S-1/A

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.

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form S-1/A

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;

Table of Contents

options to purchase _____ shares of common stock at a weighted average exercise price of \$ _____ per share that we intend to issue and _____ shares of restricted stock that we intend to issue, prior to the consummation of this offering, under an equity incentive plan we intend to implement prior to the consummation of this offering; and

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

Table of Contents

SUMMARY CONSOLIDATED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following table contains summary consolidated financial data as of October 2, 2005 and for fiscal 2002, 2003, 2004 and for the nine month periods ended October 3, 2004 and October 2, 2005. The following table also contains summary consolidated balance sheet financial data as of October 2, 2005, as adjusted, to give effect to this offering and the other transactions described in the first paragraph under the caption "Capitalization" as if they had occurred as of October 2, 2005. Interim period summary financial data are not indicative of results for the full fiscal year. The summary financial data for fiscal 2002, 2003 and 2004 are derived from our audited consolidated financial statements contained elsewhere in this prospectus. The summary financial data as of October 2, 2005 and for the nine month periods ended October 3, 2004 and October 2, 2005 are derived from our unaudited consolidated financial statements contained elsewhere in this prospectus, which, in our opinion, include all adjustments, consisting of only usual recurring adjustments, necessary for the fair presentation of that information for these periods. The summary financial data should be read in conjunction with "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto contained elsewhere in this prospectus.

On July 25, 2002, MHLIC 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

| | 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;

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form S-1/A

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.

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form S-1/A

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

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form S-1/A

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 Encephalopathy, 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

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form S-1/A

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.

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form S-1/A

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

Table of Contents

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

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

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

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

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

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

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

increasing our vulnerability to general adverse economic and industry conditions;

limiting our ability to obtain additional financing;

Table of Contents

requiring a substantial portion of our available cash to be applied to pay our rental obligations, thus reducing cash available for other purposes;

limiting our flexibility in planning for or reacting to changes in our business or the industry in which we compete; and

placing us at a disadvantage with respect to some of our competitors.

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

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

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

our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;

we may use a substantial portion of our cash flows from operations to pay interest on our indebtedness, which will reduce the funds available to us for operations and other purposes;

our level of indebtedness could place us at a competitive disadvantage compared to our competitors that may have proportionately less debt;

our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate may be limited; and

our level of indebtedness may make us more vulnerable to economic downturns and adverse developments in our business.

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

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

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

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

Table of Contents

- incur additional indebtedness;

- borrow money or issue guarantees;

- make investments;

- use assets as security in other transactions;

- sell assets or merge with or into other companies;

- enter into transactions with affiliates;

- sell stock in our subsidiaries; and

- create or permit restrictions on our subsidiaries' ability to make payments to us.

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

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

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

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

could require us to pay higher wages, which could result in higher labor costs, which could have a material adverse effect on our results of operations.

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

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

Table of Contents

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

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

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

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

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

Risks Related to the Offering

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

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

Table of Contents

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

the failure of securities analysts to cover our common stock after this offering or changes in financial estimates by analysts of us, our competitors or the restaurant industry in general;

announcements by us or our competitors of new locations or menu items, capacity changes, strategic investments or acquisitions;

actual or anticipated variations in our or our competitors' operating results;

our and our competitors' growth rates;

failure by us or our competitors to meet analysts' projections or guidance that we or our competitors may give the market;

general economic conditions;

fluctuations in operating results;

terrorist acts;

future sales of our common stock; and

investor perceptions of us, our competitors and our industry.

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

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

In connection with this offering, we intend to redeem or repurchase our 7.5% senior secured notes and our 14% senior secured notes and to terminate our current working capital facility with the proceeds from this offering and borrowings that we anticipate making under a new senior

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form S-1/A

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

Table of Contents

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

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

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

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

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

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

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

Table of Contents

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