

MORTONS RESTAURANT GROUP INC  
Form PREM14A  
April 16, 2002

SCHEDULE 14A  
(RULE 14A-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant /X/

Filed by a Party other than the Registrant / /

Check the appropriate box:

- /X/ Preliminary Proxy Statement
- / / Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))
- / / Definitive Proxy Statement
- / / Definitive Additional Materials
- / / Soliciting Material Under Rule Section 240.14a-12

MORTON'S RESTAURANT GROUP, INC.

-----  
(Name of Registrant as Specified In Its Charter)

Not Applicable

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

/ / No fee required.

/X/ Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.

(1) Title of each class of securities to which transaction applies:  
Common Stock

(2) Aggregate number of securities to which transaction applies:  
4,184,711

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):  
The filing fee of \$4,885 was calculated pursuant to Exchange Act Rule 0-11(c) (1) by (a) multiplying, 4,184,711 shares of common stock, \$0.01 per share, of the Registrant by \$12.60 per share, (b) adding thereto \$368,948, which is the aggregate difference between \$12.60 and the exercise prices for options to acquire 232,612 shares of common stock of the Registrant and (c) multiplying that sum by 0.000092.

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(4) Proposed maximum aggregate value of transaction:  
\$53,096,307.05  
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(5) Total fee paid:  
\$4,885  
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// Fee paid previously with preliminary materials.

// Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:  
-----

(2) Form, Schedule or Registration Statement No.:  
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(3) Filing Party:  
-----

(4) Date Filed:  
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PRELIMINARY COPY, SUBJECT TO COMPLETION, DATED APRIL 16, 2002

[INSERT LOGO]

MORTON'S RESTAURANT GROUP, INC.  
3333 NEW HYDE PARK ROAD  
NEW HYDE PARK, NEW YORK 11042  
[ ], 2002

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Morton's Restaurant Group, Inc. ("Morton's") to be held at 9:00 a.m. (local time) on [day], [ ] 2002, at [The Garden City Hotel, 45 Seventh Street, Garden City, New York 11530].

At the special meeting, you will be asked to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of March 26, 2002, by and among Morton's Acquisition Company ("Morton's Acquisition"), Morton's Holdings, LLC (formerly known as Morton's Holdings, Inc., "Morton's Holdings") and Morton's, and to approve the merger contemplated by the merger agreement. Morton's Holdings is wholly owned by Castle Harlan Partners III, L.P. ("CHP"), a private investment fund that makes investments identified by its affiliates. Under the merger agreement, Morton's Acquisition, a wholly owned subsidiary of Morton's Holdings, will be merged with and into Morton's, with Morton's as the surviving corporation. Upon completion of the merger, each issued and outstanding share of Morton's common stock will be converted into the right to receive \$12.60 in cash without interest (other than shares held by Morton's or any of Morton's subsidiaries, held in Morton's treasury, or held by Morton's Holdings or Morton's Acquisition, or shares held by Morton's stockholders who perfect their appraisal rights under Delaware law). Following completion of the merger, Morton's will continue its operations, but as a privately held company.

The Board of Directors of Morton's formed a Special Committee, which is composed of directors who are not officers or employees of Morton's, Morton's

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Holdings, Morton's Acquisition or CHP and who have no financial interest in the proposed merger different from Morton's stockholders generally. The Special Committee, acting with the advice and assistance of its own legal and financial advisors, evaluated and negotiated the merger proposal, including the terms of the merger agreement, with Morton's Holdings and Morton's Acquisition. The Special Committee unanimously determined that the proposed merger and merger agreement are fair to and in the best interests of Morton's and its stockholders, approved the merger and the merger agreement and recommended to the Board of Directors to approve and adopt the merger agreement and approve the merger. The Board of Directors, based in part on the unanimous recommendation of the Special Committee, has determined by the unanimous vote of those participating that the merger is fair to and in the best interests of Morton's and its stockholders and has approved and adopted the merger agreement and approved the merger. THEREFORE, THE BOARD OF DIRECTORS, BASED ON THE UNANIMOUS RECOMMENDATION OF THE SPECIAL COMMITTEE, RECOMMENDS THAT YOU VOTE FOR THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE APPROVAL OF THE MERGER.

In reaching their decisions, the Board of Directors and the Special Committee considered, among other things, the oral opinion, subsequently confirmed by the written opinion, dated March 26, 2002, of Greenhill & Co., LLC, the Special Committee's financial advisor. This opinion stated that, based on and subject to the considerations, limitations, assumptions and qualifications set forth in the opinion, as of March 26, 2002, the \$12.60 per share cash consideration to be received by Morton's stockholders in the proposed merger was fair, from a financial point of view, to Morton's stockholders (other than Morton's Holdings and its subsidiaries, including Morton's Acquisition, and CHP and its affiliates). A copy of Greenhill's written opinion is attached to the proxy statement as Appendix B and should be read in its entirety.

The enclosed proxy statement provides information about Morton's, Morton's Holdings, Morton's Acquisition, certain of their affiliates, the merger agreement, the proposed merger and the special meeting. A copy of the merger agreement is attached to the proxy statement as Appendix A for your information. You may obtain additional information about Morton's from documents filed with the Securities and Exchange Commission. PLEASE READ THE ENTIRE PROXY STATEMENT CAREFULLY, INCLUDING THE APPENDICES. IN PARTICULAR, BEFORE VOTING, YOU SHOULD CAREFULLY CONSIDER THE DISCUSSION IN THE SECTION OF THE PROXY STATEMENT ENTITLED "SPECIAL FACTORS."

YOUR VOTE IS VERY IMPORTANT. THE MERGER CANNOT BE COMPLETED UNLESS THE HOLDERS OF A MAJORITY OF THE OUTSTANDING SHARES OF MORTON'S COMMON STOCK ENTITLED TO VOTE APPROVE AND ADOPT THE MERGER AGREEMENT AND APPROVE THE MERGER. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD. IF YOU COMPLETE, DATE, SIGN AND RETURN YOUR PROXY CARD WITHOUT INDICATING HOW YOU WISH TO VOTE, YOUR PROXY WILL BE COUNTED AS A VOTE IN FAVOR OF THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE APPROVAL OF THE MERGER. IF YOU FAIL TO RETURN YOUR PROXY CARD AND FAIL TO VOTE AT THE SPECIAL MEETING, THE EFFECT WILL BE THE SAME AS A VOTE AGAINST THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE APPROVAL OF THE MERGER. RETURNING THE PROXY CARD DOES NOT DEPRIVE YOU OF YOUR RIGHT TO ATTEND THE SPECIAL MEETING AND VOTE YOUR SHARES IN PERSON.

Sincerely,

Allen J. Bernstein  
Chairman of the Board,  
President and Chief Executive Officer

New Hyde Park, New York

This proxy statement is dated [ , 2002] and is first being mailed to stockholders of Morton's on or about [ , 2002].

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NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THIS TRANSACTION, PASSED UPON THE MERITS OR FAIRNESS OF THIS TRANSACTION OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRELIMINARY COPY, SUBJECT TO COMPLETION  
DATED APRIL 16, 2002  
[INSERT LOGO]

MORTON'S RESTAURANT GROUP, INC.  
3333 NEW HYDE PARK ROAD  
NEW HYDE PARK, NEW YORK 11042

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON [                      , 2002]

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To the Stockholders of  
Morton's Restaurant Group, Inc.:

Notice is hereby given that a special meeting of stockholders of Morton's Restaurant Group, Inc., a Delaware corporation ("Morton's"), will be held at [The Garden City Hotel, 45 Seventh Street, Garden City, New York 11530], at 9:00 a.m. (local time) on [                      , 2002], for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of March 26, 2002, by and among Morton's Holdings, LLC (formerly known as Morton's Holdings, Inc., "Morton's Holdings"), Morton's Acquisition Company ("Morton's Acquisition") and Morton's, and to approve the merger contemplated by the merger agreement. Morton's Holdings is wholly owned by Castle Harlan Partners III, L.P., a private investment fund that makes investments identified by its affiliates. Under the merger agreement, Morton's Acquisition, a wholly owned subsidiary of Morton's Holdings, will be merged with and into Morton's, with Morton's as the surviving corporation. Upon completion of the merger, each issued and outstanding share of Morton's common stock will be converted into the right to receive \$12.60 in cash without interest (other than shares held by Morton's or any of Morton's subsidiaries, held in Morton's treasury, or held by Morton's Holdings or Morton's Acquisition, or shares held by Morton's stockholders who perfect their appraisal rights under Delaware law).

2. To consider and vote upon such other matters as may properly come before the special meeting, including the approval of any adjournment of the special meeting solely for the purpose of soliciting additional proxies in favor of proposal 1, if necessary.

Only holders of record of Morton's common stock at the close of business on [                      , 2002], the record date, are entitled to notice of, and to vote at, the special meeting or any adjournments or postponements thereof.

THE BOARD OF DIRECTORS, BASED IN PART ON THE UNANIMOUS RECOMMENDATION OF THE SPECIAL COMMITTEE, HAS DETERMINED BY THE UNANIMOUS VOTE OF THOSE PARTICIPATING THAT THE MERGER IS FAIR TO AND IN THE BEST INTERESTS OF MORTON'S AND ITS STOCKHOLDERS AND HAS APPROVED AND ADOPTED THE MERGER AGREEMENT AND APPROVED THE MERGER. THEREFORE, THE BOARD OF DIRECTORS, BASED ON THE UNANIMOUS RECOMMENDATION OF THE SPECIAL COMMITTEE, RECOMMENDS THAT YOU VOTE FOR THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE APPROVAL OF THE MERGER.

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Stockholders of Morton's who do not vote in favor of the approval and adoption of the merger agreement and the approval of the merger will have the right to seek appraisal of the fair value of their shares of Morton's common stock if the merger is completed, but only if they submit a written demand for an appraisal before the vote is taken on the merger agreement and the merger and they comply with Delaware law as explained in the accompanying proxy statement.

YOUR VOTE IS VERY IMPORTANT. THE MERGER CANNOT BE COMPLETED UNLESS THE HOLDERS OF A MAJORITY OF THE OUTSTANDING SHARES OF MORTON'S COMMON STOCK ENTITLED TO VOTE APPROVE AND ADOPT THE MERGER AGREEMENT AND APPROVE THE MERGER. EVEN IF YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD TO ENSURE THAT YOUR SHARES WILL BE REPRESENTED AT THE SPECIAL MEETING. A RETURN ENVELOPE (WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES) IS ENCLOSED FOR THAT PURPOSE. IF YOU ATTEND THE SPECIAL MEETING AND WISH TO VOTE IN PERSON, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE SPECIAL MEETING, YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME.

The merger is described in the accompanying proxy statement, which you are urged to read carefully. A copy of the merger agreement is attached to the accompanying proxy statement as Appendix A for your information.

By Order of the Board of Directors,

Agnes Longarzo  
Secretary

New Hyde Park, New York  
[ , 2002]

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APPENDIX A.....	Agreement and Plan of Merger, dated as of March 26, 2002, by and among Morton's Holdings, LLC (formerly known as Morton's Holdings, Inc.), Morton's Acquisition Company and Morton's Restaurant Group, Inc.
APPENDIX B.....	Opinion of Greenhill & Co., LLC, dated March 26, 2002.
APPENDIX C.....	Section 262 of the Delaware General Corporation Law.
APPENDIX D.....	Information Relating to the Directors and Executive Officers of Morton's Restaurant Group, Inc.

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APPENDIX E.....	Information Relating to Morton's Holdings, LLC, Morton's Acquisition Company and Castle Harlan Partners III, L.P. and Information Relating to the Directors and Executive Officers of Castle Harlan Partners III, G.P., Inc., Morton's Holdings, LLC and Morton's Acquisition Company.
APPENDIX F.....	Annual Report on Form 10-K for the Fiscal Year Ended December 30, 2001.

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### SUMMARY TERM SHEET

This Summary Term Sheet highlights selected information contained in the proxy statement and may not contain all of the information that is important to you. You are urged to read the entire proxy statement carefully, including the appendices. In the proxy statement, the terms Morton's and the Company refer to Morton's Restaurant Group, Inc.

- STOCKHOLDER VOTE--You are being asked to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of March 26, 2002, by and among Morton's Acquisition Company, Morton's Holdings, LLC (formerly known as Morton's Holdings, Inc.) and Morton's, and the merger contemplated by the merger agreement. Under the merger agreement, Morton's Acquisition will be merged into Morton's, with Morton's as the surviving corporation. Approval and adoption of the merger agreement and approval of the merger require the affirmative vote of the holders of a majority of the outstanding shares of Morton's common stock. See "The Special Meeting" beginning on page 16.
- PAYMENT--Upon completion of the merger, you will be entitled to receive \$12.60 in cash, without interest, for each share of Morton's common stock that you own. You will not own any shares of Morton's common stock or any other interest in Morton's after completion of the merger. Each outstanding option to purchase shares of Morton's common stock will be canceled at the effective time of the merger, and each option holder will be entitled to receive a cash payment, without interest, equal to the difference between \$12.60 and the exercise price of the option, multiplied by the number of shares subject to the option. Options with an exercise price equal to or greater than \$12.60 per share, however, will be canceled at the effective time of the merger without any payment or other consideration. See "The Merger Agreement" beginning on page 66.
- SPECIAL COMMITTEE--The Special Committee is a committee of Morton's Board of Directors that, with the advice and assistance of its own legal and financial advisors, evaluated and negotiated the merger proposal, including the terms of the merger agreement, with Morton's Holdings and Morton's Acquisition. The Special Committee consists solely of directors who are not officers or employees of Morton's or of Morton's Holdings, Morton's Acquisition or CHP and who have no financial interest in the proposed merger different from Morton's stockholders generally. The members of the Special Committee are Robert L. Barney, Lee M. Cohn (Chairman) and Alan A. Teran.
- MORTON'S HOLDINGS--Morton's Holdings is Morton's Holdings, LLC, a newly formed Delaware limited liability company wholly owned by Castle Harlan Partners III, L.P., referred to as CHP, a private investment fund, organized as a Delaware limited partnership, that makes investments identified by its affiliates. See "The Participants" beginning on



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page 18.

- MORTON'S ACQUISITION--Morton's Acquisition is Morton's Acquisition Company, a newly formed Delaware corporation and a wholly owned subsidiary of Morton's Holdings, LLC. See "The Participants" beginning on page 18.
- FAIRNESS OF THE MERGER--The Special Committee and, based in part upon the unanimous recommendation of the Special Committee, the Board of Directors of Morton's have each determined that the terms of the merger agreement and the proposed merger are fair to and in the best interests of Morton's and its stockholders. See "Special Factors--Reasons for the Recommendation of the Special Committee and the Board of Directors" beginning on page 38.
- TAX CONSEQUENCES--Generally, the merger will be taxable for U.S. federal income tax purposes for Morton's stockholders. You will recognize taxable gain or loss in the amount of the difference between \$12.60 and your adjusted tax basis for each share of Morton's common stock

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that you own. See "Special Factors--Material U.S. Federal Income Tax Consequences" beginning on page 62.

- CONDITIONS--The merger agreement and the merger are subject to approval by the holders of a majority of the outstanding shares of Morton's common stock, as well as other conditions, including that the parties obtain required governmental consents and approvals (including liquor licenses necessary to maintain continuity of service of alcoholic beverages post-merger), that no court or governmental entity has imposed an order or injunction prohibiting the merger, that Morton's has achieved a minimum level of earnings, that Morton's has received identified third party consents and approvals (including with respect to mortgage financing and equipment leasing contracts) and that no event has occurred that has resulted in or would reasonably be likely to result in a material adverse effect on Morton's. See "The Merger Agreement--Conditions to Completing the Merger" beginning on page 77.
- AFTER THE MERGER--Upon completion of the merger, Morton's Holdings will own 100% of Morton's. You will cease to have ownership interests in Morton's or rights as Morton's stockholders, and, as a result, if the merger is completed, you will not participate in any future earnings, losses, growth or decline of Morton's. See "Special Factors--Effects of the Merger; Plans or Proposals After the Merger" beginning on page 54.

### QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: WHAT AM I BEING ASKED TO VOTE UPON? (see page 16)

A: You are being asked to consider and vote upon a proposal to approve and adopt the merger agreement and to approve the merger contemplated by the merger agreement. Under the merger agreement, Morton's Acquisition will be merged with and into Morton's, with Morton's as the surviving corporation. Morton's Acquisition is a newly formed Delaware corporation that is wholly owned by Morton's Holdings, a newly formed Delaware limited liability company. If the merger agreement and the merger are approved and adopted and the merger is completed, Morton's will no longer be a publicly held corporation, and you will no longer own

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Morton's common stock.

Q: WHAT WILL I RECEIVE IN THE MERGER? (see page 66)

A: Upon completion of the merger, you will be entitled to receive \$12.60 in cash, without interest, for each issued and outstanding share of Morton's common stock.

Q: WHY IS THE BOARD OF DIRECTORS RECOMMENDING THAT I VOTE IN FAVOR OF THE MERGER AGREEMENT AND THE MERGER? (see page 38)

A: In the opinion of the Board of Directors, the merger is fair to and in the best interests of Morton's and its stockholders. The Board of Directors has based this opinion, in part, on (1) the unanimous recommendation of the Special Committee of the Board of Directors, which consists solely of directors who are not officers or employees of Morton's, Morton's Holdings, Morton's Acquisition or CHP and who have no financial interest in the proposed merger different from Morton's stockholders generally, that the Board of Directors approve and adopt the merger agreement and approve the merger and (2) the oral opinion, subsequently confirmed by the written opinion, dated March 26, 2002, of Greenhill & Co., LLC, the Special Committee's financial advisor, that, based on and subject to the considerations, limitations, assumptions and qualifications set forth in the opinion, as of March 26, 2002, the \$12.60 per share cash consideration to be received by Morton's stockholders in the proposed merger was fair, from a financial point of view, to Morton's stockholders (other than Morton's Holdings and its subsidiaries, including Morton's Acquisition, and CHP and its affiliates). THEREFORE, THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE APPROVAL OF THE MERGER. Because of their affiliation with CHP, directors John K. Castle and David B. Pittaway did not participate in or vote at the meeting of the Board of Directors on

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March 26, 2002 at which the Board of Directors discussed and approved the merger agreement and the merger. They also were not present during any deliberations of the Board of Directors at which Morton's strategic alternatives were discussed from the time that affiliates of Morton's Holdings began exploring a possible transaction with Morton's in August 2001.

Q: ARE THERE RISKS TO BE CONSIDERED? (see page 54)

A: Under the terms of the merger agreement, the cash consideration of \$12.60 per share will not change even if the market price of our common stock changes before the merger is completed. Additionally, if the merger is completed, public stockholders of Morton's will not participate in any future earnings, losses, growth or decline of Morton's. For other factors to be considered, see "Special Factors," particularly "--Effects of the Merger; Plans or Proposals After the Merger" and "--Interests of

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Morton's Directors and Officers in the Merger."

Q: WHEN DO YOU EXPECT THE MERGER TO BE COMPLETED?

A: The parties to the merger agreement are working toward completing the merger as quickly as possible. If Morton's stockholders approve the merger agreement and the other conditions to the merger are satisfied or waived, the merger is expected to be completed in the summer of 2002.

Q: WHAT ARE THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO ME? (see page 62)

A: The receipt of cash for shares of common stock in the merger will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local, foreign or other tax laws. Generally, you will recognize gain or loss for these purposes equal to the difference between \$12.60 per share and your tax basis for the shares of common stock that you owned immediately before completion of the merger. For U.S. federal income tax purposes, this gain or loss generally would be a capital gain or loss if you held the shares of common stock as a capital asset.

TAX MATTERS ARE VERY COMPLEX, AND THE TAX CONSEQUENCES OF THE MERGER TO YOU WILL DEPEND ON THE FACTS OF YOUR OWN SITUATION. YOU SHOULD CONSULT YOUR TAX ADVISOR FOR A FULL UNDERSTANDING OF THE TAX CONSEQUENCES OF THE MERGER TO YOU.

Q: WHEN AND WHERE IS THE SPECIAL MEETING?

A: The special meeting of Morton's stockholders will be held at [The Garden City Hotel, 45 Seventh Street, Garden City, New York 11530], at 9:00 a.m. (local time) on [ , 2002].

Q: WHO CAN VOTE ON THE MERGER AGREEMENT?

A: Holders of Morton's common stock at the close of business on [ , 2002], the record date for the special meeting, may vote in person or by proxy on the merger agreement and the merger at the special meeting.

Q: WHAT VOTE IS REQUIRED TO APPROVE AND ADOPT THE MERGER AGREEMENT AND TO APPROVE THE MERGER?

A: The approval and adoption of the merger agreement and the approval of the merger require the affirmative vote of the holders of at least a majority of the outstanding shares of Morton's common stock. The executive officers of Morton's, owning an aggregate of approximately [6.80]% of Morton's common stock, have indicated to us that they intend to vote in favor of the merger agreement and the merger.

Q: WHAT DO I NEED TO DO NOW?

A: You should read this proxy statement carefully, including its appendices, and consider how the merger affects you. Then, mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible so that your shares can be voted at the special meeting of Morton's

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stockholders.

Q: WHAT HAPPENS IF I DO NOT RETURN A PROXY CARD?

A: The failure to return your proxy card will have the same effect as voting against the merger agreement and the merger.

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Q: MAY I VOTE IN PERSON?

A: Yes. You may attend the special meeting of Morton's stockholders and vote your shares in person whether or not you sign and return your proxy card. If your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain a proxy from the record holder.

Q: MAY I CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY CARD?

A: Yes. You may change your vote at any time before your proxy card is voted at the special meeting. You can do this in one of three ways. First, you can send a written notice stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy card. Third, you can attend the special meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions.

Q: IF MY SHARES ARE HELD IN "STREET NAME" BY MY BROKER, WILL MY BROKER VOTE MY SHARES FOR ME?

A: Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares, following the procedures provided by your broker.

Q: SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

A: No. After the merger is completed, you will receive written instructions for exchanging your shares of Morton's common stock for a cash payment of \$12.60 per share, without interest.

Q: WHAT RIGHTS DO I HAVE TO SEEK AN APPRAISAL OF MY SHARES?  
(see page 63)

A: If you wish, you may seek an appraisal of the fair value of your shares, but only if you comply with all requirements of Delaware law as described on pages 63 through 66 and in Appendix C of this proxy statement. Depending upon the determination of the Delaware Court of Chancery, the appraised fair value of your shares of Morton's common stock, which you will receive if you seek an appraisal, may be less than, equal to or more than the \$12.60 per share to be paid in the merger.

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Q: WHO CAN HELP ANSWER MY QUESTIONS?

A: The information provided above in question-and-answer format is for your convenience only and is merely a summary of the information contained in this proxy statement. You should carefully read the entire proxy statement, including the appendices. If you would like additional copies, without charge, of this proxy statement or if you have questions about the merger, including the procedures for voting your shares, you should contact:

Morton's Restaurant Group, Inc.  
Attention: Thomas J. Baldwin  
3333 New Hyde Park Road  
New Hyde Park, New York 11042  
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### SUMMARY

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. For a more complete understanding of the merger, you should carefully read this entire document and the documents that it references. In particular, you should read the documents that are part of the proxy statement, including the merger agreement that is attached to the proxy statement as Appendix A for your information. In addition, important information about Morton's is provided in the Annual Report on Form 10-K for the fiscal year ended December 30, 2001, included as Appendix F to the proxy statement. Page references are included in parentheses at various points in this summary to direct you to a more detailed description in the proxy statement of the topics presented.

#### THE MERGER (see page 66)

Under the merger agreement, Morton's Acquisition will merge with and into Morton's, and each issued and outstanding share of Morton's common stock will be converted into the right to receive \$12.60 in cash, without interest (other than shares held by Morton's or any of Morton's subsidiaries, held in Morton's treasury, or held by Morton's Holdings or Morton's Acquisition, or shares held by Morton's stockholders who perfect their appraisal rights under Delaware law). Each outstanding option to purchase shares of Morton's common stock will be canceled at the effective time of the merger, and each option holder will be entitled to receive a cash payment, without interest, equal to the difference between \$12.60 and the exercise price of the option, multiplied by the number of shares subject to the option. Options with an exercise price equal to or greater than \$12.60 per share, however, will be canceled at the effective time of the merger without any payment or other consideration. The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware. The parties intend to complete the merger as soon as practicable once all conditions to the merger have been satisfied or waived, which they anticipate will be in the summer of 2002. Upon completion of the merger, Morton's will be the surviving corporation and will be a wholly-owned subsidiary of Morton's Holdings, and Morton's Acquisition will cease to exist.

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THE PARTICIPANTS (see page 18)

Morton's Restaurant Group, Inc.

Morton's owns and operates 61 Morton's of Chicago Steakhouse restaurants and 4 Bertolini's Authentic Trattoria restaurants. These concepts appeal to a broad spectrum of consumer tastes and target separate price points and dining experiences. Morton's provides strategic support and direction to its subsidiary companies and evaluates and analyzes potential locations for new restaurants. Morton's was incorporated in Delaware in October 1988 and its executive offices are located at 3333 New Hyde Park Road, New Hyde Park, New York 11042. Information about the directors and executive officers of Morton's is set forth in Appendix D to this proxy statement.

Morton's Holdings, LLC and  
Morton's Acquisition Company

Morton's Holdings, LLC, referred to as Morton's Holdings, is a Delaware limited liability company that is wholly owned by its sole member, Castle Harlan Partners III, L.P., referred to as CHP. Morton's Holdings was originally formed as a Delaware corporation under the name of "Morton's Holdings, Inc." and was recently converted into a Delaware limited liability company. Morton's Acquisition Company, referred to as Morton's Acquisition, is a Delaware corporation that is wholly owned by Morton's Holdings. Both Morton's Holdings and Morton's Acquisition were formed solely for purposes of completing the merger and have not participated in any activities to date other than those incident to their formation and the transactions contemplated by the merger agreement. Morton's Holdings and Morton's Acquisition were incorporated in Delaware in March 2002. Morton's Holdings was converted into a Delaware limited liability company in April 2002. Additional information about Morton's Holdings and Morton's Acquisition and information about the directors and executive officers of Morton's Holdings and Morton's Acquisition is set forth in Appendix E to this proxy statement.

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Castle Harlan Partners III, L.P.

Castle Harlan Partners III, L.P., referred to as CHP, is a private investment fund, organized as a limited partnership under the laws of the State of Delaware, which makes investments identified by its affiliates. CHP and its affiliates have approximately \$630 million of committed capital. Since 1987, CHP and its predecessor investment funds have completed acquisitions of approximately \$5 billion. CHP and its affiliates are highly experienced investors that have successfully completed 35 transactions in a wide variety of industries, including aviation services, consumer products, energy services, general manufacturing and restaurants. John K. Castle and David B. Pittaway are executive officers of certain affiliates of CHP and are members of the Board of Directors of Morton's. Additional information about CHP is set forth in Appendix E to this proxy statement.

REASONS FOR THE RECOMMENDATION OF THE SPECIAL COMMITTEE AND THE BOARD OF DIRECTORS (see page 38)

The Board of Directors of Morton's formed a Special Committee, which is composed of directors who are not officers or employees of Morton's, Morton's Holdings, Morton's Acquisition or CHP and who have no financial interest in the proposed merger different from Morton's stockholders generally. The Special Committee, acting with the advice and assistance of its own legal and financial advisors, evaluated and negotiated the merger proposal, including the terms of the merger agreement, with Morton's Holdings and Morton's Acquisition. The Special Committee unanimously determined that the proposed merger and merger

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agreement are fair to and in the best interests of Morton's and its stockholders, approved the merger and the merger agreement and recommended to the Board of Directors to approve and adopt the merger agreement and approve the merger. The Board of Directors, based in part on the unanimous recommendation of the Special Committee, has determined by unanimous vote of those participating that the merger is fair to and in the best interests of Morton's and its stockholders and has approved and adopted the merger agreement and approved the merger. THEREFORE, THE BOARD OF DIRECTORS, BASED ON THE UNANIMOUS RECOMMENDATION OF THE SPECIAL COMMITTEE, RECOMMENDS THAT YOU VOTE FOR THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE APPROVAL OF THE MERGER. Each of the Board of Directors and the Special Committee based its decision on a number of factors, including the oral opinion, subsequently confirmed by the written opinion, dated March 26, 2002, of Greenhill & Co., LLC, the Special Committee's financial advisor, referred to as Greenhill, that, based on and subject to the considerations, limitations, assumptions and qualifications set forth in the opinion, as of March 26, 2002, the \$12.60 per share cash consideration to be received by Morton's stockholders in the proposed merger was fair, from a financial point of view, to Morton's stockholders (other than Morton's Holdings and its subsidiaries, including Morton's Acquisition, and CHP and its affiliates).

Because of their affiliation with CHP, directors John K. Castle and David B. Pittaway did not participate in or vote at the meeting of the Board of Directors on March 26, 2002 at which the Board of Directors discussed and approved the merger agreement and the merger. They also were not present during any deliberations of the Board of Directors at which Morton's strategic alternatives were discussed from the time that affiliates of Morton's Holdings began exploring a possible transaction with Morton's in August 2001.

POSITION OF MORTON'S HOLDINGS, MORTON'S ACQUISITION AND CHP AS TO THE FAIRNESS OF THE MERGER (see page 44)

Each of Morton's Holdings, Morton's Acquisition and CHP believes that the consideration to be received in the merger by Morton's stockholders is fair to such stockholders from a financial point of view and that the merger is procedurally fair to Morton's stockholders.

OPINION OF FINANCIAL ADVISOR TO THE SPECIAL COMMITTEE (see page 48)

In deciding to approve the terms of the merger agreement and the merger, one of the factors that the Board of Directors and the Special Committee considered was the oral opinion, subsequently confirmed by the written opinion, dated March 26, 2002, of Greenhill, the Special Committee's

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financial advisor, that, based on and subject to the considerations, limitations, assumptions and qualifications set forth in the opinion, as of March 26, 2002, the \$12.60 per share cash consideration to be received by Morton's stockholders in the proposed merger was fair, from a financial point of view, to Morton's stockholders (other than Morton's Holdings and its subsidiaries, including Morton's Acquisition, and CHP and its affiliates). The complete Greenhill opinion, including applicable considerations, limitations, assumptions and qualifications, describes the basis for the opinion and is attached as Appendix B to this proxy statement. YOU ARE URGED TO READ THE ENTIRE OPINION CAREFULLY. GREENHILL'S OPINION WAS ADDRESSED TO THE SPECIAL COMMITTEE AND THE BOARD OF DIRECTORS FOR THE PURPOSES OF THEIR EVALUATION OF THE MERGER AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY MORTON'S STOCKHOLDER AS TO HOW TO VOTE WITH RESPECT TO THE PROPOSED MERGER.

INTERESTS OF MORTON'S DIRECTORS AND OFFICERS IN THE MERGER (see page 56)

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The merger is not conditioned on any agreement or transaction with the current management of Morton's. Prior to the execution of the merger agreement, neither Morton's Holdings nor any of its affiliates (including Messrs. Castle and Pittaway) had any discussions or negotiations with the executive officers of Morton's regarding any proposed changes to their employment or other compensation arrangements or the terms of any investment in Morton's Holdings or Morton's following the completion of the merger. When considering the recommendation of the Board of Directors that you vote for approval and adoption of the merger agreement and approval of the merger, however, you should be aware that a number of Morton's directors and officers have interests in the merger that are different from, or in addition to, yours. These interests include the following:

- John K. Castle and David B. Pittaway are executive officers of certain affiliates of CHP, and each has an indirect financial interest in Morton's Holdings;
- the merger agreement provides that the current officers of Morton's, including Allen J. Bernstein and Thomas J. Baldwin, will continue as the officers of Morton's immediately following the merger until their successors are duly elected or appointed and qualified or until their earlier death, resignation or removal;
- Allen J. Bernstein, Thomas J. Baldwin, John K. Castle, Lee M. Cohn, Alan A. Teran, Dr. John J. Connolly and David B. Pittaway also serve on the boards of directors of one or more private companies controlled by CHP and its affiliates. Dr. Connolly and Mr. Castle are principals in several medical publishing ventures. Dianne H. Russell is also an officer of one of the Company's lenders;
- Morton's Holdings has informed Morton's that Morton's Holdings intends to offer to certain senior employees, including Allen J. Bernstein and Thomas J. Baldwin, the opportunity to subscribe for equity interests in Morton's Holdings of up to an aggregate of approximately 7.5% of the total equity interests of Morton's Holdings. It is expected that the subscription by these individuals for equity interests in Morton's Holdings, if any, would be on substantially the same terms as the subscription by CHP for equity interests in Morton's Holdings at the time of completion of the merger. Any such investment will reduce, on a dollar-for-dollar basis, the amount of cash merger consideration to be received by any such individual in exchange for such individual's shares of Morton's common stock in the merger. The identity of the individuals who may subscribe for equity interests in Morton's Holdings, and the percentage ownership of Morton's Holdings that such individuals may hold following the merger in this connection (not to exceed 7.5% in the aggregate), may vary and may not be finally determined until shortly prior to completion of the merger. The opportunities to invest in Morton's Holdings provides these individuals with interests in the merger that are different from, or in addition to, your interests as a Morton's stockholder;
- Morton's Holdings has informed Morton's that Morton's Holdings expects that, following completion of the merger, an aggregate of approximately 10-15% of the common equity interests of Morton's Holdings will be reserved pursuant to an employee equity incentive program that

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provides for the issuance to employees of the surviving corporation of options to purchase equity interests in Morton's Holdings and/or restricted equity interests in Morton's Holdings. Morton's Holdings has not determined the details of the employee equity incentive program and has not determined who may be eligible to participate in the program or



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the conditions for eligibility for and vesting of such awards;

- there are currently no plans, proposals or negotiations that relate to, or would result in, a change in the terms of the employment or other compensation arrangements of Morton's executive officers. All of these employment or other compensation arrangements were entered into prior to, and not in anticipation of, the negotiation of the merger agreement;
- pursuant to change of control agreements that were entered into prior to, and not in anticipation of, the negotiation of the merger agreement, each of the seven executive officers will receive payments of up to three times their current compensation, which amounts range from approximately \$440,000 to approximately \$4,546,000, if their employment is terminated within three years of the merger by the employee for good reason or by the employer without cause;
- all options for shares of Morton's common stock, specifically options for 843,475 shares held by Morton's executive officers and options for 298,799 shares held by other Morton's employees, will be fully vested immediately prior to the effective time of the merger; and
- the merger agreement provides, as is customary for transactions of this type, that indemnification and insurance arrangements will be maintained for Morton's directors and officers.

Upon consummation of the merger, it is expected that Castle Harlan, Inc., an affiliate of CHP which identifies and manages investments on behalf of certain affiliated private investment funds, will enter into a consulting agreement with Morton's. Pursuant to the consulting agreement, Morton's will agree to pay Castle Harlan, Inc. an annual fee for management and consulting services to be rendered to Morton's following the merger in an amount of up to \$2.8 million per year, subject to certain performance-based conditions being satisfied. The first such annual fee in the amount of approximately \$2.8 million will be paid in advance to Castle Harlan, Inc. upon completion of the merger.

MERGER FINANCING (see page 60)

Morton's and Morton's Holdings estimate that the total amount of new funds necessary to consummate the merger and related transactions will be approximately \$74.0 million. Approximately \$10.0 million of this amount will be used to retire existing bank debt of Morton's, and the remainder will be used to pay the merger consideration and to pay fees and expenses necessary to complete the merger and related transactions. CHP has committed to provide \$74.0 million of equity financing to Morton's Holdings at the time of completion of the Merger. CHP and Morton's Holdings have agreed not to amend, modify or terminate that commitment in any respect that would adversely affect the probability that the transactions contemplated by the merger agreement will close, or that will delay the closing, without the prior written consent of Morton's (which consent requires the approval of the Special Committee).

Completion of the merger is not contingent on obtaining any additional financing (other than the repayment of \$10.0 million of bank debt contemplated by the amendment to the credit agreement described below) to repay Morton's existing bank debt. Morton's Holdings has negotiated on behalf of Morton's, and Morton's and its bank lenders have executed, an amendment (which will only become binding and effective concurrently with completion of the merger) to Morton's credit agreement to allow the merger to take place. The amendment is subject to completion of the merger, repayment of \$10.0 million of bank debt and other customary conditions for amendments of this type.

THE SPECIAL MEETING (see page 16)

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TIME, DATE AND PLACE. A special meeting of the stockholders of Morton's will be held at [The Garden City Hotel, 45 Seventh Street, Garden City, New York 11530], at 9:00 a.m. (local time) on

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[ , 2002], to consider and vote upon the proposal to approve and adopt the merger agreement and approve the merger.

RECORD DATE AND VOTING INFORMATION. You are entitled to vote at the special meeting if you owned shares of Morton's common stock at the close of business on [record date], which is the record date for the special meeting. You will have one vote at the special meeting for each share of Morton's common stock you owned at the close of business on the record date. On the record date, there were [number] shares of Morton's common stock entitled to be voted at the special meeting.

REQUIRED VOTE. The approval and adoption of the merger agreement and the approval of the merger require the affirmative vote of the holders of a majority of the shares of Morton's common stock outstanding at the close of business on the record date. Abstentions and broker non-votes are equivalent to votes cast against the proposal.

SHARES HELD BY MANAGEMENT. The executive officers of Morton's collectively hold, as of the record date, approximately [6.80%] of the Company's outstanding common stock. These stockholders have indicated to Morton's their intention to vote their shares in favor of approving and adopting the merger agreement and approving the merger.

APPRAISAL RIGHTS (see page 63)

Morton's is a corporation organized under Delaware law. Under Delaware law, if you do not vote in favor of the merger and instead follow the appropriate procedures for demanding appraisal rights as described on pages 63 through 66 and in Appendix C, you will receive a cash payment for the "fair value" of your shares of Morton's common stock, as determined by the Delaware Court of Chancery. The price determined by the Delaware Court of Chancery may be less than, equal to or more than the \$12.60 in cash you would have received for each of your shares in the merger if you had not exercised your appraisal rights. Generally, in order to exercise appraisal rights, among other things:

- you must not vote for approval and adoption of the merger agreement and approval of the merger; and
- you must make written demand for appraisal in compliance with Delaware law before the vote on the merger agreement and the merger.

Merely voting against the merger agreement and the merger will not perfect your appraisal rights under Delaware law. Appendix C to this proxy statement contains the Delaware statute relating to your appraisal rights. IF YOU WANT TO EXERCISE YOUR APPRAISAL RIGHTS, PLEASE READ AND CAREFULLY FOLLOW THE PROCEDURES DESCRIBED ON PAGES 63 THROUGH 66 AND IN APPENDIX C. FAILURE TO TAKE ALL OF THE STEPS REQUIRED UNDER DELAWARE LAW MAY RESULT IN THE LOSS OF YOUR APPRAISAL RIGHTS.

THE MERGER AGREEMENT (see page 66)

The merger agreement, including the conditions to the closing of the merger, is described on pages 66 through 82 and is attached to this proxy statement as Appendix A for your information. You should read carefully the entire merger agreement as it is the legal document that governs the merger.

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CONDITIONS TO COMPLETING THE MERGER (see page 77)

The merger agreement and the merger are subject to approval by the holders of a majority of the outstanding shares of Morton's common stock, as well as other conditions, including that the parties obtain required governmental consents and approvals (including liquor licenses necessary to maintain continuity of service of alcoholic beverages post-merger), that no court or governmental entity has imposed an order or injunction prohibiting the merger, that Morton's has achieved a minimum level of earnings, that Morton's has received identified third party consents and approvals (including with respect to certain mortgage financing and equipment leasing contracts) and that no event has occurred that has resulted in or would reasonably be likely to result in a material adverse effect on Morton's.

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LIMITATION ON CONSIDERING OTHER ACQUISITION PROPOSALS (see page 73)

Morton's has agreed that it, including its subsidiaries, its affiliates and each of its and their respective officers, directors, employees, representatives, consultants, investment bankers, attorneys, accountants and other agents, will not take specified actions relating to other proposals to acquire Morton's, including that it will not encourage, solicit, initiate or facilitate, directly or indirectly, the making or submission of any acquisition proposal or except in accordance with the terms of the merger agreement as described below, enter into any agreement, arrangement or understanding with respect to any acquisition proposal, or to agree to approve or endorse any acquisition proposal or enter into any agreement, arrangement or understanding that would require Morton's to abandon, terminate or fail to consummate the merger or any other transaction contemplated by the merger agreement.

So long as Morton's has not breached the applicable provisions of the merger agreement, prior to the special meeting, Morton's, in response to an unsolicited acquisition proposal, may, subject to compliance with certain conditions, take specified actions, including, if the acquisition proposal is or is reasonably likely to lead to a superior proposal (as defined in the merger agreement), requesting clarifications from, or furnishing information to, and if the acquisition proposal is a superior proposal, participating in discussions with, any person making such unsolicited acquisition proposal.

Morton's has agreed that neither the Board of Directors nor any Board committee will (a) withdraw, modify or amend, or propose to withdraw, modify or amend, in a manner adverse to Morton's Holdings or Morton's Acquisition, the approval, adoption or recommendation, as the case may be, of the merger, the merger agreement or any of the other transactions contemplated by the merger agreement, (b) approve or recommend, or propose to approve or recommend, any acquisition proposal, (c) cause Morton's to accept the acquisition proposal and/or enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement, related to the acquisition proposal, or (d) resolve to do any of the foregoing; unless the Board of Directors has complied with the requirements of the merger agreement and, based on the recommendation of the Special Committee, (a) the acquisition proposal is a superior proposal, (b) the Board of Directors reasonably determines in accordance with the terms of the merger agreement that it is necessary to take these actions in order to comply with its fiduciary duties under applicable law and all of the conditions to Morton's right to terminate the merger agreement in accordance with the merger agreement have been satisfied and (c) simultaneously or substantially simultaneously with the withdrawal, modification or recommendation, Morton's terminates the merger agreement.

TERMINATION (see page 78)

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Morton's or Morton's Holdings may terminate the merger agreement at any time prior to the effective time of the merger, whether before or after the stockholders of Morton's have approved and adopted the merger agreement, if:

- both parties agree by mutual written consent;
- the merger has not been consummated by September 23, 2002, so long as the party attempting to terminate has not willfully and materially breached a representation, warranty, obligation, covenant or agreement set forth in the merger agreement; provided, that Morton's Holdings may extend the termination date to December 21, 2002, if the only condition to closing not met is with respect to authorizations, approvals and consents necessary or required for the sale of alcoholic beverages;
- a governmental entity or court of competent jurisdiction has taken any nonappealable final action that permanently restrains, enjoins or otherwise prohibits the merger or the other transactions contemplated by the merger agreement, so long as a material failure to fulfill any

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obligation under the merger agreement by the party attempting to terminate was not the principal cause of or did not result in such action;

- the holders of a majority of shares of Morton's outstanding common stock do not adopt and approve the merger agreement and approve the merger at the special meeting; or
- the other party has materially breached or failed to perform any of its representations, warranties, covenants or agreements set forth in the merger agreement.

Morton's Holdings may terminate the merger agreement if:

- (a) Morton's (1) withdraws, modifies or amends, or proposes to withdraw, modify or amend, in a manner adverse to Morton's Holdings or Morton's Acquisition, the approval, adoption or recommendation, as the case may be, of the merger, the merger agreement or any of the other transactions contemplated by the merger agreement or (2) approves or recommends, or proposes to approve or recommend, or enters into any agreement, arrangement or understanding with respect to, any acquisition proposal; (b) the Board of Directors or any Board committee resolves to take any of the actions set forth in preceding subclause (a); (c) if after an acquisition proposal has been made, the Board of Directors or the Special Committee fails to affirm its recommendation and approval of the merger and the merger agreement within three business days of any request by Morton's Holdings to do so; or (d) if a tender offer or exchange offer constituting an acquisition proposal is commenced and the Board of Directors or the Special Committee does not recommend against acceptance of such offer by Morton's stockholders; or
- Morton's has breached the limitations on its consideration of other acquisition proposals (See "--Limitation on Considering Other Acquisition Proposals").

Morton's may terminate the merger agreement if Morton's receives a superior proposal, and the Board of Directors reasonably determines in accordance with the merger agreement that it is necessary to terminate the merger agreement and enter into an agreement to effect the superior proposal in order to comply with its fiduciary duties under applicable law.

TERMINATION FEE; EXPENSE REIMBURSEMENT (see page 80)

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If the merger agreement is terminated then Morton's may be obligated to pay to Morton's Holdings an amount equal to (a) the out-of-pocket expenses of Morton's Holdings and Morton's Acquisition related to the merger and any related financing up to \$1,320,000 and (b) a fee equal to (1) \$1,320,000 minus (2) the amount paid as reimbursement of out-of-pocket expenses of Morton's Holdings and Morton's Acquisition or an amount equal to the out-of-pocket expenses of Morton's Holdings and Morton's Acquisition related to the merger and any related financing up to \$1,320,000.

CERTAIN EFFECTS OF THE MERGER (see page 54)

Upon completion of the merger, Morton's Holdings will own 100% of Morton's. Subsequent to the merger, Morton's current stockholders (other than the members of management, if any, that make an equity investment in Morton's Holdings) will cease to have ownership interests in Morton's or rights as Morton's stockholders and, as a result, if the merger is completed, such stockholders of Morton's will not participate in any future earnings, losses, growth or decline of Morton's. In addition, Morton's will be a privately held corporation, and there will be no public market for its common stock. The common stock will cease to be quoted on the New York Stock Exchange, and price quotations with respect to sales of shares of Morton's common stock in the public market will no longer be available. In addition, registration of the common stock under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act, will be terminated.

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FEDERAL REGULATORY MATTERS (see page 61)

The Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the rules and regulations promulgated thereunder, referred to as the HSR Act, require that Morton's and the ultimate parent entity of Morton's Acquisition file notification and report forms with respect to the merger and related transactions with the Antitrust Division of the U.S. Department of Justice and the U.S. Federal Trade Commission and observe a waiting period before completing the merger. In compliance with the HSR Act, Morton's filed the necessary forms with the U.S. Department of Justice and the U.S. Federal Trade Commission on [April 11, 2002], and CHP filed them on [April 9, 2002]. However, the U.S. Department of Justice and the U.S. Federal Trade Commission, state antitrust authorities or a private person or entity could seek to enjoin the merger under antitrust laws at any time before its completion or to compel rescission or divestiture at any time subsequent to the merger.

LIQUOR LICENSES (see page 62)

As a condition to the completion of the merger, Morton's and Morton's Holdings must have filed and/or obtained any and all authorizations, approvals, consents or orders from any governmental entity necessary or required in order to obtain and maintain in effect for a reasonable period of time following the consummation of the merger all liquor licenses and other permits necessary to maintain continuity of service of alcoholic beverages at each restaurant of the Company, and all authorizations, approvals, consents and orders must be effective and binding in accordance with their terms and may not have expired or been withdrawn.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES (see page 62)

The receipt of cash for shares of common stock in the merger will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local, foreign or other tax laws. Generally, you will recognize gain or loss for these purposes equal to the

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difference between \$12.60 per share and your tax basis for the shares of common stock that you owned immediately before completion of the merger. TAX MATTERS ARE VERY COMPLEX AND THE TAX CONSEQUENCES OF THE MERGER TO YOU WILL DEPEND ON THE FACTS OF YOUR OWN SITUATION. YOU SHOULD CONSULT YOUR TAX ADVISOR FOR A FULL UNDERSTANDING OF THE TAX CONSEQUENCES OF THE MERGER TO YOU.

LITIGATION CHALLENGING THE MERGER (see page 62)

Between March 27, 2002 and April 3, 2002, five substantially identical civil actions were commenced, four of which were commenced in the Court of Chancery of the State of Delaware in New Castle County and one of which was commenced in the Supreme Court of the State of New York in Nassau County. The plaintiff in each action seeks to represent a putative class consisting of the public stockholders of Morton's (excluding officers and directors of Morton's). Named as defendants in each of the complaints are Morton's, members of Morton's Board of Directors and Castle Harlan, Inc. The plaintiffs allege, among other things, that the proposed merger is unfair; the Morton's directors breached their fiduciary duties by failing to disclose material non-public information related to the value of Morton's and by engaging in self-dealing; Castle Harlan, Inc. aided and abetted the Morton's directors' breaches of fiduciary duty; the price contemplated in the merger agreement is inadequate; the merger agreement is a product of a conflict of interest between the directors of Morton's and Morton's public stockholders; and information regarding the value and prospects of Morton's has not been publicly disclosed although that information is known to the defendants. The complaints seek an injunction, damages and other relief. Morton's believes that these lawsuits are without merit and intends to defend against them vigorously.

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### CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement includes statements that are not historical facts. These forward-looking statements are based on Morton's and/or, where applicable, Morton's Holdings', Morton's Acquisition's and CHP's current estimates and assumptions and, as such, involve uncertainty and risk. Forward-looking statements include the information concerning possible or assumed future results of operations and also include those preceded or followed by words such as "anticipates," "believes," "thinks," "could," "estimates," "expects," "intends," "may," "should," "plans," "targets" and/or similar expressions.

The forward-looking statements are not guarantees of future performance, events or circumstances, and actual results may differ materially from those contemplated by the forward-looking statements. In addition to the factors discussed elsewhere in this proxy statement, including risks that stockholder approval and regulatory and third party clearances may not be obtained in a timely manner or at all, that the required minimum earnings level may not be achieved by Morton's, that an order or injunction may be imposed prohibiting or delaying the merger and that any other conditions to the merger may not be satisfied or waived, other factors that could cause actual results to differ materially include risks of the restaurant industry, including a highly competitive industry with many well-established competitors with greater financial and other resources than the Company, and the impact of changes in consumer tastes, local, regional and national economic and market conditions, restaurant profitability levels, expansion plans, demographic trends, traffic patterns, employee availability and benefits, cost increases and regulatory developments. In addition, the Company's ability to expand is dependent upon various factors, such as contractual restrictions imposed by the Company's credit agreement, the availability of attractive sites for new restaurants, the ability to negotiate suitable lease terms, the ability to generate or borrow funds to develop new restaurants and obtain various government permits and licenses and the recruitment and training of skilled management and restaurant

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employees. These and other factors are discussed elsewhere in this proxy statement, and in the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2001, which is included in this proxy statement as Appendix F and incorporated herein by reference.

Except to the extent required under the federal securities laws, neither Morton's nor any of Morton's Holdings, Morton's Acquisition or CHP intends to update or revise the forward-looking statements to reflect circumstances arising after the date of the preparation of the forward-looking statements.

### MORTON'S SELECTED HISTORICAL FINANCIAL DATA

Morton's selected historical financial data presented below as of and for the five fiscal years ended December 30, 2001 are derived from Morton's audited financial statements. The following selected historical financial data should be read in conjunction with Morton's financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Morton's Annual Report on Form 10-K for the fiscal year ended December 30, 2001, which is included in this proxy statement as Appendix F and is incorporated by reference.

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#### STATEMENT OF OPERATIONS INFORMATION

	FISCAL YEARS			
	2001	2000	1999	1998
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE)			
Revenues.....	\$237.1	\$248.4	\$206.9	\$189.8
Income (Loss) Before Income Taxes and Cumulative Effect of a Change in an Accounting Principle.....	0.3(1)	14.4	14.3(2)	(6.1)
Income (Loss) Before Cumulative Effect of a Change in an Accounting Principle.....	1.0(1)	10.1	10.7(2)	(1.9)
Net Income (Loss).....	1.0(1)	10.1	8.5(2)(3)	(1.9)
Net Income (Loss) Per Share Before Cumulative Effect of a Change in an Accounting Principle:				
Basic.....	0.24(1)	2.20	1.81(2)	(0.28)
Diluted.....	0.23(1)	2.12	1.77(2)	(0.28)
Net Income (Loss) Per Share:				
Basic.....	0.24(1)	2.20	1.42(2)(3)	(0.28)
Diluted.....	\$ 0.23(1)	\$ 2.12	\$ 1.39(2)(3)	\$ (0.28)

#### BALANCE SHEET INFORMATION

	FISCAL YEARS			
	2001	2000	1999	1998
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE)			
Current Assets.....	\$ 24.7	\$ 23.8	\$ 22.5	\$19.3
Property and Equipment, Net.....	82.9	78.0	66.7	45.8

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Total Assets.....	134.7	124.4	114.4	95.0
Current Liabilities.....	30.6	35.8	34.5	28.2
Obligations to Financial Institutions and Capital				
Leases, Less Current Maturities.....	100.2	85.0	61.0	40.3
Stockholders' Equity (Deficit).....	\$ (0.2)	\$ (0.9)	\$ 12.1	\$23.0

- 
- (1) Includes pre-tax charge of \$1.6 million representing restaurant closing costs, pre-tax charge of \$0.7 million for costs associated with strategic alternatives and proxy contest and an income tax benefit of \$0.7 million.
  - (2) Includes nonrecurring, pre-tax litigation benefit of \$0.2 million.
  - (3) Includes a \$2.3 million charge, net of income taxes, representing the cumulative effect of the requisite change in accounting for pre-opening costs.
  - (4) Includes nonrecurring, pre-tax charge of \$19.9 million representing the write-down of impaired Bertolini's restaurant assets and the write-down and accrual of lease exit costs associated with the closure of specified Bertolini's restaurants, as well as the remaining interests in Mick's and Peasant restaurants.
  - (5) Includes Mick's and Peasant revenues of \$8.4 million.
  - (6) Includes nonrecurring, pre-tax litigation charge of \$2.3 million.
- 

Morton's book value per share of common stock was \$(0.05) at December 30, 2001. No pro forma data giving effect to the proposed merger is provided. Morton's does not believe that pro forma data is material to stockholders in evaluating the merger and the merger agreement because the merger consideration is all cash and, if the merger is completed, Morton's common stock will not be publicly traded and Morton's stockholders will no longer have any equity interest in Morton's. No separate financial data is provided for Morton's Acquisition since it is a special purpose entity formed in connection with the proposed merger and has no independent operations.

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### TRADING MARKETS AND MARKET PRICE

Shares of Morton's common stock are listed and traded on the New York Stock Exchange, referred to as the NYSE, under the symbol "MRG." The following table shows, for the periods indicated, the reported high and low sale prices per share on the NYSE for Morton's common stock.

		HIGH		LOW
		-----		-----
FISCAL YEAR ENDED DECEMBER 31, 2000				
First Quarter.....	\$	19.81	\$	15.00
Second Quarter.....		21.75		17.75
Third Quarter.....		21.50		19.88



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Fourth Quarter.....	23.50	18.69
FISCAL YEAR ENDED DECEMBER 30, 2001		
First Quarter.....	24.15	19.15
Second Quarter.....	28.00	18.70
Third Quarter.....	20.30	7.60
Fourth Quarter.....	14.15	8.50
FISCAL YEAR ENDING DECEMBER 29, 2002		
First Quarter.....	14.30	6.60
Second Quarter (through [date]).....	[]	[]

On February 14, 2002, the last full trading day before Morton's Holdings initially submitted its formal proposal to acquire Morton's (then at the proposed price of \$12.00 per share), the closing price per share of Morton's common stock as reported on the NYSE was \$6.60. On March 26, 2002, the last full trading day before the public announcement of the merger agreement, the high and low sale prices for Morton's common stock as reported on the NYSE were \$11.55 and \$11.30 per share, respectively, and the closing sale price on that date was \$11.55 per share. On [date], the last practicable trading day for which information was available prior to the date of the first mailing of this proxy statement, the closing price per share of Morton's common stock as reported on the NYSE was \$[ ], and there were [ ] shares of common stock outstanding. Stockholders should obtain a current market quotation for Morton's common stock before making any decision with respect to the merger. On [record date], there were approximately [number] holders of record of Morton's common stock.

Morton's has received notice from the NYSE that Morton's is below the NYSE continued listing standards regarding total market capitalization and stockholders' equity. Morton's has submitted a business plan to the NYSE demonstrating its plan to comply with such continued listing standards if the merger is not completed. The NYSE has advised Morton's that its listing and compliance committee has agreed to continue the listing of Morton's common stock on the NYSE through completion of the merger. If the merger does not close by early summer of 2002, however, the NYSE plans to review the circumstances causing the delay and to reassess its decision to continue the listing of Morton's common stock. Further, if the merger agreement is terminated, the NYSE listing and compliance committee would either accept the Company's submitted business plan and subject Morton's to quarterly monitoring for compliance with the listing standards or would not accept the Company's submitted business plan and subject Morton's to suspension and delisting of its common

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stock. If the merger is completed, Morton's will be a private company, and its common stock will no longer trade on the NYSE.

Morton's has never declared or paid cash dividends on its common stock and does not plan to pay any cash dividends in the foreseeable future. Morton's credit agreement prohibits the Company from paying dividends on its common stock. In addition, under the merger agreement, the Company has agreed not to pay any cash dividends on its common stock before the closing of the merger.

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## THE SPECIAL MEETING

### GENERAL

The enclosed proxy is solicited on behalf of the Board of Directors of Morton's for use at a special meeting of stockholders to be held on [day], [date], at 9:00 a.m. local time, or at any adjournments or postponements thereof, for the purposes set forth in this proxy statement and in the accompanying notice of special meeting. The special meeting will be held at [The Garden City Hotel, 45 Seventh Street, Garden City, New York 11530]. Morton's intends to mail this proxy statement and accompanying proxy card on or about [date] to all stockholders entitled to vote at the special meeting.

At the special meeting, the stockholders of Morton's are being asked to consider and vote upon a proposal to approve and adopt the merger agreement and to approve the merger contemplated by the merger agreement. Under the merger agreement, Morton's Acquisition will merge with and into Morton's, and each issued and outstanding share of Morton's common stock will be converted into the right to receive \$12.60 in cash without interest (other than shares held by Morton's or any of Morton's subsidiaries, held in Morton's treasury, or held by Morton's Holdings or Morton's Acquisition, or shares held by Morton's stockholders who perfect their appraisal rights under Delaware law). Upon completion of the merger, Morton's will be the surviving corporation and will be a wholly-owned subsidiary of Morton's Holdings.

Morton's is also soliciting proxies to grant discretionary authority to vote in favor of any adjournment of the special meeting solely for the purpose of soliciting additional proxies in favor of voting to approve and adopt the merger agreement and approve the merger, if necessary. Morton's does not expect a vote to be taken on any other matters at the special meeting. However, if any other matters are properly presented at the special meeting for consideration, the holders of the proxies will have discretion to vote on these matters in accordance with their best judgment.

### RECORD DATE AND VOTING INFORMATION

Only holders of record of common stock at the close of business on [record date] are entitled to notice of and to vote at the special meeting. At the close of business on [record date], there were outstanding and entitled to vote [number] shares of Morton's common stock. A list of Morton's stockholders will be available for review at Morton's executive offices during regular business hours for a period of 10 days before the special meeting. Each holder of record of common stock on the record date will be entitled to one vote for each share held. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Morton's common stock entitled to vote at the special meeting is necessary to constitute a quorum for the transaction of business at the special meeting.

All votes will be tabulated by the inspector of election appointed for the special meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Brokers who hold shares in street name for clients typically have the authority to vote on "routine" proposals when they have not received instructions from beneficial owners. However, absent specific instructions from the beneficial owner of the shares, brokers are not allowed to exercise their voting discretion with respect to the approval and adoption of non-routine matters, such as the merger agreement and the merger;

proxies submitted without a vote by the brokers on these matters are referred to as broker non-votes. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the special meeting.

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The merger agreement and Delaware law provide that the affirmative vote of the holders of a majority of the outstanding shares of Morton's common stock is required to approve and adopt the merger agreement and approve the merger. Accordingly, proxies that reflect abstentions and broker non-votes, as well as proxies that are not returned, will have the same effect as a vote AGAINST approval and adoption of the merger agreement and approval of the merger.

Stockholders who do not vote in favor of approval and adoption of the merger agreement and approval of the merger, and who otherwise comply with the applicable statutory procedures of the Delaware General Corporation Law summarized elsewhere in this proxy statement, will be entitled to seek appraisal of the value of their Morton's common stock as set forth in Section 262 of the Delaware General Corporation Law. See "Special Factors--Appraisal Rights."

### PROXIES; REVOCATION

Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by filing with the Secretary of Morton's at the Company's executive offices located at 3333 New Hyde Park Road, New Hyde Park, New York 11042, a written notice of revocation or a duly executed proxy bearing a later date, or it may be revoked by attending the special meeting and voting in person. Attendance at the special meeting will not, by itself, revoke a proxy. Furthermore, if a stockholder's shares are held of record by a broker, bank or other nominee and the stockholder wishes to vote at the special meeting, the stockholder must obtain from the record holder a proxy issued in the stockholder's name.

### EXPENSES OF PROXY SOLICITATION

Morton's will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy and any additional information furnished to stockholders. Morton's has retained Georgeson Shareholder Communications Inc., at an estimated cost of [\$ ] plus reimbursement of expenses, to assist in the solicitation of proxies. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of common stock beneficially owned by others to forward to these beneficial owners. Morton's may reimburse persons representing beneficial owners of common stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, facsimile, telegram or personal solicitation by directors, officers or other regular employees of Morton's and of Georgeson Shareholder Communications Inc. No additional compensation will be paid to Morton's directors, officers or other regular employees for their services.

### ADJOURNMENTS

Although it is not expected, the special meeting may be adjourned for the purpose of soliciting additional proxies in favor of voting to approve and adopt the merger agreement and approve the merger, if necessary. Any adjournment of the special meeting may be made without notice, other than by an announcement made at the special meeting, by approval of the holders of a majority of the outstanding shares of Morton's common stock present in person or represented by proxy at the special meeting, whether or not a quorum exists. Morton's is soliciting proxies to grant discretionary authority to vote in favor of adjournment of the special meeting. In particular, discretionary authority is expected to be exercised if the purpose of the adjournment is to provide additional time to solicit votes to approve and adopt the merger agreement and approve the merger. THE BOARD OF DIRECTORS RECOMMENDS THAT MORTON'S STOCKHOLDERS VOTE IN FAVOR OF THE PROPOSAL TO GRANT DISCRETIONARY AUTHORITY

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TO VOTE ON OTHER MATTERS AS MAY PROPERLY COME BEFORE THE SPECIAL MEETING, INCLUDING TO ADJOURN THE SPECIAL MEETING.

PLEASE DO NOT SEND IN STOCK CERTIFICATES AT THIS TIME. IN THE EVENT THE MERGER IS COMPLETED, MORTON'S WILL DISTRIBUTE INSTRUCTIONS REGARDING THE PROCEDURES FOR EXCHANGING EXISTING MORTON'S STOCK CERTIFICATES FOR THE \$12.60 PER SHARE CASH PAYMENT.

### THE PARTICIPANTS

MORTON'S RESTAURANT GROUP, INC.  
3333 New Hyde Park Road  
New Hyde Park, New York 11042  
(516) 627-1515

Morton's owns and operates 61 Morton's of Chicago Steakhouse restaurants (54 in the continental United States; one each in Honolulu, Hawaii; San Juan, Puerto Rico; Toronto and Vancouver, Canada; Singapore; and two in Hong Kong) and four Bertolini's Authentic Trattoria restaurants located in 57 cities. These concepts appeal to a broad spectrum of consumer tastes and target separate price points and dining experiences. The Company provides strategic support and direction to its subsidiary companies and evaluates and analyzes potential locations for new restaurants. Management consists of Allen J. Bernstein, chairman of the board, president and chief executive officer, and vice presidents responsible for site selection and development, finance, communications and administration.

Morton's of Chicago offers its clientele a combination of excellent service and large quantities of the highest quality menu items. Morton's of Chicago has received awards in many locations for the quality of its food and hospitality. Morton's of Chicago serves USDA prime aged beef, including, among others, a 24 oz. porterhouse, a 20 oz. NY strip sirloin and a 16 oz. ribeye. Morton's of Chicago also offers fresh fish, lobster, veal and chicken. All Morton's of Chicago restaurants have identical dinner menu items. While the emphasis is on beef, the menu selection is broad enough to appeal to many taste preferences. The Morton's of Chicago's dinner menu consists of a tableside presentation by the server of many of the dinner items, including a 48 oz. porterhouse steak and a live Maine lobster, and all Morton's of Chicago restaurants feature an open display kitchen where steaks are prepared. Each restaurant has a fully stocked bar with a complete list of name brands and an extensive premium wine list that offers approximately 175 selections.

Morton's of Chicago caters primarily to high-end, business-oriented clientele. During the fiscal year ended December 30, 2001, the average per-person check, including dinner and lunch, was approximately \$72.75. Management believes that a vast majority of Morton's of Chicago weekday revenues and a substantial portion of its weekend revenues are derived from business people using expense accounts. Sales of alcoholic beverages accounted for approximately 32% of Morton's of Chicago's revenues during fiscal 2001. In the Morton's of Chicago restaurants serving both dinner and lunch during fiscal 2001, dinner service accounted for approximately 85% of revenues and lunch service accounted for approximately 15%. All Morton's of Chicago restaurants are open seven days a week. Those Morton's of Chicago serving only dinner are typically open from 5:30 p.m. to 11:30 p.m., while those Morton's of Chicago serving both dinner and lunch typically open at 11:30 a.m. for the lunch period. All except for one Morton's of Chicago (including all restaurants opened since the 1989 acquisition) have on-premises, private dining and meeting facilities referred to as boardrooms. During fiscal 2001, boardroom revenues were approximately 19% of sales in those locations offering boardrooms.

At December 30, 2001, the Company owned and operated four Bertolini's,

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located in three cities. Bertolini's is a white tablecloth, authentic Italian trattoria, which provides table service in a casual dining atmosphere. For the fiscal year ended December 30, 2001, Bertolini's average per-person check, including dinner and lunch, was approximately \$22.50. Bertolini's restaurants are open seven days a

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week, for dinner and lunch, with typical hours of 11:00 a.m. to 12:00 midnight. During fiscal 2001, dinner service accounted for approximately 68% of revenues and lunch service accounted for approximately 32%. Sales of alcoholic beverages accounted for approximately 22% of Bertolini's revenues during fiscal 2001.

If the merger agreement is approved and adopted and the merger is approved by the requisite vote of Morton's stockholders at the special meeting and the merger is completed, Morton's will continue its operations following the merger as a private company. The Company was incorporated in Delaware on October 3, 1988.

A more detailed description of Morton's business and financial results is contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2001, which is included in this proxy statement as Appendix F, and is incorporated herein by reference. The information contained in Morton's Annual Report on Form 10-K for the fiscal year ended December 30, 2001 is as of March 29, 2002, the date of filing with the Securities and Exchange Commission, referred to as the SEC, of the Form 10-K. See also "Where Stockholders Can Find More Information."

MORTON'S HOLDINGS, LLC AND  
MORTON'S ACQUISITION COMPANY  
c/o Castle Harlan Partners III, L.P.  
150 East 58th Street  
New York, New York 10155  
(212) 644-8600

Morton's Holdings, LLC, referred to as Morton's Holdings, is a Delaware limited liability company that is wholly owned by its sole member, Castle Harlan Partners III, L.P., referred to as CHP. Morton's Holdings was originally formed as a Delaware corporation under the name of "Morton's Holdings, Inc." and was recently converted into a Delaware limited liability company. Morton's Acquisition Company, referred to as Morton's Acquisition, is a Delaware corporation that is wholly owned by Morton's Holdings. Both of Morton's Holdings and Morton's Acquisition were formed solely for purposes of completing the merger and have not participated in any activities to date other than those incident to their formation and the transactions contemplated by the merger agreement. At the effective time of the merger, Morton's Acquisition will be merged with and into Morton's, with Morton's as the surviving corporation. Morton's Holdings and Morton's Acquisition were incorporated in Delaware in March 2002. Morton's Holdings was converted into a Delaware limited liability company in April 2002. Additional information about Morton's Holdings and Morton's Acquisition and information about the directors and executive officers of Morton's Holdings and Morton's Acquisition is set forth in Appendix E to this proxy statement.

CASTLE HARLAN PARTNERS III, L.P.  
150 East 58th Street  
New York, New York 10155  
(212) 644-8600

Castle Harlan Partners III, L.P., referred to as CHP, is a private investment fund, organized as a limited partnership under the laws of the State of Delaware, which makes investments identified by its affiliates. CHP and its

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affiliates have approximately \$630 million of committed capital. Since 1987, CHP and its predecessor investment funds have completed acquisitions of approximately \$5 billion. CHP and its affiliates are highly experienced investors that have successfully completed 35 transactions in a wide variety of industries, including aviation services, consumer products, energy services, general manufacturing and restaurants. John K. Castle and David B. Pittaway are executive officers of certain affiliates of CHP and are members of the Board of Directors of Morton's. Additional information about CHP is set forth in Appendix E to this proxy statement.

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### SPECIAL FACTORS

#### BACKGROUND OF THE MERGER

Morton's entered into the merger agreement following an extensive evaluation of strategic alternatives that began in May 2001. This evaluation initially was undertaken in the context of a proxy contest, later coupled with an unsolicited acquisition proposal, at Morton's 2001 annual meeting of stockholders. This evaluation included a formal process run by the Special Committee and its legal and financial advisors in which Morton's Holdings emerged as the only firm and final bidder.

On February 5, 2001, Barry Florescue, BFMA Holding Corporation and other related parties, collectively referred to as BFMA (which is considered the first potential interested party), jointly filed a Schedule 13D with the SEC reporting collective beneficial ownership of approximately 9.3% of Morton's common stock. They stated in this joint filing that their intention was to "increase their shareholder position" and that they were "considering various alternatives with respect to their shareholder position." From time to time thereafter, they amended their Schedule 13D to report increased holdings of Morton's common stock, changes in their stated intention regarding Morton's and various communications regarding Morton's.

On February 15, 2001, the Board of Directors authorized Morton's to enter into employment contracts with Mr. Baldwin, executive vice president and chief financial officer, and Ms. Longarzo, vice president, administration and secretary, in a form similar to Mr. Bernstein's existing employment contract. The Board of Directors also authorized the execution of change of control agreements with Ms. Longarzo and five other officers, in each case in a form similar to existing agreements with Messrs. Bernstein and Baldwin. The Board of Directors authorized these employment contracts and change of control agreements after having determined that it was in the best interests of Morton's and its stockholders to encourage the Company's key officers' full attention and dedication to the Company's business notwithstanding the possibility, threat or occurrence of a change of control, and to diminish the inevitable distraction of these officers by virtue of the personal uncertainties and risks created by a pending or threatened change of control. Also on February 15, 2001, the Board of Directors authorized amendments to Morton's stockholders rights agreement, originally adopted on December 15, 1994, to remove provisions that permitted only certain directors to redeem the rights and to take certain other actions.

In late February and early March of 2001, Messrs. Bernstein and Baldwin, along with Morton's primary legal counsel, Schulte Roth & Zabel LLP, a New York, New York law firm, referred to as SRZ, met with four nationally known investment banks to discuss Morton's possible retention of a financial advisor. Morton's ultimately selected Greenhill, based primarily on Greenhill's reputation, expertise in the food and beverage industry and proposed terms of engagement. Morton's and Greenhill executed an engagement letter as of March 13, 2001.

On March 15, 2001, Mr. Baldwin met with Barry Florescue and Richard Bloom of

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BFMA at their request, at which time Messrs. Florescue and Bloom asked Mr. Baldwin to convey to the Board of Directors, on an informal basis, their interest in joining the Board of Directors. Mr. Baldwin promptly relayed this information to the Board's nominating committee, which met by telephone on March 20, 2001 to consider the request. The nominating committee responded to Messrs. Florescue and Bloom by letter, dated March 21, 2001, which stated that the Board of Directors was already at the nine-member limit permitted by Morton's certificate of incorporation and bylaws, that expanding the size of the Board of Directors would require stockholder approval and that the nominating committee had already recommended, and the Board of Directors had already approved, the Board of Directors' nominees for election at the May 10, 2001 annual meeting of stockholders. The Board of Directors' nominees for re-election as directors were Messrs. Bernstein, Baldwin and Castle.

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In a letter dated March 20, 2001, received by Morton's after the nominating committee had sent its March 21, 2001 letter, BFMA notified Morton's of a proposed slate of three nominees for election to the Board of Directors, and later solicited proxies in support of those nominees.

BFMA made no proposal to Morton's regarding a possible strategic transaction until May 1, 2001, when Morton's received an unsolicited letter from BFMA, referred to as the BFMA proposal, seeking to negotiate the purchase of Morton's by BFMA. The BFMA proposal purported to offer, subject to various conditions, to acquire all outstanding shares of Morton's common stock for \$28.25 per share in cash. BFMA included a copy of a letter from Icahn Associates Corp., referred to as IAC, purportedly committing, subject to various conditions, to provide temporary bridge financing for all but \$20 million of BFMA's proposal. The next day, Morton's publicly announced that it would give due consideration to the proposal, and that it had retained Greenhill to advise the Board of Directors in its deliberations.

On May 7, 2001, the Board of Directors met by telephone. SRZ also attended this meeting. The Board of Directors discussed the possibility of postponing or adjourning Morton's annual meeting of stockholders scheduled for May 10, 2001, and authorized the Board's executive committee (consisting of Messrs. Bernstein, Castle and Pittaway) to recommend, subject to full Board approval, the postponement or adjournment of the annual meeting if, and only if, the executive committee determined that it was in the best interests of Morton's stockholders and legally permissible to do so. After Greenhill was invited into the meeting, the Board of Directors informed Greenhill that the Board of Directors intended to give the BFMA proposal full and fair consideration, and requested that Greenhill carefully review the proposal. The Board of Directors discussed preliminarily the BFMA proposal, alternatives to enhance stockholder value that could be considered, such as recapitalization, acquisition or sale, and, in view of the weakening economy, potential cost-cutting measures.

On May 8, 2001, the Board of Directors met by telephone. SRZ also attended this meeting. The executive committee of the Board of Directors recommended that the annual meeting of stockholders proceed as planned on the publicly announced date without postponement or adjournment. The Board of Directors affirmed its intention to give full and fair consideration to the BFMA proposal and any offer that may be received for the acquisition of Morton's. The Board of Directors also determined not to issue additional stock options to senior executives of Morton's until further notice, and suspended Morton's stock repurchase program. The Board of Directors discussed the possibility of exploring value-enhancing strategic alternatives, and directed Greenhill to assist Morton's in evaluating the full range of strategic alternatives, including a potential sale of Morton's. The Board of Directors then discussed Morton's financial performance and the financial outlook for the rest of the fiscal quarter. Also on May 8, 2001, Morton's issued a press release announcing the actions the Board of

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Directors had taken, including its decision to evaluate the full range of strategic alternatives, including a potential sale, and that, due to the weakened economic environment, unfavorable business conditions and reduced business travel, as well as investment banking, legal and other costs associated with evaluating strategic alternatives and with the BFMA-initiated proxy contest, it expected revenues and operating results to be adversely affected. From time to time thereafter, Morton's received inquiries from potential interested parties, which Morton's referred to Greenhill.

At Morton's annual meeting of stockholders on May 10, 2001, the stockholders voted to re-elect Messrs. Bernstein, Baldwin and Castle to the Board of Directors, and did not elect any of the candidates proposed by BFMA. At a Board of Directors meeting immediately following the annual meeting of stockholders, the Board of Directors formed a Special Committee of directors to lead the Board of Directors in its evaluation of strategic alternatives, including consideration of the BFMA proposal and any offers that Morton's might receive, with any final decision with respect to undertaking any particular strategic alternative to be subject to full Board approval. Four directors who were not officers of Morton's, Robert L. Barney, John K. Castle, Lee M. Cohn and Alan A. Teran, were named to the Special Committee, with Mr. Castle as Chairman. Mr. Castle had informed the Board of Directors at that time that he was not aware of any plan by CHP or any of its affiliates to make any

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offer or proposal to purchase Morton's. Greenhill was invited into the meeting and discussed its preliminary views on, among other things, the restaurant industry, the stand-alone value of Morton's with reference to various factors, and the range of possible strategic alternatives. Greenhill identified possible strategic alternatives for Morton's, including merger with or acquisition by Morton's of another company or business, recapitalization, leveraged buyout or other sale of Morton's (including pursuant to the BFMA proposal) and a preferred equity infusion. The discussion of the BFMA proposal included a preliminary analysis of the disclosed financing terms from IAC and contingencies involved in the proposal and the financing, as well as historical information on Mr. Florescue and Carl Icahn.

The Special Committee held its first meeting on May 10, 2001 immediately following the Board of Directors meeting. Greenhill and SRZ also attended this meeting. The Special Committee directed Greenhill to contact BFMA promptly and request a meeting between BFMA, Greenhill and SRZ in order to provide BFMA with an opportunity to demonstrate to the Special Committee's representatives that it was serious about completing its proposed acquisition and could reasonably complete the financing of its proposal on the terms outlined in its proposal. In particular, the Special Committee wanted to give BFMA an opportunity to provide appropriate evidence of the sources of its purported equity and debt financing. The Special Committee agreed to consider providing Morton's proprietary non-public information to BFMA subject to BFMA signing a customary form of confidentiality agreement. The Special Committee also discussed how to proceed with the evaluation of Morton's strategic alternatives. As a result of this discussion, the Special Committee directed Greenhill to prepare a preliminary analysis of possible strategic alternatives for Morton's that would enhance stockholder value. In order to proceed in a timely manner, the participants agreed that Greenhill would develop the analysis at the same time that the Special Committee was evaluating the BFMA proposal.

On May 15, 2001, Greenhill called BFMA to request a meeting. By letter to Greenhill dated May 16, 2001, Mr. Bloom of BFMA provided a preliminary due diligence request list and expressed BFMA's interest in executing a confidentiality agreement and beginning a due diligence review of Morton's. On May 21, 2001, Greenhill and SRZ met with BFMA and its counsel to gain further information regarding, and to assess the quality of, BFMA's proposal and



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financing on a preliminary basis. BFMA disclosed that the IAC financing was a bridge loan from IAC with a one-year term, and that BFMA did not have any permanent financing arranged to replace the IAC bridge loan upon its one-year maturity. BFMA stated that, in view of the IAC financing's fees, rates and other terms, if the opportunity arose it would seek alternative sources of financing, and indicated (without providing any supporting information) that other financing sources might be available. BFMA explicitly clarified that its proposal and the IAC financing were each contingent on the respective entity's satisfaction with due diligence, which in each case appeared to be more comprehensive than the "limited due diligence" that BFMA had publicly stated it would need. BFMA also stated that it was not planning to launch a tender offer for Morton's, including a negotiated tender offer linked to a back-end merger. When asked to provide evidence that IAC and BFMA were capable of funding their respective commitments under the proposed financing, BFMA declined to do so at that time and responded that at some time in the future each entity would be prepared to do so. Greenhill and SRZ indicated that they would report the results of this meeting to the Special Committee at the June 6, 2001 Special Committee meeting.

During late May and early June of 2001, three private equity firms, referred to as the second, third and fourth potential interested parties, initiated contact with Greenhill regarding potential transactions with Morton's should the Board of Directors determine that Morton's was for sale. Additionally, Greenhill had separate conversations with three of Morton's institutional stockholders, who indicated that they would like the Board of Directors to engage in a good faith process to analyze Morton's strategic alternatives, to be receptive to offers to purchase and to give serious consideration to the BFMA proposal. They also indicated that they had a desire for Morton's to engage in a transaction that would provide value realization for the stockholders. During this time, Greenhill also had separate conversations with two nationally recognized banks with extensive experience in the leveraged

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acquisition financing area regarding the market for financing acquisitions in the restaurant industry. The banks indicated that it was generally difficult at that time to arrange financing for highly leveraged acquisitions, although limited financing opportunities would be available. Greenhill also met with Company management and had several follow-up telephone calls with management as part of Greenhill's due diligence efforts.

On June 6, 2001, the Special Committee met by telephone. Greenhill and SRZ also attended this meeting. Greenhill discussed with the Special Committee actions that Greenhill had taken since the Special Committee's meeting on May 10, 2001, as described above. Greenhill outlined on a preliminary basis, and the participants discussed, five potential strategic alternatives for Morton's: maintaining the status quo, acquiring another company or business, recapitalizing Morton's capital structure, creating a minority equity position and selling Morton's.

The Special Committee members further discussed, and expressed their general discomfort with the financing for, the BFMA proposal. The Special Committee discussed the possibility that the BFMA proposal was nothing more than an attempt to put Morton's "in play" in the hope that a third party buyer would come forward. The Special Committee was reluctant to provide commercially sensitive information about Morton's to a party that was unwilling to agree to keep the information confidential, particularly where the Special Committee did not have sufficient information concerning the party's ability to finance and complete a transaction. Nonetheless, the Special Committee supported the Board of Directors' commitment to give full and fair consideration to the BFMA proposal, and indicated that it would support providing due diligence material to BFMA so long as BFMA first provided satisfactory evidence of its ability to

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finance its proposal and signed a confidentiality agreement in customary form.

On June 11, 2001, at the request of the Special Committee, Greenhill sent a letter to BFMA inviting BFMA to demonstrate that BFMA and IAC had the financial ability to meet their respective commitments relating to the BFMA proposal. The letter confirmed that if BFMA established this to the Special Committee's reasonable satisfaction, the Special Committee was prepared to provide BFMA and IAC with due diligence information regarding Morton's, subject to the execution of a customary confidentiality agreement. The letter also invited BFMA to provide a list of any additional due diligence material it would require.

On June 13, 2001, Morton's issued a press release announcing that due to the continuing impact of the troubled economy, unfavorable business conditions and reduced business travel, it expected to report a loss for the second quarter ending July 1, 2001 and that, if such unfavorable conditions continued, future results would also be adversely affected. Morton's also reconfirmed that, assisted by Greenhill, it was continuing the process of exploring its full range of strategic alternatives, including evaluating a potential sale of Morton's, and in addition to an evaluation of the BFMA proposal, the process would include an evaluation of any offers that may be received.

By letter to Greenhill, dated June 13, 2001, Mr. Florescue expressed his dissatisfaction with the deliberate pace at which the Special Committee was proceeding and with the Special Committee's invitation to BFMA to provide evidence of BFMA's and IAC's ability to finance the BFMA proposal. He wrote that BFMA's counsel had been provided the evidence, and requested that Greenhill contact BFMA's counsel to arrange a meeting. Mr. Florescue indicated that he expected to be provided with a confidentiality agreement and, once the confidentiality agreement was executed, due diligence materials. Greenhill promptly contacted BFMA's counsel and arranged a meeting for June 19, 2001.

By letter to Greenhill, dated June 15, 2001, IAC stated that it and its affiliates, including an entity called High River Limited Partnership, had collective cash, cash equivalents, marketable securities and net worth exceeding \$240 million. The letter contained no support for these statements and no commitments from any of IAC's affiliates (or any other party) to provide any funds to BFMA or to IAC.

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On June 19, 2001, in a meeting with BFMA and its counsel, Greenhill and SRZ were permitted to view, but not copy, bank and brokerage statements of varying dates from BFMA and related parties purporting to show approximately \$20 million in available cash and marketable securities. BFMA provided no commitments from the related parties to provide any funds to BFMA, and no support for IAC's ability to finance the significant bridge debt in connection with the BFMA proposal. BFMA subsequently provided letters from its related parties indicating a willingness to commit their respective amounts to BFMA.

By letter to Greenhill, dated June 21, 2001, the second potential interested party submitted a written expression of interest in a potential transaction with Morton's. The letter was a follow-up to an earlier telephone conversation between Greenhill and the second potential interested party.

On June 25, 2001, Greenhill was permitted to view, but not copy, a letter from High River Limited Partnership stating that it or one of its affiliated companies would act as the lender pursuant to the IAC financing commitment to BFMA. Greenhill was also permitted to view, but not copy, brokerage statements of High River Limited Partnership indicating marketable securities exceeding \$240 million.

By letter to Greenhill, dated June 27, 2001 and in a press release filed the

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next day, BFMA expressed its dissatisfaction with the Special Committee's review of Morton's strategic alternatives. BFMA also stated that it remained committed to acquiring Morton's and, if necessary, would explore an extension of its IAC financing commitment. BFMA also claimed to have received expressions of interest from numerous alternative sources of capital. BFMA did not then, or at any subsequent time, provide the Special Committee or Greenhill with any information regarding alternative financing arrangements.

On June 29, 2001, the Special Committee met by telephone. Greenhill and SRZ also attended this meeting. The participants discussed Morton's recent financial performance. The participants also discussed the status of matters with BFMA, including the timing and quality of BFMA's evidence of its financial ability to purchase Morton's as it proposed. The Special Committee members again expressed their concern over the legitimacy of BFMA's and IAC's intent and ability to consummate the BFMA proposal. Notwithstanding the Special Committee's discomfort with BFMA's ability to finance and complete the BFMA proposal, the Special Committee agreed to provide BFMA with a customary form of confidentiality agreement and, if BFMA and IAC signed the confidentiality agreement, to provide them with due diligence material. This would have given BFMA approximately one full month to conduct its due diligence and to make a fully financed firm offer before expiration of the IAC financing. Greenhill then led a discussion of other parties that had expressed varying degrees of interest in a potential transaction with Morton's since Morton's announced its intention to explore strategic alternatives. With respect to the second and fourth potential interested parties, as they were both well recognized private equity firms with substantial financial assets, the Special Committee agreed to provide them with Morton's customary form of confidentiality agreement. With respect to the third potential interested party, the Special Committee agreed to provide it with Morton's customary form of confidentiality agreement upon presentation of a stronger expression of interest. Greenhill also led a discussion of four possible candidates for Morton's to acquire, should the Special Committee determine to pursue acquisition of another company or business as an attractive strategic alternative.

On June 29, 2001, following the Special Committee meeting, SRZ sent Morton's customary form of confidentiality agreement to BFMA and to the second and fourth potential interested parties. The fourth potential interested party signed and returned the form promptly without alteration. The second potential interested party negotiated minor revisions to the form, and signed and returned it as of July 10, 2001. Subsequently, the second and fourth potential interested parties performed their respective due diligence investigations of Morton's, including discussions with Company management. In contrast, through its counsel, BFMA insisted on substantial revisions to the form, and SRZ negotiated for several days with BFMA's counsel regarding appropriate terms.

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On July 19, 2001, based on a conversation with BFMA's counsel, Morton's issued a press release announcing that BFMA had advised Morton's that BFMA did not intend to renew the IAC financing, which would expire on or about July 30, 2001. Morton's also announced that negotiation of the confidentiality agreement with BFMA terminated principally as a result of BFMA's requirement that it be permitted to disclose Morton's confidential information to an unlimited number of unidentified potential equity and debt financing sources. Morton's noted that it had executed confidentiality agreements with other interested parties, none of whom had objected to its form. Morton's reiterated that it was continuing the process of exploring its full range of strategic alternatives, including evaluating a potential sale of Morton's, discussions with interested parties and an evaluation of any offers that may be received. Consistent with its earlier announcement, Morton's reported a loss for the second quarter of 2001 and a decline in comparable restaurant revenues, and cautioned that, if unfavorable conditions continued, third quarter and future results also would be adversely

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affected. Over the next few weeks Mr. Florescue and Morton's exchanged letters and press releases stating their respective positions.

On July 31, 2001, the Special Committee held a meeting, which was also attended by Greenhill and SRZ. Greenhill led a discussion of Morton's recent financial performance based on information provided by Morton's management. Greenhill then reviewed the status of discussions with various parties that had expressed an interest in a potential transaction with Morton's, including BFMA, the second, third and fourth potential interested parties, a competing restaurant group, referred to as the fifth potential interested party, and an individual with restaurant experience, referred to as the sixth potential interested party. The Special Committee discussed the BFMA proposal, with particular regard to BFMA (a) permitting its IAC financing to expire and its stated intention not to renew the financing, (b) refusing to sign the Company's customary form of confidentiality agreement despite other parties doing so, and (c) insisting on discretion to disclose Morton's confidential information to an unlimited number of potential equity and debt financing sources. Based on its analysis of the BFMA proposal, the Special Committee determined that BFMA did not appear to be a serious potential acquirer of Morton's and that the Special Committee should focus on legitimate strategic alternatives, including discussions with bona fide interested parties. Greenhill led a discussion regarding the status of the second potential interested party's due diligence investigation, as well as the fourth potential interested party's signing of a confidentiality agreement and the status of discussions regarding when it would have access to the due diligence materials. Greenhill also indicated that the third potential interested party had not yet determined if it wanted to take further steps toward a potential transaction with Morton's. The sixth potential interested party expressed interest in a potential transaction that would be financed by another individual. Greenhill had requested, but had not received, evidence of the other individual's ability to finance a transaction with Morton's. With respect to the fifth potential interested party, Greenhill provided illustrative examples, from a financial perspective, of an acquisition of Morton's by that party for cash and/or stock. The Special Committee members indicated that they would consider a potential transaction with the fifth potential interested party, but that it would not be in Morton's stockholders' best interest to provide the competitor with Morton's confidential and proprietary information at that time. The Special Committee then directed Greenhill to find out more information about the structure and financing of a potential transaction in which the fifth potential interested party would be interested.

Greenhill also led an analysis and discussion regarding two of the potential candidates for Morton's to acquire, one p