

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form DEFA14A

MORTONS RESTAURANT GROUP INC  
Form DEFA14A  
July 17, 2002

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:

- / / Preliminary Proxy Statement
- / / Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- / / Definitive Proxy Statement
- /X/ Definitive Additional Materials
- / / Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

MORTON'S RESTAURANT GROUP, INC.

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

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

Payment of Filing Fee (Check the appropriate box):

- /X/ No fee required.
- / / 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: -----
  - (2) Aggregate number of securities to which transaction applies: -----
  - (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): -----
  - (4) Proposed maximum aggregate value of transaction: -----
  - (5) Total fee paid: -----

/X/ 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

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form DEFA14A

Schedule and the date of its filing.

- (1) Amount Previously Paid:  
-----
- (2) Form, Schedule or Registration Statement No.:  
-----
- (3) Filing Party:  
-----
- (4) Date Filed:  
-----

July 17, 2002

From: SANFORD TELLER COMMUNICATIONS  
1365 York Avenue  
New York, NY 10021  
(212) 717-0332

For: MORTON'S RESTAURANT GROUP, INC.  
3333 New Hyde Park Road  
New Hyde Park, NY 11042  
(516) 627-1515  
www.mortons.com

FOR IMMEDIATE RELEASE

Contact: Thomas J. Baldwin, Executive Vice President, Chief Financial Officer,  
Morton's Restaurant Group, Inc.

MORTON'S RESTAURANT GROUP REPORTS RESULTS FOR 2002 SECOND QUARTER

New Hyde Park, NY...Morton's Restaurant Group, Inc. (NYSE:MRG) today reported 2002 second quarter revenues of \$57,800,000, up 1.4% versus 2001 second quarter revenues of \$57,006,000. Net income for the 2002 second quarter was \$66,000, or \$0.02 per diluted share, which includes a pretax gain on insurance proceeds of \$125,000, or \$0.02 after tax per diluted share; a pretax credit of \$300,000, or \$0.05 after tax per diluted share, representing the recovery of write-down and exit costs, which were less than initially anticipated, associated with the Sydney, Australia restaurant closing; and pretax costs of \$1,426,000, or \$0.24 after tax per diluted share, associated with the company's merger and evaluation of strategic alternatives. Due to fewer restaurant openings in the period, pre-opening costs incurred and recorded as expense for the 2002 second quarter were \$363,000, or \$0.06 after tax per diluted share compared to \$1,762,000, or \$0.30 after tax per diluted share for the comparable period in 2001. The net loss for the second quarter of 2001 was \$1,535,000, or \$0.37 per diluted share. Morton's of Chicago comparable restaurant revenues declined 2.3% for the 2002 second quarter.

Revenues for the six months ended June 30, 2002 were \$118,906,000, down 3.6%, versus \$123,348,000 for the comparable 2001 period. For the six months ended June 30, 2002, net income was \$2,331,000, or \$0.55 per diluted share, which includes a pretax gain on insurance proceeds of \$1,443,000, or \$0.24 after tax per diluted share; a pretax credit of \$300,000, or \$0.05 after tax per diluted share, representing the recovery of write-down and exit costs, which were less than initially anticipated, associated with the Sydney, Australia restaurant closing; and pretax costs of \$2,665,000, or \$0.44 after tax per diluted share, associated with the company's merger and evaluation of strategic alternatives. Due to fewer restaurant openings in the period, pre-opening costs incurred and recorded as expense for the 2002 six month period were \$650,000, or \$0.11 after tax per diluted share compared to \$2,376,000, or \$0.39 after tax per

## Edgar Filing: MORTONS RESTAURANT GROUP INC - Form DEFA14A

diluted share for the comparable period in 2001. Net income was \$1,209,000, or \$0.28 per diluted share, for the six-month period ended July 1, 2001. Morton's of Chicago comparable restaurant revenues declined 7.1% for the six-month period ended June 30, 2002.

During 2002, in accordance with the adoption of SFAS 142, "Goodwill and Intangible Assets", the company ceased amortizing goodwill. Included in the 2001 three month and six month periods ended July 1, 2001, is goodwill amortization of approximately \$101,000, or \$0.02 per diluted share and approximately \$202,000, or \$0.05 per diluted share respectively.

Consistent with its previous announcements, the company said that due to the severe nationwide impact of the World Trade Center terrorist attacks, the continuing impact of the troubled economy, unfavorable business conditions, corporate spending cutbacks and reduced business travel, it has experienced, and may continue to experience, weak revenue trends and negative comparable restaurant revenues. These adverse operating conditions, weak revenue trends, and investment banking, legal and other costs associated with the company's merger and evaluation of strategic alternatives have, and are expected to continue to negatively impact results.

The company believes that if such unfavorable conditions continue, or worsen, future results will also be adversely affected, the full extent of which cannot be determined or forecasted at this time.

On March 26, 2002, the company entered into a definitive merger agreement, as amended, providing for the acquisition of Morton's by an affiliate of Castle Harlan Partners III, L.P., a New York based private equity investor. The aggregate purchase price (including assumed debt) is approximately \$168.4 million. Under the terms of the agreement, Morton's stockholders will receive \$17.00 in cash for each share of common stock. Consummation of the merger is subject to customary closing conditions.

Allen J. Bernstein, chairman, president and chief executive officer said, "The quarter was favorably impacted by our ongoing cost reduction programs which continued to be effective during 2002, enabling the company to reduce general and administrative expenses by over one million dollars in the quarter, compared to the prior year. Additionally, due to fewer restaurant openings, pre-opening costs were approximately \$1.4 million lower than the comparable 2001 quarter."

During April 2002, the company opened a new Morton's in King of Prussia, PA. The company has commenced construction to open new Morton's in Arlington, VA; Burbank, CA; and Paramus, NJ. During January 2002, the Morton's of Chicago steakhouse in Sydney, Australia was closed.

At June 30, 2002, Morton's Restaurant Group owned and operated 66 restaurants (62 Morton's of Chicago steakhouses and 4 Bertolini's Authentic Trattorias) in 57 cities and 27 states, in the continental United States, Hawaii, Puerto Rico, Canada, Hong Kong and Singapore.

### FORWARD-LOOKING STATEMENTS

EXCEPT FOR THE HISTORICAL INFORMATION CONTAINED IN THIS NEWS RELEASE, THE MATTERS ADDRESSED ARE FORWARD-LOOKING STATEMENTS THAT INVOLVE CERTAIN RISKS AND UNCERTAINTIES, INCLUDING BUT NOT LIMITED TO, GENERAL ECONOMIC CONDITIONS, COMPETITIVE ACTIVITIES, THE COMPANY'S EXPANSION PLANS AND RESTAURANT PROFITABILITY LEVELS AND OTHER MATTERS IDENTIFIED FROM TIME TO TIME IN THE COMPANY'S PUBLIC REPORTS AND SEC FILINGS. ACTUAL RESULTS MAY VARY.

ADDITIONALLY, THIS DOCUMENT CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES RELATING TO THE PROPOSED MERGER AND OTHER FUTURE EVENTS, INCLUDING WHETHER AND WHEN THE PROPOSED MERGER WILL BE CONSUMMATED. A VARIETY OF

## Edgar Filing: MORTONS RESTAURANT GROUP INC - Form DEFA14A

FACTORS COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THE FORWARD-LOOKING STATEMENTS. THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO, RISKS THAT STOCKHOLDER APPROVAL AND MATERIAL THIRD PARTY CLEARANCES MAY NOT BE OBTAINED IN A TIMELY MANNER OR AT ALL, 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. THE COMPANY ASSUMES NO OBLIGATION TO UPDATE THE FORWARD-LOOKING INFORMATION.

2

### MORTON'S RESTAURANT GROUP, INC.

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)

|  | CONSOLIDATED STATEMENTS OF INCOME (LOSS) |                 |                  |                 |
|--|--|-----------------|------------------|-----------------|
|  | THREE MONTHS ENDED                       |                 | SIX MONTHS ENDED |                 |
|  | JUNE 30,<br>2002                         | JULY 1,<br>2001 | JUNE 30,<br>2002 | JULY 1,<br>2001 |
| Revenues.....  | \$57,800                                 | \$57,006        | \$118,906        | \$123,348       |
| Food and beverage costs.....   | 19,509                                   | 19,602          | 40,713           | 42,272          |
| Restaurant operating expenses.....   | 27,002                                   | 26,485          | 54,367           | 54,318          |
| Pre-opening costs, depreciation, amortization and<br>non-cash charges.....     | 2,910                                    | 4,313           | 5,346            | 7,068           |
| General and administrative expenses.....                                       | 3,727                                    | 4,846           | 7,485            | 9,778           |
| Marketing and promotional expenses.....  | 1,493                                    | 1,674           | 2,682            | 3,873           |
| Gain on insurance proceeds.....  | 125                                      | --              | 1,443            | --              |
| Restaurant closing costs (credit).....   | (300)                                    | --              | (300)            | --              |
| Costs associated with merger, strategic alternatives<br>and proxy contest..... | 1,426                                    | 370             | 2,665            | 370             |
| Interest expense, net.....   | 2,064                                    | 1,909           | 4,061            | 3,942           |
|  | 94                                       | (2,193)         | 3,330            | 1,727           |
| Income (loss) before income taxes.....   |  |                 |                  |                 |
| Income tax expense (benefit).....  | 28                                       | (658)           | 999              | 518             |
|  | \$ 66                                    | \$ (1,535)      | \$ 2,331         | \$ 1,209        |
| Net income (loss).....   |  |                 |                  |                 |
| Net income (loss) per share:   |  |                 |                  |                 |
| Basic.....   | \$ 0.02                                  | \$ (0.37)       | \$ 0.56          | \$ 0.29         |
| Diluted.....   | \$ 0.02                                  | \$ (0.37)       | \$ 0.55          | \$ 0.28         |
| Weighted average shares outstanding:   |  |                 |                  |                 |
| Basic.....   | 4,188                                    | 4,173           | 4,185            | 4,166           |
| Diluted.....   | 4,244                                    | 4,173           | 4,213            | 4,299           |

Number of restaurants at:

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form DEFA14A

|                           |    |    |    |    |
|---------------------------|----|----|----|----|
| Beginning of periods..... | 65 | 62 | 66 | 62 |
| End of periods.....       | 66 | 64 | 66 | 64 |

3

MORTON'S RESTAURANT GROUP, INC.  
 (AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)  
 (UNAUDITED)

|   | CONSOLIDATED<br>BALANCE SHEETS |                      |
|---|--------------------------------|----------------------|
|   | JUNE 30,<br>2002               | DECEMBER 30,<br>2001 |
| Current assets:   |                                |                      |
| Cash and cash equivalents.....  | \$ 5,163                       | \$ 4,827             |
| Accounts receivable.....  | 3,133                          | 3,988                |
| Income taxes receivable.....  | 1,788                          | 560                  |
| Inventories.....  | 7,497                          | 8,061                |
| Landlord construction receivables, prepaid expenses and<br>other current assets.....  | 1,557                          | 2,632                |
| Deferred income taxes.....  | 4,203                          | 4,616                |
| Total current assets.....   | 23,341                         | 24,684               |
| Property and equipment, net.....  | 81,391                         | 82,936               |
| Intangible assets, net of accumulated amortization of \$5,072<br>at June 30, 2002 and December 30, 2001.....  | 10,923                         | 10,923               |
| Deferred income taxes.....  | 5,926                          | 6,907                |
| Insurance receivable.....   | --                             | 1,682                |
| Other assets and deferred expenses, net of accumulated<br>amortization of \$703 at June 30, 2002 and \$649 at<br>December 30, 2001.....                       | 8,029                          | 7,582                |
|   | \$129,610                      | \$134,714            |
| Current liabilities:  |                                |                      |
| Accounts payable and accrued expenses.....  | \$ 22,595                      | \$ 26,097            |
| Current portion of obligations to financial institutions<br>and capital leases.....   | 3,420                          | 4,477                |
| Accrued income taxes.....   | 659                            | --                   |
| Total current liabilities.....  | 26,674                         | 30,574               |
| Obligations to financial institutions and capital leases,<br>less current maturities.....   | 95,990                         | 100,232              |
| Other liabilities.....  | 4,510                          | 4,118                |
| Total liabilities.....  | 127,174                        | 134,924              |
| Stockholders' equity (deficit):   |                                |                      |
| Preferred stock, \$.01 par value per share. Authorized<br>3,000,000 shares, no shares issued or outstanding.....  | --                             | --                   |
| Common stock, \$.01 par value per share. Authorized<br>25,000,000 shares, issued 6,808,801 at June 30, 2002 and<br>6,803,801 shares at December 30, 2001..... | 68                             | 68                   |

Edgar Filing: MORTONS RESTAURANT GROUP INC - Form DEFA14A

Nonvoting common stock, \$.01 par value per share.

|  |           |           |
|--|-----------|-----------|
| Authorized 3,000,000 shares, no shares issued or<br>outstanding.....   | --        | --        |
| Additional paid-in capital.....  | 63,528    | 63,478    |
| Accumulated other comprehensive loss.....  | (685)     | (907)     |
| Accumulated deficit.....   | (13,764)  | (16,095)  |
| Less treasury stock, at cost, 2,619,090 shares at<br>June 30, 2002 and 2,624,154 shares at December 30,<br>2001..... | (46,711)  | (46,754)  |
|  | -----     | -----     |
| Total stockholders' equity (deficit).....  | 2,436     | (210)     |
|  | -----     | -----     |
|  | \$129,610 | \$134,714 |
|  | =====     | =====     |