

MORTONS RESTAURANT GROUP INC  
Form 10-Q  
November 06, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**  
**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended October 4, 2009

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-12692

**MORTON S RESTAURANT GROUP, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**13-3490149**  
(I.R.S. employer identification no.)

**325 North LaSalle Street, Suite 500, Chicago, Illinois**  
(Address of principal executive offices)

**60654**  
(Zip code)

**312-923-0030**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  or No .

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  or No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  or No .

As of October 30, 2009, the registrant had 17,784,226 shares of its Common Stock, \$0.01 par value, outstanding.

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MORTON S RESTAURANT GROUP, INC. AND SUBSIDIARIES

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Forward-Looking Statements

This Form 10-Q contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements, written, oral or otherwise made, represent the Company's expectations or beliefs concerning future events. Without limiting the foregoing, the words believes, thinks, anticipates, estimates, plans, expects, and similar expressions are intended to identify forward-looking statements. The Company cautions that these statements are subject to risks, uncertainties, assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements, including, without limitation, (i) a reduction in consumer and/or business spending in one or more of the Company's markets due to business layoffs or budget reductions, negative consumer sentiment, access to consumer credit, commodity and other prices, events or occurrences affecting the securities and/or financial markets, occurrences affecting the Company's common stock, housing values, changes in federal, state, foreign and/or local tax levels or other factors, (ii) risks relating to the restaurant industry and the Company's business, including competition, changes in consumer tastes and preferences, risks associated with opening new locations, increases in food and other raw materials costs, increases in energy costs, demographic trends, traffic patterns, weather conditions, employee availability, benefits and cost increases, perceived product safety issues, supply interruptions, litigation, judgments or settlements in pending litigation, government regulation, the Company's ability to maintain adequate financing facilities, the Company's liquidity and capital resources, prevailing interest rates and legal and regulatory matters, (iii) public health issues, including, without limitation risks relating to the spread of H1N1 influenza and other pandemic diseases and (iv) other risks detailed in the Company's most recent Form 10-K, under Item 1A. Risk Factors herein and in the Company's other reports filed from time to time with the Securities and Exchange Commission. In addition, the Company's ability to expand is dependent upon various factors, such as 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, the ability to obtain various government permits and licenses, limitations on permitted capital expenditures under the Company's senior revolving credit facility and the recruitment and training of skilled management and restaurant employees. Other unknown or unpredictable factors also could harm the Company's business, financial condition and results. Consequently, there can be no assurance that actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by applicable securities laws.

**Part I - Financial Information****Item 1. Financial Statements**

## MORTON S RESTAURANT GROUP, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

(amounts in thousands)

	October 4, 2009	January 4, 2009
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,108	\$ 3,460
Restricted cash	51	1,372
Accounts receivable	5,365	3,832
Inventories	10,200	12,545
Assets held for sale	1,301	1,306
Prepaid expenses and other current assets	3,944	4,825
Income taxes receivable	1,040	1,409
Deferred income taxes, net	14,032	5,773
<b>Total current assets</b>	<b>37,041</b>	<b>34,522</b>
Property and equipment, at cost:		
Furniture, fixtures and equipment	31,246	29,021
Buildings and leasehold improvements	111,420	102,384
Land	7,300	7,300
Construction in progress	1,352	2,782
	151,318	141,487
Less accumulated depreciation and amortization	39,733	31,582
<b>Net property and equipment</b>	<b>111,585</b>	<b>109,905</b>
Intangible asset	86,000	86,000
Goodwill	6,847	6,847
Deferred income taxes, net	3,814	3,814
Other assets and deferred expenses, net	4,685	4,479
	\$ 249,972	\$ 245,567

## MORTON S RESTAURANT GROUP, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets, Continued

(amounts in thousands, except share and per share amounts)

	October 4, 2009	January 4, 2009
	(unaudited)	
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 10,951	\$ 11,678
Accrued expenses, including deferred revenue from gift certificates and gift cards of \$14,394 and \$18,890 at October 4, 2009 and January 4, 2009, respectively	35,223	46,866
Current portion of borrowings under senior revolving credit facility	3,500	
Current portion of obligation to financial institution	160	149
Accrued income taxes	795	980
Total current liabilities	50,629	59,673
Borrowings under senior revolving credit facility, less current maturities	70,000	60,800
Obligation to financial institution, less current maturities	2,936	3,057
Joint venture loan payable	2,805	2,794
Non-recourse loan	747	
Other liabilities	49,976	36,138
Total liabilities	177,093	162,462
Commitments and contingencies		
Stockholders' equity:		
Morton's Restaurant Group, Inc. and Subsidiaries:		
Preferred stock, \$0.01 par value per share. 30,000,000 shares authorized, none issued at October 4, 2009 and January 4, 2009, respectively		
Common stock, \$0.01 par value per share. 100,000,000 shares authorized, 17,124,419 and 17,013,607 issued and 15,892,419 and 15,781,607 outstanding at October 4, 2009 and January 4, 2009, respectively	171	170
Additional paid-in capital	169,344	167,773
Treasury stock, 1,232,000 shares at a weighted average cost of \$7.63 per share at October 4, 2009 and January 4, 2009	(9,395)	(9,395)
Accumulated other comprehensive income	294	234
Accumulated deficit	(87,263)	(75,677)
Total stockholders' equity of controlling interest	73,151	83,105
Noncontrolling interest, net of taxes	(272)	
Total stockholders' equity	72,879	83,105
	\$ 249,972	\$ 245,567

See accompanying notes to unaudited consolidated financial statements.

## MORTON S RESTAURANT GROUP, INC. AND SUBSIDIARIES

## Consolidated Statements of Operations

(amounts in thousands, except share and per share amounts)

	Three month periods ended		Nine month periods ended	
	October 4, 2009	September 28, 2008	October 4, 2009	September 28, 2008
			(unaudited)	
Revenues	\$ 64,134	\$ 73,030	\$ 203,298	\$ 244,217
Food and beverage costs	19,800	24,310	62,773	80,192
Restaurant operating expenses	38,532	40,003	116,808	122,401
Pre-opening costs	602	815	1,788	2,467
Depreciation and amortization	2,829	3,189	8,879	9,577
General and administrative expenses	3,642	5,846	12,191	19,078
Marketing and promotional expenses	1,423	1,586	4,807	5,478
Non-cash impairment charge		66,204		66,204
Charge related to legal settlements	1,129		11,696	
Operating loss	(3,823)	(68,923)	(15,644)	(61,180)
Write-off of deferred financing costs			206	
Interest expense, net	1,051	737	2,716	2,136
Loss before income taxes from continuing operations	(4,874)	(69,660)	(18,566)	(63,316)
Income tax benefit	(1,636)	(9,528)	(7,508)	(7,784)
Loss from continuing operations	(3,238)	(60,132)	(11,058)	(55,532)
Discontinued operations, net of taxes	(31)	(3,592)	(800)	(4,097)
Net loss	(3,269)	(63,724)	(11,858)	(59,629)
Net income (loss) attributable to noncontrolling interest	31		(272)	
Net loss attributable to controlling interest	\$ (3,300)	\$ (63,724)	\$ (11,586)	\$ (59,629)
Amounts attributable to controlling interest:				
Loss from continuing operations, net of taxes	\$ (3,269)	\$ (60,132)	\$ (10,786)	\$ (55,532)
Discontinued operations, net of taxes	(31)	(3,592)	(800)	(4,097)
Net loss	\$ (3,300)	\$ (63,724)	\$ (11,586)	\$ (59,629)
Basic net loss per share				
Continuing operations	\$ (0.21)	\$ (3.79)	\$ (0.68)	\$ (3.43)
Discontinued operations	\$ (0.00)	\$ (0.23)	\$ (0.05)	\$ (0.25)
Basic net loss per share	\$ (0.21)	\$ (4.02)	\$ (0.73)	\$ (3.68)
Diluted net loss per share				
Continuing operations	\$ (0.21)	\$ (3.79)	\$ (0.68)	\$ (3.43)
Discontinued operations	\$ (0.00)	\$ (0.23)	\$ (0.05)	\$ (0.25)
Diluted net loss per share	\$ (0.21)	\$ (4.02)	\$ (0.73)	\$ (3.68)
Shares used in computing net loss per share				
Basic	15,892,264	15,863,087	15,879,371	16,201,587
Diluted	15,892,264			