

MORGANS FOODS INC  
Form DEFM14A  
April 16, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

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

Definitive Additional Materials

Soliciting Material under §240.14a-12

Morgan's Foods, 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):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) 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:

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.:

(3) Filing Party:

(4) Date Filed:

---

April 17, 2014

Dear Fellow Shareholders:

You are cordially invited to attend a special meeting of shareholders of Morgan's Foods, Inc. to be held on May 22, 2014, at 10:00 a.m. (Eastern Time), at the Cleveland Marriott East Hotel, 26300 Harvard Road, Warrensville Heights, Ohio 44122.

On March 30, 2014, the Board of Directors approved a merger agreement among Morgan's Foods, Apex Restaurant Management, Inc. ("Apex"), and Apex Brands Foods, Inc., an Ohio corporation and wholly owned subsidiary of Apex, pursuant to which Morgan's Foods will become a wholly owned subsidiary of Apex and each of your Morgan's Foods common shares will be converted into the right to receive \$5.00 in cash, without interest. At the special meeting, in addition to the other proposals described below, the Board of Directors will ask you to adopt the merger agreement.

**The proxy statement accompanying this letter is furnished in connection with the solicitation by the Board of Directors of proxies to be used at the special meeting.**

The Board of Directors has carefully reviewed and considered the terms and conditions of the proposed merger. Based on its review, the Board of Directors has determined that the merger is advisable to and in the best interests of Morgan's Foods' shareholders. **Accordingly, the Board of Directors has unanimously approved the merger agreement and unanimously recommends that you vote FOR the adoption of the merger agreement.**

Your vote is very important. The merger may not be completed unless holders of at least two-thirds of Morgan's Foods common shares outstanding and entitled to vote at the special meeting vote to adopt the merger agreement.

Only holders of record of Morgan's Foods common shares at the close of business on April 11, 2014, will be entitled to vote at the special meeting. Please complete, sign, date and return your proxy. If you hold your shares in "street name," you should instruct your broker how to vote in accordance with your voting instruction form. Completing a proxy now will not prevent you from being able to vote at the special meeting by attending in person and casting a vote. Failure to submit a signed proxy or to vote in person at the special meeting will have the same effect as a vote against the adoption of the merger agreement.

The proxy statement explains the proposed merger and the merger agreement and provides specific information concerning the special meeting. Please read the entire proxy statement carefully.

Sincerely,

James J. Liguori  
*President and Interim Chief Executive  
Officer*

This proxy statement is dated April 17, 2014 and is first being mailed, along with the attached proxy card for our common shareholders on or about April 17, 2014.

---

**MORGAN'S FOODS, INC.**

4829 Galaxy Parkway, Suite S

Cleveland, Ohio 44128

---

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD MAY 22, 2014**

---

To Shareholders of Morgan's Foods, Inc.:

A special meeting of shareholders of Morgan's Foods, Inc. will be held at 10:00 a.m. (Eastern Time), on May 22, 2014, at the Cleveland Marriott East Hotel, 26300 Harvard Road, Warrensville Heights, Ohio 44122, unless adjourned or postponed to a later date. The special meeting is being held for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of March 30, 2014, by and among Morgan's Foods, Apex Restaurant Management, Inc., and Apex Brands Foods, Inc., a wholly owned subsidiary of Apex Restaurant Management, Inc. As a result of the merger, Morgan's Foods will become a wholly owned subsidiary of Apex Restaurant Management, Inc. and each outstanding Morgan's Foods common share will be converted into the right to receive \$5.00 in cash, without interest.
2. To approve, on an advisory (non-binding) basis, specified compensation that will be paid or may become payable to the named executive officers of Morgan's Foods in connection with the merger.
3. To approve adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

Only holders of record of Morgan's Foods common shares at the close of business on April 11, 2014, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements thereof. Each common share is entitled to vote on all matters that properly come before the special

meeting and is entitled to one vote on each matter properly brought before the special meeting.

**After careful consideration, our Board of Directors has approved the merger agreement and has declared the merger agreement and the transactions contemplated by the merger agreement to be fair to and in the best interests of the Company and our shareholders. Our Board of Directors recommends that holders of our common shares vote “FOR” the adoption of the merger agreement.** Morgan’s Foods cannot complete the merger unless the merger agreement is adopted by Morgan’s Foods’ shareholders. Adoption of the merger agreement requires the affirmative vote of holders of at least two-thirds of Morgan’s Foods common shares outstanding and entitled to vote at the special meeting.

The attached proxy statement describes the proposed merger and the actions to be taken in connection with the merger and provides additional information about the parties involved.

**Whether or not you plan to attend the special meeting, please complete, sign and date the enclosed proxy and return it promptly in the enclosed postage-paid return envelope, or give your proxy by telephone or over the Internet by following the instructions on the proxy card. You may revoke the proxy at any time prior to its exercise at the special meeting in the manner described in this proxy statement. Completing a proxy now will not prevent you from being able to vote at the special meeting by attending in person and casting a vote. Simply attending the special meeting however, will not revoke your proxy. If you attend the meeting and give the Company notice in open meeting that the proxy is revoked, your vote at the special meeting will supersede any previously submitted proxy. The provisions of the Ohio Revised Code relating to your dissenters’ rights are attached to the accompanying proxy statement as Annex D.**

---

**If you fail to return your proxy or to attend the special meeting in person, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote AGAINST the adoption of the merger agreement.**

By order of the Board of Directors,

Kenneth L. Hignett  
*Executive Vice President, Chief  
Financial Officer and Secretary*  
April 17, 2014

---

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR  
THE SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 22, 2014:**

**This proxy statement is available at [www.edocumentview.com/MRFD](http://www.edocumentview.com/MRFD).**

---

---



**TABLE OF CONTENTS**

SUMMARY	5
Parties to the Merger	5
Morgan’s Foods, Inc.	5
Apex Restaurant Management, Inc.	5
Apex Brands Foods, Inc.	5
The Special Meeting	5
Date, Time and Place	5
Purpose	5
Record Date; Shareholders Entitled to Vote	6
Voting and Proxies	6
Quorum	6
Vote Required	6
Effect of Abstentions and Broker Non-Votes on Voting	6
Expenses of Proxy Solicitation	7
Board of Directors Recommendation	7
The Merger and the Merger Agreement	7
Structure of the Merger	7
Morgan’s Foods Common Shares	7
Morgan’s Foods Stock Options	7
Opinion of Morgan’s Foods’ Financial Advisor	7
Conditions to the Merger	8
Termination of the Merger Agreement and Termination Fees	8
No Solicitation	8
Voting Agreement	8
Material United States Federal Income Tax Consequences	8
Interests of Morgan’s Foods Directors and Executive Officers in the Merger	9
Dissenters’ Rights of Morgan’s Foods Shareholders	9
QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER	9
The Merger	9
Other Special Meeting Proposals	11
Procedures	11
FORWARD-LOOKING STATEMENTS	13
THE SPECIAL MEETING	13
Date, Time and Place	14
Record Date; Shareholders Entitled to Vote	14
Attendance	14

Quorum	14
PROPOSALS TO BE CONSIDERED AT THE SPECIAL MEETING	14
PROPOSAL 1: THE MERGER	14
PROPOSAL 2: ADVISORY VOTE ON NAMED EXECUTIVE OFFICER MERGER-RELATED COMPENSATION	15
PROPOSAL 3: ADJOURNMENT	15
Voting and Proxies	16
Revocation of Proxies	17
Adjournments and Postponements	17
Dissenters' Rights of Morgan's Foods Shareholders	17
Solicitation Costs	18
Exchange of Share Certificates	18
THE MERGER	18
Background of the Merger	18
Morgan's Foods' Reasons for the Merger	22
Recommendation of the Board of Directors	25
Opinion of Morgan's Foods' Financial Advisor	25
Summary of Implied Share Values	27
Historical Trading Analysis	28
Selected Publicly Traded Company Analysis	28
Discounted Cash Flow Analysis	30
M&A Premiums Paid Analysis	30
Miscellaneous	31
Certain Financial Information	31
Interests of Morgan's Foods Directors and Executive Officers in the Merger	33
Treatment of Stock Options	33
Change in Control Agreements; Other Payments	33
Quantification of Payments and Benefits	35
Indemnification; Directors' and Officers' Insurance	35
Material United States Federal Income Tax Consequences	36
Summary Only	36
Merger	36
Medicare Tax on Unearned Income	37
Dissenters' Rights of Morgan's Foods Shareholders	37
Termination of Quotation of Morgan's Foods Common Shares	39
THE MERGER AGREEMENT	39
The Merger	39

Closing and Effective Time of the Merger	39
Consideration to be Received in the Merger	39
Cancellation of Shares	40
Treatment of Stock Options	40
Dissenters' Shares	40
Payment for Shares	40
Representations and Warranties	41
Covenants and Agreements	43
Operating Covenants	43
No Solicitation	45
Access to Information; Confidentiality	46
Indemnification and Insurance	47
Employee Benefit Matters	47
Financing Covenant	47
Conditions of the Merger	48
Termination	49
Termination Fee	50
Effect of Termination	50
Amendment	50
Extension; Waiver	50
THE VOTING AGREEMENT	50
Voting Matters and Grant of Proxy	51
Transfer and Other Restrictions	51
Termination	52
MARKET PRICE DATA	52
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	53
SHAREHOLDER PROPOSALS	54
WHERE YOU CAN FIND MORE INFORMATION	54

**ANNEXES**

Annex A - Merger Agreement

Annex B - Voting Agreement

Annex C - Brookwood Associates Fairness Opinion dated March 30, 2014

Annex D - Ohio Revised Code Sections 1701.84 and 1701.85

iv

---

## **Summary**

*This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. You should carefully read this entire proxy statement, including the annexes, and the other documents to which we have referred you. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.*

## **Parties to the Merger**

### ***Morgan's Foods, Inc.***

Morgan's Foods, Inc., an Ohio corporation ("Morgan's Foods" or the "Company"), which was formed in 1925, owns and operates 68 KFC, Taco Bell and Pizza Hut Express franchises in Ohio, Pennsylvania, West Virginia, Illinois, New York and Missouri. Our principal executive offices are located at Morgan's Foods, Inc., 4829 Galaxy Parkway, Suite S, Cleveland, Ohio 44128, and our telephone number is (216) 359-9000.

### ***Apex Restaurant Management, Inc.***

Apex Restaurant Management, Inc., a California corporation ("Apex"), was formed in 2005 and is one of the largest franchise organizations of Yum! Brands and Long John Silver's, with locations in Texas, Arkansas, Louisiana, Oklahoma and Illinois. Apex's principal executive offices are located at 1024 Serpentine Lane #101, Pleasanton, California 94566, and its telephone number is (469) 317-3900.

### ***Apex Brands Foods, Inc.***

Apex Brands Foods, Inc., an Ohio corporation ("Merger Sub"), is a direct wholly owned subsidiary of Apex formed solely for the purpose of effecting the merger with Morgan's Foods. Merger Sub has not conducted any unrelated activities since its organization. Merger Sub's principal executive offices are located at 17774 Preston Road, Dallas, Texas 75252, and its telephone number is (469) 317-3900.

**The Special Meeting (page 13)**

We are furnishing this proxy statement to our shareholders as part of the solicitation of proxies by our Board of Directors for use at the special meeting.

***Date, Time and Place***

The special meeting of shareholders of Morgan's Foods will be held at 10:00 a.m. (Eastern Time), on May 22, 2014, at the Cleveland Marriott East Hotel, 26300 Harvard Road, Warrensville Heights, Ohio 44122, unless adjourned or postponed to a later date.

***Purpose***

You will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, which is referred to as the merger agreement. The merger agreement provides that Merger Sub will merge with and into Morgan's Foods, and Morgan's Foods will become a wholly owned subsidiary of Apex. Each Morgan's Foods common share you own at the effective time of the merger will be converted into the right to receive \$5.00 in cash, without interest.

You will also be asked to approve, on a nonbinding, advisory basis, compensation that will or may be paid by Morgan's Foods to its named executive officers that is based on or otherwise relates to the merger, and to approve the adjournment of the special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the merger proposal.

***Record Date; Shareholders Entitled to Vote***

You are entitled to vote at the special meeting if you owned Morgan's Foods common shares as of the close of business on April 11, 2014, the record date for the special meeting. As of the record date, there were 4,050,147 Morgan's Foods common shares outstanding. You will have one vote on each matter submitted to a vote at the special meeting for each Morgan's Foods common share that you owned as of the close of business on the record date.

***Voting and Proxies***

Shareholders can vote their Morgan's Foods common shares on the adoption of the merger agreement at the special meeting in four ways, by (i) proxy; (ii) telephone; (iii) internet; or (iv) in person. See and read carefully "The Special Meeting - Voting and Proxies" beginning on page 16.

You may revoke your proxy at any time prior to the vote at the special meeting by delivering to Morgan's Foods' Corporate Secretary a signed notice of revocation or submitting a later-dated, signed proxy. You also may revoke your proxy in open meeting by attending the special meeting, giving the Company notice in open meeting that the proxy is revoked, and voting in person. Attendance at the special meeting will not, in and of itself, result in the revocation of a proxy or cause your Morgan's Foods common shares to be voted.

***Quorum***

A quorum of shareholders is necessary to hold a valid meeting. Under our Amended Code of Regulations, the holders of a majority of the outstanding Morgan's Foods common shares entitled to vote at the special meeting, present in person or by proxy, shall constitute a quorum.

The holders of a majority of the common shares present or represented at the special meeting, whether or not a quorum is present, may adjourn the meeting, without notice other than by announcement at the meeting, until the requisite number of shares shall be present or represented.

If you submit a properly executed proxy card, even if you abstain from voting, your Morgan's Foods common shares will be counted for purposes of determining whether a quorum is present at the special meeting. In the event that a quorum is not present at the special meeting or additional votes must be solicited to adopt the merger agreement, it is

expected that the meeting will be adjourned or postponed to solicit additional proxies.

***Vote Required***

Adoption of the merger agreement requires the affirmative vote of holders of at least two-thirds of Morgan's Foods common shares outstanding and entitled to vote at the special meeting. As of the record date, there were 4,050,147 Morgan's Foods common shares outstanding. Shareholders owning in the aggregate 1,539,222, or approximately 37%, of our common shares have entered into a voting agreement under which they have agreed to vote **FOR** the adoption of the merger agreement. See "The Voting Agreement" on page 50.

***Effect of Abstentions and Broker Non-Votes on Voting***

Abstentions and shares not in attendance and not voted at the special meeting will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement. Because brokers or banks holding Morgan's Foods common shares in "street name" may vote your Morgan's Foods common shares on the proposals to be considered at the special meeting only if you provide instructions on how to vote, your failure to provide instructions will result in your shares not being present at the meeting and not being voted on these proposals. Consequently, there cannot be any broker non-votes occurring in connection with any of the proposals at the special meeting. It is very important that all of our shareholders vote their Morgan's Foods common shares, so please promptly complete and return the enclosed proxy card.



### *Expenses of Proxy Solicitation*

Our directors, officers and other employees may solicit proxies in person, by telephone, electronically, by mail or other means, but they will not be specifically compensated for these services. Brokers, banks and other persons will be reimbursed by us for expenses they incur in forwarding proxy material to obtain voting instructions from beneficial shareholders. The total cost of solicitation of proxies will be borne by us. For a description of the costs and expenses to us of soliciting proxies, see “The Special Meeting — Solicitation Costs” on page 18.

### **Board of Directors Recommendation (page 25)**

The Board of Directors has found and declared that the merger agreement and the merger are advisable, fair to, and in the best interests of the Company and its shareholders, has unanimously approved the merger agreement and unanimously recommends that our shareholders vote **FOR** the adoption of the merger agreement.

### **The Merger and the Merger Agreement (pages 18 & 39)**

The rights and obligations of the parties to the merger agreement are governed by the specific terms and conditions of the merger agreement and not by any summary or other information in this proxy statement. Therefore, the information in this proxy statement regarding the merger agreement and the merger is qualified in its entirety by reference to the merger agreement, a copy of which is attached as Annex A. We encourage you to read the merger agreement carefully and in its entirety because it is the principal legal agreement that governs the merger.

### *Structure of the Merger*

At the effective time of the merger, Merger Sub, a wholly owned subsidiary of Apex, will be merged with and into Morgan’s Foods. Morgan’s Foods will continue as the surviving corporation and become a wholly owned subsidiary of Apex.

### *Morgan’s Foods Common Shares*

At the effective time of the merger, each Morgan's Foods common share, will be converted into the right to receive \$5.00 in cash, without interest. After the effective time of the merger, Morgan's Foods common shares will no longer be publicly traded.

### *Morgan's Foods Stock Options*

Pursuant to the merger agreement, we will take all action necessary so that, upon completion of the merger, each stock option outstanding immediately prior to the effective time of the merger will become fully vested and will be converted into the right to receive the excess, if any, of \$5.00 over the exercise price per share of the stock option multiplied by the number of Morgan's Foods common shares subject to the stock option, less any applicable withholding tax.

### *Opinion of Morgan's Foods' Financial Advisor*

In connection with the merger, our financial advisor, Brookwood Associates, L.L.C., delivered to our Board of Directors its written opinion that as of March 30, 2014, and based upon and subject to the factors, assumptions and limitations set forth therein, the consideration to be paid to holders of our common shares (other than Morgan's Foods, Apex, Merger Sub or their subsidiaries in the merger) was fair, from a financial point of view, to such holders. **Brookwood's opinion was directed solely to the Board of Directors for its benefit and use in evaluating the fairness of the transactions contemplated by the merger agreement. Brookwood's opinion relates only to the fairness, from a financial point of view, of the consideration to be received by Morgan's Foods shareholders (other than Morgan's Foods, Apex, Merger Sub or their subsidiaries) in the merger pursuant to the merger agreement, does not address any other aspect of the merger or any related transactions, and does not constitute a recommendation to any Morgan's Foods shareholder as to how such Morgan's Foods shareholder should vote or act with respect to the merger. No opinion or view was expressed**

**as to the relative merits of the merger in comparison to other strategies or transactions that might be available to us or in which we might engage or as to our underlying business decision to proceed with or effect the merger. The summary of Brookwood’s opinion is qualified in its entirety by reference to the full text of the opinion attached to this proxy statement as Annex C, including the assumptions made, procedures followed, matters considered and limits on the scope of the review undertaken by Brookwood in rendering its opinion. You are urged to read the entire opinion carefully and in its entirety to learn about the assumptions made, procedures followed, matters considered and limits on the scope of the review undertaken by Brookwood in rendering its opinion.**

### *Conditions to the Merger*

A number of conditions must be satisfied or waived before the merger can be completed. See and read carefully “The Merger Agreement— Conditions of the Merger” beginning on page 48. We can offer no assurance that all of the conditions will be satisfied or waived or that the merger will occur.

### *Termination of the Merger Agreement and Termination Fees*

The merger agreement may be terminated by the mutual written consent of us and Apex, or by either us or Apex, under certain specified circumstances. Upon termination of the merger agreement under certain specified circumstances, we may be required to pay a termination fee of \$500,000 to Apex. See and read carefully “The Merger Agreement— Termination” beginning on page 49, “The Merger Agreement — Termination Fee” beginning on page 50 and “The Merger Agreement—Effect of Termination” beginning on page 50.

### *No Solicitation*

The merger agreement restricts our ability to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire a significant interest in us. However, under certain circumstances, if we receive an unsolicited takeover proposal from a third party that our Board of Directors determines in good faith (after consultation with counsel and its financial advisor) could result in such takeover proposal becoming a superior proposal, we may furnish nonpublic information to that third party and engage in negotiations regarding a takeover proposal with that third party, subject to specified conditions. See and read carefully “The Merger Agreement—Covenants and Agreements—No Solicitation” beginning on page 45.

### **Voting Agreement (page 50)**

In connection with the merger agreement, certain of our shareholders, who are referred to as the voting agreement shareholders and who owned collectively 1,539,222, or approximately 37%, of our issued and outstanding common shares, entered into a voting agreement with Apex and Merger Sub and agreed to vote Morgan's Foods common shares held by them at the time of the special meeting for the adoption of the merger agreement at the special meeting.

**Material United States Federal Income Tax Consequences (page 36)**

Generally, a holder of Morgan's Foods common shares will recognize taxable gain or loss for United States federal income tax purposes equal to the difference between (1) the amount of cash such holder receives and (2) the adjusted tax basis of such holder's Morgan's Foods common shares exchanged therefor.

You should read "The Merger—Material United States Federal Income Tax Consequences" beginning on page 36 for a more complete discussion of the United States federal income tax consequences of the merger. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular circumstances. We urge you to consult your own tax advisor to fully understand the tax consequences of the merger to you (including the application and effect of any state, local, or foreign income and other tax laws).

### **Interests of Morgan's Foods Directors and Executive Officers in the Merger(page 33)**

When considering the recommendation of the Board of Directors with respect to the adoption of the merger agreement, you should be aware that some of our directors and executive officers have interests in the merger that may be different from, or in addition to, their interests as shareholders and the interests of shareholders generally. The Board of Directors was aware of these interests during its deliberations on the merits of the merger and in deciding to recommend that you vote for the adoption of the merger agreement at the special meeting. For a more detailed discussion of these interests, see "The Merger— Interests of Morgan's Foods Directors and Executive Officers in the Merger" beginning on page 33.

### **Dissenters' Rights of Morgan's Foods Shareholder(page 37)**

Under Ohio law, if you own Morgan's Foods common shares and do not vote in favor of adopting the merger agreement, you will have the right to seek appraisal of the fair value of your Morgan's Foods common shares under Sections 1701.84 and 1701.85 of the Ohio Revised Code ("ORC") if the merger is completed. This value could be more than, less than, or the same as the merger consideration for Morgan's Foods common shares. Failure to strictly comply with all procedures required by Section 1701.85 of the ORC will result in a loss of the right to appraisal.

Merely voting against the adoption of the merger agreement will not preserve your right to appraisal under the ORC. Also, because a submitted proxy not marked "against" or "abstain" will be voted "for" the proposal to adopt the merger agreement, the submission of a proxy not marked "against" or "abstain" will result in the waiver of dissenters' rights. If you hold shares in the name of a broker or other nominee, you must instruct your nominee to take the steps necessary to enable you to demand appraisal for your Morgan's Foods common shares.

Annex D to this proxy statement contains the full text of Sections 1701.84 and 1701.85 of the ORC, which relate to dissenters' rights. We encourage you to read these provisions carefully and in their entirety.

### **Questions And Answers About the Special Meeting and The Merger**

#### **The Merger**

**Q. Why am I receiving this proxy statement?**

A. Apex has agreed to acquire Morgan's Foods under the terms of the merger agreement that is described in this proxy statement. A copy of the merger agreement is attached to this proxy statement as Annex A.

In order to complete the merger, our shareholders must vote to adopt the merger agreement. We are seeking to obtain this approval at the special meeting to be held on May 22, 2014. The approval of this proposal by our shareholders is a condition to the consummation of the merger. See "The Merger Agreement— Conditions of the Merger" beginning on page 48.

This proxy statement, which you should read carefully, contains important information about the merger, the merger agreement and the special meeting of our shareholders. The enclosed voting materials allow you to vote your shares without attending the special meeting.

Your vote is very important. We encourage you to vote as soon as possible.

**Q. What is the position of the Board of Directors of Morgan's Foods regarding the merger?**

A. The Board of Directors conducted a review of strategic alternatives to maximize shareholder value. **The Board of Directors has unanimously approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, and has determined that the merger is advisable to and in the best interests of Morgan's Foods and its shareholders. The Board of**

**Directors unanimously recommends that Morgan’s Foods shareholders vote FOR the proposal to adopt the merger agreement at the special meeting. See “The Merger— Morgan’s Foods’ Reasons for the Merger” beginning on page 22.**

**Q. What vote of Morgan’s Foods shareholders is required to adopt the merger agreement?**

The adoption of the merger agreement requires the affirmative vote of the holders of at least two-thirds of the Morgan’s Foods common shares outstanding and entitled to vote at the special meeting. If a Morgan’s Foods A. shareholder does not vote, it will have the same effect as a vote **AGAINST** the adoption of the merger agreement. Shareholders owning in the aggregate 1,539,222, or approximately 37%, of our common shares have entered into a voting agreement under which they have agreed to vote **FOR** the adoption of the merger agreement.

**Q: What do I need to do now?**

This proxy statement contains important information regarding the special meeting, the merger agreement and the merger, as well as information about the Company, the directors and our named executive officers. It also contains A. important information about some of the factors our board of directors considered in approving the merger agreement and the merger. We urge you to read this proxy statement carefully, including the annexes. You may also want to review the documents referenced in the section captioned “Where You Can Find More Information” beginning on page 54.

**Q. What rights do I have if I own shares and oppose the merger?**

You can vote your common shares against approval and adoption of the merger agreement by indicating a vote A. against the proposal on your proxy or by voting against the merger proposal in person at the special meeting. Under the applicable provisions of Ohio law, dissenters’ rights are available to holders of our common shares with respect to the merger. See “The Merger — Dissenters’ Rights of Morgan’s Foods Shareholders” beginning on page 37.

**Q. How do Morgan’s Foods directors and executive officers intend to vote their Morgan’s Foods common shares in respect of adoption of the merger agreement?**

All of our directors and all of our executive officers have informed us that they currently intend to vote all of their Morgan’s Foods common shares **FOR** the adoption of the merger agreement. Certain shareholders, JCP Investment Management, LLC, an affiliate of Board member James C. Pappas, which beneficially owns approximately 11.7% A. of the Company’s outstanding common shares and Bandera Master Fund L.P., an affiliate of Board member Jefferson P. Gramm, which beneficially owns approximately 25.3% of the Company’s outstanding common shares, have entered into voting agreements under which they have agreed to vote all of their Morgan’s Foods common shares **FOR** the adoption of the merger agreement.

**Q. What will happen to my Morgan's Foods common shares after the merger?**

Upon completion of the merger, each issued and outstanding Morgan's Foods common share will automatically be converted into the right to receive \$5.00 in cash, without interest, which is referred to as the merger consideration. After the effective time of the merger, Morgan's Foods common shares will no longer be publicly traded.

**Q. Should I send in my share certificates now?**

No. Promptly after the completion of the merger, our common shareholders will receive a letter of transmittal describing how you may exchange your common shares for the common share merger consideration. At that time, you must send your share certificates with your completed letter of transmittal to the paying agent. You should not send your certificates to us or anyone else until you receive these



instructions. You will receive payment of your common share merger consideration after the paying agent receives from you a properly completed letter of transmittal accompanied by your certificates.

**Q. When does Morgan's Foods expect the merger to be completed?**

A. We are working to complete the merger as quickly as possible. In addition to obtaining shareholder approval, we must satisfy all other closing conditions. Because a vote of our common shareholders is only one of the conditions to completion of the mergers, we can give you no assurance as to when or whether the merger will occur. We currently expect to complete the merger during the late spring or summer of 2014.

**Q. Who can help answer my questions about the merger?**

If you have any questions about the merger or if you need additional copies of this proxy statement or the enclosed A. proxy card, you should contact us at: Morgan's Foods, Inc., 4829 Galaxy Parkway, Suite S, Cleveland, Ohio 44128, Telephone: (216) 359-9000, Attention: Secretary of the Company, Kenneth L. Hignett.

**Other Special Meeting Proposals**

**Q. Am I being asked to vote on any other proposals at the special meeting?**

The proposals set forth in the notice of meeting will be the only business considered at the meeting. Our Amended Code of Regulations limit the business that can be transacted at special meetings to the subjects stated in the notice. In the event that a quorum is not present at the special meeting or additional votes must be solicited to adopt the A. merger agreement, it is expected that the meeting will be adjourned or postponed to solicit additional proxies to adopt the merger agreement. If any other matters were to properly come before the meeting, the persons named in the accompanying proxy card as proxies will vote in their discretion the common shares represented by all properly executed proxies on such matters.

**Procedures**

**Q. When and where is the special meeting?**

A. The special meeting will be held at 10:00 a.m. (Eastern Time), on May 22, 2014, at the Cleveland Marriott East Hotel, 26300 Harvard Road, Warrensville Heights, Ohio 44122.

**Q: Who is entitled to notice of and to attend the special meeting?**

Only our common shareholders of record at the close of business on the record date, April 11, 2014, are entitled to receive notice of and to attend the special meeting. You may be asked to present evidence that you are a Company shareholder and photo identification for admittance.

**Q: Who is entitled to vote at the special meeting?**

Only our common shareholders of record at the close of business on the record date are entitled to vote the common shares they held on the record date at the special meeting, or any postponements or adjournments of the special meeting. Each common shareholder has one vote for each common share owned on the record date.

**Q: What happens if I sell my common shares before the special meeting?**

A: If you held your common shares on the record date but transfer them before the special meeting without granting a proxy, you will retain your right to vote at the special meeting but not the right to receive the merger consideration for those common shares. The right to receive the merger consideration will pass to the person who owns your common shares when the merger is completed.

**Q: How do I vote my common shares?**

Complete, sign, date and return the enclosed proxy card in the postage-paid envelope provided, vote by telephone (1-800-652-VOTE (8683)) or internet (www.investorvote.com/MRFD), or submit your proxy in accordance with A: the voting instruction form received from any bank, brokerage firm or other nominee that may hold your common shares on your behalf as soon as possible so that your common shares can be voted at the special meeting. See “The Special Meeting - Voting and Proxies” beginning on page 16.

**Q. If my Morgan’s Foods shares are held in “street name” by my broker or bank, will my broker or bank vote my shares for me?**

Your broker or bank will vote your Morgan’s Foods common shares for you on the adoption of the merger agreement only if you provide instructions on how to vote. You should follow the directions provided by your A: broker or bank regarding how to instruct your broker or bank to vote your Morgan’s Foods common shares. If you do not provide instructions to your bank or broker, your Morgan’s Foods common shares will not be voted on the adoption of the merger agreement, which will have the effect of a vote **AGAINST** the adoption of the merger agreement.

**Q: May I vote my common shares in person?**

Yes. You may vote in person at the special meeting, rather than submitting a proxy, if you own common A: shares in your own name. If your shares are held in “street name” through a bank, brokerage firm or other nominee, you may vote in person at the special meeting by obtaining a legal proxy from your bank, brokerage firm or other nominee and presenting it at the special meeting.

**Q. If I am going to attend the special meeting, should I return my proxy card?**

Yes. Returning your signed and dated proxy card ensures that your shares will be represented and voted at the special meeting. You may revoke your proxy at any time prior to the vote at the special meeting by delivering to A: our Corporate Secretary a signed notice of revocation or submitting a later-dated, signed proxy following the instructions provided on the proxy card. You also may revoke your proxy by attending the special meeting, giving the Company notice in open meeting that the proxy is revoked, and voting in person. See “Summary —The Special Meeting— Voting and Proxies” on page 6.

**Q: May I change my vote after I have submitted my proxy?**

A: Yes. You may change your vote at any time before the common shares reflected on your proxy are voted at the special meeting. If you own your common shares in your name, you can do this in one of three ways. First, you can send a written notice of revocation of your proxy to the Secretary of the Company at our principal executive

offices. Second, you can complete, sign, date and return a new proxy card with a later date than your previously submitted proxy. Third, you can attend the meeting and revoke your proxy in open meeting. Simply attending the meeting, however, will not revoke your proxy. If you attend the meeting and give the Company notice in open meeting that the proxy is revoked, your vote at the meeting will supersede your previously submitted proxy. If you have instructed a bank, brokerage firm or other nominee to vote your common shares, you must follow the directions received from the bank, brokerage firm or other nominee to change your instructions.

**Q. What if I don't vote in respect of the proposal to adopt the merger agreement?**

A. If you are a registered shareholder and you return a signed proxy card without indicating your vote, your shares will be voted **FOR** the proposal to adopt the merger agreement.

**Q: What happens if I do not return a proxy card or vote at the special meeting?**

A: If you fail to return your signed proxy card or vote in person at the special meeting, or if you mark your proxy “abstain,” the effect will be the same as voting **AGAINST** approval and adoption of the merger agreement.

**Q: Where can I find more information about the Company?**

A: We file certain information with the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934 (as amended, the “Exchange Act”). You may read and copy this information at the SEC’s public reference facilities. You may call the SEC at 1-800-SEC-0330 for information about these facilities. This information is also available at the Internet site the SEC maintains at [www.sec.gov](http://www.sec.gov) and on our website at [www.morgansfoods.com](http://www.morgansfoods.com). Information contained on our website is not part of, or incorporated in, this proxy statement. You can also request copies of these documents from us. See “Where You Can Find More Information” beginning on page 54.

**Forward-Looking Statements**

Certain statements and assumptions in this proxy statement are based on “forward-looking” information and involve risks and uncertainties. We believe that such statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include those that may predict, forecast, indicate or imply future results, performance or achievements. These statements are subject to numerous risks, assumptions and uncertainties that could cause actual results, performance or achievements to differ materially from those suggested by our forward-looking statements. Although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements could be incorrect. Such risks, assumptions and uncertainties include the failure of Morgan’s Foods shareholders to adopt the merger agreement; the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement; the outcome of any legal proceeding that may be instituted against us and others following the announcement of the merger agreement; the failure to close for any other reason; the amount of the costs, fees, expenses and charges related to the merger; the effect of the announcement of the merger on our key franchisor and supplier relationships, operating results and business generally, including the ability to retain key employees; and disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers. Morgan’s Foods disclaims any obligation to update and revise statements contained in these materials based on new information or otherwise.

Words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “hopes,” “targets” or similar expressions are intended to identify forward-looking statements, which speak only as to the date of this proxy statement. It is not possible to predict all risk factors or to estimate the impact of these factors. Accordingly, shareholders should not place undue reliance on our forward-looking statements.

The foregoing review of important factors that could cause actual events to differ from expectations should not be construed as exhaustive and should be read in conjunction with statements that are included herein and elsewhere, including the risk factors included in Morgan's Foods' most recent Annual Report on Form 10-K and Morgan's Foods' more recent other reports filed with the SEC. Morgan's Foods can give no assurance that the conditions to the merger agreement will be satisfied. Except as required by applicable law, Morgan's Foods undertakes no obligation to revise or update any forward-looking statement, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

### **The Special Meeting**

We are furnishing this proxy statement to our shareholders as part of the solicitation of proxies by our Board of Directors for use at the special meeting of shareholders in connection with the proposed merger and the other items to be voted on at the special meeting. This proxy statement provides our shareholders with the information they need to know to be able to vote or instruct their vote to be cast at the special meeting.

### **Date, Time and Place**

We will hold the special meeting on May 22, 2014 at 10:00 a.m. (Eastern Time), at the Cleveland Marriott East Hotel, 26300 Harvard Road, Warrensville Heights, Ohio 44122.

### **Record Date; Shareholders Entitled to Vote**

The record date for the special meeting is April 11, 2014. Record holders of Morgan's Foods common shares at the close of business on the record date are entitled to vote or have their votes cast at the special meeting. On the record date, there were outstanding 4,050,147 Morgan's Foods common shares. Shareholders will have one vote for the merger and any other matter properly brought before the special meeting for each Morgan's Foods common share they owned on the record date.

### **Attendance**

If you are a shareholder of record, that is, you hold your shares in an account with our transfer agent, Computershare Trust Company, N.A., or you have a Morgan's Foods share certificate, and received information about our special meeting in the mail you may attend the special meeting. If your shares are held in "street name," that is, you hold your shares in an account with a bank, brokerage firm or other nominee, and you plan to attend the meeting in person, evidence that you are a Company shareholder, such as a recent account statement, will be required to attend the special meeting. If your shares are held in "street name," in order to vote at the meeting you must obtain a legal proxy, executed in your favor, from your brokerage firm or other holder of record.

### **Quorum**

A quorum of shareholders is necessary to hold a valid meeting. Under our Amended Code of Regulations, the holders of a majority of the outstanding Morgan's Foods common shares entitled to vote at the special meeting, present in person or by proxy, shall constitute a quorum. Abstentions are counted as present for establishing a quorum.

The holders of a majority of the common shares present or represented at the special meeting, whether or not a quorum is present, may adjourn the meeting without notice other than by announcement at the meeting, until the requisite number of shares shall be present or represented.

If you submit a properly executed proxy card, even if you abstain from voting or vote against the adoption of the merger agreement, your Morgan's Foods common shares will be counted for purposes of calculating whether a quorum is present at the special meeting. If a quorum is not present at the special meeting or additional votes must be solicited to adopt the merger agreement, it is expected that the meeting will be adjourned or postponed to solicit additional proxies. If a new record date is set for the adjourned meeting, however, then a new quorum would have to be established at the adjourned meeting.

### **Proposals to be Considered at the Special Meeting**

#### **Proposal 1: The Merger**

As discussed elsewhere in this proxy statement, our shareholders will consider and vote on a proposal to adopt the merger agreement. You should read carefully this proxy statement in its entirety for more detailed information concerning the merger agreement and the merger. In particular, you should read in its entirety the merger agreement, which is attached as Annex A to this proxy statement.

**The Board of Directors unanimously recommends that Morgan's Foods shareholders vote FOR the adoption of the merger agreement.**



If you return a properly executed proxy card but do not indicate instructions on your proxy card, your Morgan's Foods common shares represented by such proxy card will be voted **FOR** the adoption of the merger agreement

Adoption of the merger agreement requires the affirmative vote of holders of at least two-thirds of Morgan's Foods common shares outstanding and entitled to vote at the special meeting. Shareholders owning in the aggregate 1,539,222, or approximately 37%, of our common shares have entered into a voting agreement under which they have agreed to vote **FOR** the adoption of the merger agreement.

Abstentions and shares not in attendance and not voted at the special meeting will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement. **It is very important that ALL of our shareholders vote their Morgan's Foods common shares, so please promptly complete and return the enclosed proxy card.**

### **Proposal 2: Advisory Vote on Named Executive Officer Merger-Related Compensation**

In accordance with Section 14A of the Exchange Act, Morgan's Foods is providing its shareholders with the opportunity to cast a nonbinding, advisory vote on the compensation that will be paid or may become payable to the named executive officers of Morgan's Foods in connection with the merger, the value of which is set forth in the table titled "Golden Parachute Compensation" on page 35. This proposal, commonly known as "say-on-golden parachutes," is referred to in this proxy statement as the named executive officer merger-related compensation proposal. As required by Section 14A of the Exchange Act, Morgan's Foods is asking its shareholders to vote on the adoption of the following resolution:

**"RESOLVED**, that the compensation that will be paid or may become payable to Morgan's Foods's named executive officers in connection with the merger, as disclosed under "The Merger— Interests of Morgan's Foods Directors and Executive Officers in the Merger— Quantification of Payments and Benefits," including the table "Golden Parachute Compensation," associated footnotes and narrative discussion related thereto, is hereby **APPROVED**."

The vote on the named executive officer merger-related compensation proposal is a vote separate and apart from the vote on the merger proposal. Accordingly, you may vote to approve the merger proposal and vote not to approve the named executive officer merger-related compensation proposal, and vice versa. Because the vote to approve the named executive officer merger-related compensation proposal is only advisory in nature, it will not be binding on Morgan's Foods, Apex or the surviving corporation. Because Morgan's Foods is contractually obligated to make the

potential merger-related payments to the executive officers, the compensation will be payable, subject only to the conditions applicable thereto, if the merger proposal is approved and regardless of the outcome of the advisory vote.

Approval of the named executive officer merger-related compensation proposal requires the affirmative vote of the holders of a majority of the votes cast with respect to this matter in person or represented by proxy at the special meeting and entitled to vote thereon (provided a quorum is present in person or by proxy). Abstentions and the failure to vote your shares will have no effect on the outcome of the proposal. Because the vote is advisory, it will not be binding upon the Company.

**The Morgan's Foods Board of Directors unanimously recommends that the Morgan's Foods shareholders vote "FOR" the named executive officer merger-related compensation proposal.**

### **Proposal 3: Adjournment**

Morgan's Foods shareholders may be asked to approve a proposal that will give the Board of Directors authority to adjourn the special meeting for the purpose of soliciting additional proxies in favor of the merger

proposal if there are not sufficient votes at the time of the special meeting to approve the merger proposal. Under Morgan's Foods Amended Code of Regulations, if a quorum does not exist, the special meeting may be adjourned to another place, date or time if the motion to adjourn is approved by the holders of a majority of the voting shares represented at the special meeting in person or represented by proxy. If this adjournment proposal is approved, the special meeting could also be adjourned by the Morgan's Foods Board of Directors. If the special meeting is adjourned or postponed for the purpose of soliciting additional proxies, shareholders who have already submitted their proxies will be able to revoke them at any time prior to their use. If you sign and return a proxy and do not indicate how you wish to vote on any proposal, your shares will be voted in favor of the adjournment proposal. Morgan's Foods does not intend to call a vote on this proposal if the merger proposal has been approved at the special meeting.

**The Morgan's Foods Board of Directors unanimously recommends that the Morgan's Foods shareholders vote "FOR" the adjournment proposal.**

### **Voting and Proxies**

If you are a shareholder of record, this proxy statement and proxy card have been sent directly to you by the Company. If your shares are held in "street name" in an account with a bank, brokerage firm or other nominee, this proxy statement has been forwarded to you by your bank, brokerage firm or other nominee. As the beneficial owner of Company common shares, you have the right to instruct your bank, brokerage firm or other nominee how to vote your shares by following their instructions for voting.

Shareholders who hold Morgan's Foods common shares can vote shares on matters presented at the special meeting in four ways:

(i) *By Proxy.* You can vote by signing, dating and returning the enclosed proxy card. If you do this, the proxies will vote your Morgan's Foods common shares in the manner you indicate. All properly executed proxies that we receive prior to the vote at the special meeting, and that are not revoked, will be voted in accordance with the instructions indicated on the proxies. If you do not indicate instructions on the card, your Morgan's Foods common shares will be voted **FOR** the adoption of the merger agreement.

(ii) *By Telephone.* After reading the proxy materials and with your proxy and voting instruction form in front of you, you may call the toll-free number 1-800-652-VOTE (8683) using a touch-tone telephone. You will be prompted to enter your control number from your proxy and voting instruction form. This number will identify you and Morgan's Foods. Then you can follow the simple instructions that will be given to you to record your vote.

(iii) *Over the Internet.* After reading the proxy materials and with your proxy and voting instruction form in front of you, you may use your computer to access the Web site [www.investorvote.com/MRFD](http://www.investorvote.com/MRFD). You will be prompted to enter your control number from your proxy and voting instruction form. This number will identify you and Morgan's Foods. Then you can follow the simple instructions that will be given to you to record your vote.

(iv) *In Person.* You may attend the special meeting and cast your vote in person.

The Internet and telephone voting procedures have been set up for your convenience and have been designed to authenticate your identity, allow you to give voting instructions and confirm that those instructions have been recorded properly. If you vote by proxy, regardless of the method you choose to vote, the individuals named on the enclosed proxy card, and each of them, with full power of substitution, or your proxies, will vote your common shares of the Company in the way that you indicate. When completing the Internet or telephone processes or the proxy card, you may specify whether your common shares of the Company should be voted for or against or to abstain from voting on all, some or none of the specific items of business to come before the special meeting.

How you vote will in no way limit your right to vote at the meeting if you later decide to attend in person. However, if your shares are held in "street name," you must obtain a legal proxy, executed in your favor, from your brokerage firm or other holder of record, to be able to vote at the meeting.

Brokers or banks holding Morgan's Foods common shares in "street name" may vote your Morgan's Foods common shares on the adoption of the merger agreement only if you provide instructions on how to vote. Brokers or banks will provide you with directions on how to instruct the broker or bank to vote your Morgan's Foods common shares, and you should carefully follow these instructions.

If you properly sign your proxy card but do not mark the boxes showing how your common shares of the Company should be voted on a matter, the common shares of the Company represented by your properly signed proxy will be voted **FOR** the proposal to adopt the merger agreement, **FOR** the say-on-golden parachutes advisory vote, and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

**It is important that you vote your common shares of the Company promptly. Whether or not you plan to attend the special meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy card or submit your proxy by telephone or the Internet.**

If you have any questions about how to vote or direct a vote in respect of your Morgan's Foods common shares, you may contact Morgan's Foods, Inc., 4829 Galaxy Parkway, Suite S, Cleveland, Ohio 44128, Telephone: (216) 359-9000, Attention: Secretary of the Company, Kenneth L. Hignett.

**Shareholders should not send in their share certificates with their proxies.** A transmittal form with instructions for the surrender of certificates representing Morgan's Foods common shares will be mailed to shareholders if the merger is completed.

#### **Revocation of Proxies**

Any proxy given by a Morgan's Foods shareholder may be revoked at any time before it is voted at the special meeting by doing any of the following:

delivering a written notice bearing a date later than the date of the first proxy to Morgan's Foods' Corporate Secretary stating that the first proxy is revoked;

completing, signing and delivering a proxy card relating to the same Morgan's Foods common shares and bearing a later date than the date of the previous proxy; or

attending the special meeting, giving the Company notice in open meeting that the proxy is revoked, and voting in person.

### **Adjournments and Postponements**

Although it is not currently expected, the special meeting may be adjourned or postponed, including for the purpose of soliciting additional proxies as described in this proxy statement under the heading “Proposal 3: Adjournment” if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or if a quorum is not present at the special meeting. Other than an announcement to be made at the special meeting of the time, date and place of an adjourned meeting, an adjournment generally may be made without notice. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow the Company’s shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting that was adjourned or postponed.

### **Dissenters’ Rights of Morgan’s Foods Shareholders**

Under Ohio law, if you own Morgan’s Foods common shares and do not vote in favor of adopting the merger agreement, you will have the right to seek appraisal of the fair value of your Morgan’s Foods common shares under Sections 1701.84 and 1701.85 of the ORC, if the merger is completed. This value could be more than, less than, or the same as the merger consideration for Morgan’s Foods common shares. Failure to strictly comply with all procedures required by Section 1701.85 of the ORC will result in a loss of the right to appraisal.

Merely voting against the adoption of the merger agreement will not preserve your right to appraisal under the ORC. Also, because a submitted proxy not marked “against” or “abstain” will be voted “for” the proposal to adopt the merger agreement, the submission of a proxy not marked “against” or “abstain” will result in the waiver of dissenters’ rights. If you hold shares in the name of a broker or other nominee, you must instruct your nominee to take the steps necessary to enable you to demand appraisal for your Morgan’s Foods common shares. See “The Merger — Dissenters’ Rights of Morgan’s Foods Shareholders” beginning on page 37.

### **Solicitation Costs**

We are soliciting the enclosed proxy card on behalf of our Board of Directors. In addition to solicitation by mail, our directors, officers and employees may solicit proxies in person, by telephone or by electronic means. These persons will not be specifically compensated for doing this.

We will bear the cost of our solicitation of proxies. We will ask banks, brokers and other custodians, nominees and fiduciaries to forward our proxy solicitation materials to the beneficial owners of Morgan’s Foods common shares held of record by such nominee holders. We will reimburse these nominee holders for their customary clerical and mailing expenses incurred in forwarding the proxy solicitation materials to the beneficial owners.

### **Exchange of Share Certificates**

Our shareholders should not send share certificates with their proxies. Separate transmittal documents for the surrender of certificated and uncertificated Morgan’s Foods common shares in exchange for cash merger consideration will be mailed to our shareholders as soon as practicable following completion of the merger. See “The Merger Agreement— Payment for Shares” beginning on page 40.

### **The Merger**

The discussion in this proxy statement of the merger and the principal terms of the merger agreement is subject to, and is qualified in its entirety by reference to, the merger agreement, a copy of which is attached to this proxy statement as Annex A. You should read the entire merger agreement carefully.

## **Background of the Merger**

Morgan's Foods' Board of Directors and management team regularly evaluate Morgan's Foods' business and operations, long-term strategic goals, alternatives to maximize shareholder value, and prospects as an independent company. Morgan's Foods' Board of Directors also regularly reviews the strategic alternatives available to Morgan's Foods, including the purchase or sale of stores or groups of stores, expanding into other brands, strategic combinations, joint ventures or other strategic alliances, refinancing, recapitalizing or reorganizing the Company, or the sale or merger of the entire Company.

Based on these reviews and discussions, in late summer 2013, the Board of Directors and management determined the time was appropriate to formally evaluate the potential strategic alternatives available to the Company, including the level of potential interest in an acquisition of certain or all of Morgan's Foods' stores or an acquisition of the whole Company, and engage a financial advisor to assist it in conducting the strategic review process.

On September 19, 2013, the Board of Directors met to consider retaining Brookwood as financial advisor to assist the Board of Directors in this process. The Board of Directors discussed the objectives of the proposed engagement, including a review of the possible and expected outcomes. After discussion, the Board of Directors concluded, based on Brookwood's extensive experience and contacts in the quick-service restaurant business, that Brookwood was an ideal financial advisor to assist the Board of Directors in this process and resolved to hire Brookwood.



On September 23, 2013, Morgan's Foods engaged Brookwood and publicly announced that the Board of Directors was evaluating the strategic alternatives available to the Company with Brookwood's assistance.

At a regularly scheduled meeting of the Board of Directors on October 8, 2013, the Board of Directors discussed the preliminary potential buyer list prepared by Brookwood and the strategies for the potential redeployment of capital should the process result in a sale of some or all of the Company's stores as opposed to a sale of the whole Company.

In late October 2013, Brookwood, on behalf of Morgan's Foods, began contacting a number of strategic and financial buyers in order to determine whether any of those entities would be interested in considering an acquisition of some or all of Morgan's Foods' stores. The entities selected to be contacted were chosen based on factors including perceived interest in Morgan's Foods' businesses, familiarity with franchise operations, financial position and ability to consummate a transaction.

During this period, Brookwood contacted or had initial discussions with 88 parties potentially interested in a transaction involving Morgan's Foods, including Apex and 30 other potential strategic buyers and 57 private equity firms. Thirty of these parties, including Apex and ten other potential strategic buyers and 19 private equity firms, executed confidentiality agreements. Each of these 30 parties received certain summary non-public information regarding Morgan's Foods and was requested to provide a non-binding, preliminary indication of interest by December 17, 2013.

On December 17, 2013, Morgan's Foods received seven non-binding indications of interest. On December 23, 2013, Brookwood presented a summary of these seven non-binding indications of interest to Morgan's Foods' management. On December 30, 2013, two more non-binding indications were received, including from Apex. Some of the non-binding indications of interest contemplated a stock purchase, while others contemplated an asset purchase and others, including Apex, did not indicate a deal structure. Those indications of interest that contemplated an asset deal included the purchase of all of Morgan's Foods' stores.

The Board of Directors met for a special meeting on December 30, 2013, to review the nine non-binding indications of interest that had been received to date. Representati