

MORGANS FOODS INC
Form PREM14A
April 04, 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 (Amendment No.)**

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: Common Shares, without par value

(2) Aggregate number of securities to which transaction applies: 4,162,814 Company common shares, which consists of: (A) 4,050,147 Common Shares issued and outstanding as of April 4, 2014; and (B) 112,667 stock options to purchase Common Shares outstanding as of April 4, 2014.

(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): In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.0001288 by the underlying value of the transaction of \$20,645,069.50, which has been calculated as the sum of (A) the product of 4,050,147 Common Shares issued and outstanding as of April 4, 2014 and the merger consideration of \$5.00 per Common Share; plus (B) the product of: 112,667 stock options to purchase Common Shares outstanding as of April 4, 2014 with an exercise price below \$5.00 and (ii) the difference between \$5.00 per share and the weighted-average exercise price of such options of \$1.50 per share.

(4) Proposed maximum aggregate value of transaction: \$20,645,069.50

(5) Total fee paid: \$2,659.08

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:

**Preliminary Proxy Statement – Subject to Completion
Dated April 4, 2014**

[_____], 2014

Dear Fellow Shareholders:

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

Morgan's Foods' Board of Directors recently conducted a review of strategic alternatives to maximize shareholder value. As a result of this review, the Board of Directors approved a merger agreement among Morgan's Foods, Apex Restaurant Managements, 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 [_____], 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 [_____], 2014 and is first being mailed, along with the attached proxy card for our common shareholders on or about [_____], 2014.

MORGAN'S FOODS, INC.

4829 Galaxy Parkway, Suite S

Cleveland, Ohio 44128

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD [_____] , 2014

To Shareholders of Morgan's Foods, Inc.:

A special meeting of shareholders of Morgan's Foods, Inc. will be held at [_____] a.m.] (Eastern Time), on [_____] , 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 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 [_____] , 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
[_____], 2014

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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

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Summary

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. 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. Apex owns and operates Long John Silver's, A&W, and KFC multi-brand restaurants in Texas, Arkansas, Louisiana, Oklahoma and Illinois. Apex's principal executive offices are located at 7405 Hughes Drive, Plano, Texas 75024, and its telephone number is (469) 317-3900.

Apex Brands Foods, Inc.

Apex Brands Foods, Inc., an Ohio corporation, which we refer to as 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 7405 Hughes Drive, Plano, Texas 75024, 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 [_____ a.m.] (Eastern Time), on [_____], 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 [_____], 2014, the record date for the special meeting. As of the record date, there were [_____] 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 [_____] 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 & 38)

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 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 47. 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 48, “The Merger Agreement — Termination Fee” beginning on page 49 and “The Merger Agreement— Effect of Termination” beginning on page 49.

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 44.

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.

Certain United States Federal Income Tax Consequences (page 35)

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—Certain United States Federal Income Tax Consequences" beginning on page 35 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 32)

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 32.

Dissenters' Rights of Morgan's Foods Shareholders (page 36)

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 [_____], 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 47.

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 53.

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 36.

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?

A. 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?

A. If you have any questions about the merger or if you need additional copies of this proxy statement or the enclosed 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?

A. 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 objects 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 merger agreement, it is expected that the meeting will be adjourned or postponed to solicit additional proxies to adopt the merger agreement. If adjournment, postponement or 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 [_____ a.m.] (Eastern Time), on [_____], 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?

A:

Only our common shareholders of record at the close of business on the record date, [_____], 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?

A: Only our common shareholders of record at the close of business on the record date are entitled to vote common shares that 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?

The record date for the special meeting, [_____], 2014, is earlier than the date of the special meeting. If you held your common shares on the record date but transfer them before the special meeting without granting a proxy, A: 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-___-___-___]) or internet ([_____]), or submit your proxy in accordance with 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?

A. 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 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?

A: Yes. You may vote in person at the special meeting, rather than submitting a proxy, if you own common 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?

A. 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 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 in open meeting 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 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?

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 and on our website at 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 53.

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 [_____], 2014 at [_____ 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 [_____], 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 [_____] 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.

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 34. 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-___-___-___] 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 [_____]. 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 36.

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 39.

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. Representatives of Brookwood discussed with the Board of Directors the status of the various bidders' participation in the process, and reviewed the background and structure of each of the non-binding indications of interest. Brookwood also reviewed with the Board of Directors Brookwood's preliminary valuation analysis of Morgan's Foods, which preliminary valuation analysis was subsumed by the final valuation analysis that was presented by Brookwood to the Board of Directors on March 30, 2014, and described below under the caption — "Opinion of Brookwood Associates, Inc." This preliminary valuation analysis had previously been discussed with management of Morgan's Foods and James Pappas, Chairman of the Board of Directors.

At the December 30, 2013 Board of Directors meeting, representatives of Brookwood also reviewed the proposed schedule of, and materials to be discussed at, management presentations to be held in mid-January 2014. The Board of Directors then had an extensive discussion of the bids received and the possible strategic direction of the Company, including how to use the sales proceeds, if the transaction were structured as an asset sale. At the conclusion of the meeting, the Board of Directors authorized management and Brookwood to continue discussions with the potential bidders, focusing on the six entities, including Apex, the Board of Directors believed had the highest likelihood of submitting a successful bid.

At a regularly scheduled meeting held on January 14, 2014, management updated the Board of Directors on the progress of the auction, noting that management presentations had been scheduled with five potential bidders for later that week. After a lengthy discussion, the Board of Directors concluded that no definitive decisions could be made regarding a sale or restructuring of the business until the management presentations had been concluded and final bids received.

Between January 15 and 17, 2014, five bidders, including Apex, participated in presentations conducted by Morgan's Food's management. In addition, one other party participated in a conference call with management as opposed to an in-person meeting.

Throughout the remainder of January, the bidders continued their financial due diligence review of Morgan's Foods, which included follow-up discussions with Morgan's Food's senior management and representatives of Brookwood and a review of certain non-public information pursuant to the terms of the confidentiality agreements between the bidders and the Company.

On January 21, 2014, senior management of Morgan's Foods, representatives of Brookwood Associates, representatives of Tucker Ellis, and Mr. Pappas held a meeting to discuss transaction structures and review a draft of the final bid instruction letter. Management discussed the tax aspects of an asset sale or a sale of the Company's subsidiaries versus a sale of all of the equity of Morgan's Foods. Representatives of Tucker Ellis discussed the corporate aspects of winding up a company after a sale of all of its assets, including the fact that a shareholder vote would be necessary for such a transaction. After an extensive discussion, Brookwood was instructed to indicate in the final bid instruction letter that the Company preferred that any purchase transaction be structured as an acquisition of all of the Company's equity, as opposed to an asset deal or a purchase of the Company's subsidiaries.

On January 23, 2014, a final bid instruction letter was distributed to the six bidders who had either attended the management presentations or participated in a conference call with management and to one additional bidder who had not participated in any management presentation. These bidders were requested to submit final bids by February 7, 2014. These bidders also continued their respective due diligence investigations of Morgan's Foods, to varying degrees, during this period.

On February 7 and 8, 2014, five of the bidders who had received the final bid instruction letter, including Apex, submitted their bids. All except one of these bids contemplated a stock purchase. The other two parties who had received the final bid instruction letter did not submit a bid.

On February 15, 2014, the Board of Directors met with management, representatives of Brookwood and representatives of Tucker Ellis to review the bids received the previous week. The meeting initially convened without Brookwood present, and representatives of Tucker Ellis reviewed with the Board of Directors its fiduciary duties in general and how they may be affected in the context of a sale of control of the Company. The Board of Directors also discussed the possibility, should it decide to pursue a sale of the Company, of obtaining a fairness opinion from an investment bank other than Brookwood. Finally, the Board of Directors discussed and determined to form a Transaction Committee comprised of Mr. Pappas and Jacob Saour for the purpose of reviewing and monitoring the bid process on behalf of the Board of Directors. The Transaction Committee was not authorized to approve any transaction on behalf of the Board of Directors.

Brookwood was then invited to join the meeting and reviewed the five bids that were submitted. The Board of Directors discussed with management and representatives of Brookwood and Tucker Ellis the differences between a stock deal and an asset deal, including the tax inefficiencies of an asset deal compared to a stock deal, and the value that would be realized by shareholders under the different structures. The Board of Directors also discussed the alternatives of winding up the Company or reinvesting the sales proceeds if a transaction were structured as an asset deal. Based on this discussion, the Board of Directors concluded that a stock deal would be more likely to generate greater shareholder value than an asset deal. The representatives of Brookwood then left the meeting.

The Board of Directors then had an extensive discussion regarding all aspects of the auction process and the consideration of strategic alternatives. The Board of Directors discussed in more detail the various bids, including the differences to shareholder value of a stock versus asset transaction. The Board of Directors discussed if there was a minimum acceptable price at which to sell the Company, whether any of the bids received would meet that minimum acceptable price if one were set, and whether the Board of Directors should consider keeping the Company independent and pursuing strategic alternatives other than a sale. After an extended discussion of value and strategy, the Board of Directors determined to instruct Brookwood to negotiate higher values from each of the remaining bidders, and that those bids should be expressed on a per share basis as opposed to an enterprise value basis.

Brookwood then contacted the five bidders remaining in the process, including Apex, to encourage them to submit a revised bid that contemplated only an acquisition of all of the equity of Morgan's Foods, that had their highest and best offer, and that was expressed on a per share basis. The bidder whose bid had contemplated an asset purchase dropped out of the process. Over the next couple weeks, Brookwood had multiple conversations with the four remaining bidders to provide information from Morgan's Foods necessary for them in arriving at a per share offer taking into account the Company's outstanding debt and cash on hand.

In the evening on February 25, 2014, the Board of Directors met with management and representatives of Brookwood and Tucker Ellis to discuss the four remaining bids, only three of which had been revised by the respective bidders to present a per share offer. Two of the bids, the one submitted by Apex and the one submitted by Company X, were significantly higher than the other two bids. Apex had submitted an offer of \$4.51 per share, and Company X had submitted an offer that was slightly less. Just prior to the start of the meeting, however, Company X submitted a revised offer that exceeded Apex's offer. The Board of Directors, management and representatives of Brookwood discussed the likelihood, given the escalating bids during the day, of either or both of Apex and Company X making higher bids.

The Board of Directors also discussed the respective reputations of Apex and Company X, the terms and conditions of the two bids, the financing capability of the two bidders and the potential timing to signing a definitive agreement. After a lengthy discussion regarding the strategy for approaching the two bidders, the Board of Directors instructed Brookwood to request that both Apex and Company X submit their highest and best offers by February 27, 2014, for Brookwood to express a belief that a bid of at least \$5.00 would be necessary to win the auction, and for each bidder to confirm that there would be no conditions to closing contained in the definitive merger agreement other than a standard representation and warranty and covenant bring down.

During the day on February 26, 2014, representatives of Brookwood had multiple conversations with representatives of Apex and Company X regarding improving their bids. By the end of the day, Apex had submitted a final and best offer of \$5.00 per share while Company X had submitted a final and best offer that was less than \$5.00 per share. Later that evening, the members of the Transaction Committee met with Brookwood to review the two bids. The Transaction Committee determined that the Apex bid was superior because the Company X bid was at a lower cash price, Apex was "Growth Ready" approved by KFC, and because Apex was obtaining its debt financing from Huntington Bank, which is Morgan's Foods' current lender, thus making the receipt of debt financing, as well as due diligence, easier and less time consuming for management. The Transaction Committee authorized management, Brookwood and Tucker Ellis to negotiate with Apex and its advisors to arrive at a final negotiated deal by Monday, March 31, 2014, at or above \$5.00 per share.

On March 5, 2014, Tucker Ellis circulated a draft merger agreement to Apex's counsel.

On March 10, 2014, the Board of Directors met with management and representatives of Tucker Ellis to consider whether to have Brookwood render a fairness opinion on the proposed merger with Apex or to hire a second financial advisor to render the opinion. Representatives of Tucker Ellis reviewed the state of the law regarding whether receipt of a success fee by a financial advisor created a disqualifying conflict of interest in rendering a fairness opinion, and concluded that receipt of a success fee, standing alone, should not create such a conflict of interest. Management of Morgan's Foods noted that since it was engaged on September 23, 2013, Brookwood had become intimately familiar with the financial details of the Company, and thus there would be fewer demands on the resources of the Company for Brookwood to provide the opinion. The Board of Directors also discussed Brookwood's extensive experience with transactions in the quick-service restaurant space. After extensive discussion, the Board of Directors unanimously determined to retain Brookwood to provide the fairness opinion should the Board of Directors conclude to move forward with the merger with Apex.

Between March 17, 2014, when Apex's counsel circulated its first set of comments to the merger agreement, and March 30, 2014, representatives of Tucker Ellis and legal counsel to Apex negotiated the terms of the merger agreement, in particular, closing conditions, termination events, termination fees and related triggers, and the identity of Apex, and Apex concluded its due diligence review of Morgan's Foods. Representatives of Tucker Ellis consulted frequently with the members of management and the Transaction Committee during these negotiations with Apex's counsel.

On the afternoon of March 30, 2014, the Board of Directors convened a special meeting to consider the proposed merger with Apex. The Board of Directors reviewed with Morgan's Foods' management and legal and financial advisors the status of negotiations with Apex as well as the terms and conditions of Apex's debt commitment letter. Representatives of Tucker Ellis reviewed with the members of the Board of Directors their fiduciary duties in the context of sale of control of the Company. Representatives of Tucker Ellis also reviewed the material terms and conditions of the merger agreement, as reflected in the then current draft, including the Board of Directors' non-solicitation obligations and fiduciary out, conditions to closing and the termination fees applicable in situations in which the merger was made the subject of competitive bids from third parties or in which the Board of Directors withdrew its recommendation of the merger. Representatives of Brookwood then reviewed the financial aspects of the proposed merger. At the conclusion of its presentation, Brookwood delivered its opinion to the Board of Directors to the effect that, as of March 30, 2014, and based upon and subject to the various considerations and assumptions discussed, the merger consideration to be received by the holders of Morgan's Foods' common shares (other than Morgan's Foods, Apex, Merger Sub or their subsidiaries) pursuant to the merger agreement was fair, from a financial point of view, to those holders. Following a thorough discussion, the Board of Directors unanimously determined that the merger is advisable to, and in the best interests of, Morgan's Foods and its shareholders and approved the merger and the merger agreement, resolved to recommend that Morgan's Foods' shareholders vote to adopt the merger agreement, and authorized its executive officers to execute and deliver the merger agreement.

On March 30, 2014, the parties executed and delivered the merger agreement, and on March 31, 2014, the parties announced the signing of the merger agreement.

Morgan's Foods' Reasons for the Merger

During the course of reaching its decision to approve the merger and the transactions contemplated by the merger agreement, the Board of Directors considered a number of factors and consulted the Company's senior management and outside financial and legal advisors.

The Board of Directors considered a number of potentially positive factors in its deliberations, including, among other matters:

discussions with management regarding the Company's business, financial condition, results of operations, competitive position, business strategy, strategic options and prospects, as well as the risks involved in achieving these prospects, the nature of the Company's business and the industry in which it competes, and current industry, economic and market conditions, both on a historical and on a prospective basis, which led the Board of Directors to conclude that the merger presented an opportunity for Morgan's Foods shareholders to realize greater value than the value likely to be realized by shareholders over the short to medium term in the event the Company remained independent or pursued other alternatives evaluated in the review process;

the review of the possible alternatives to a sale of Morgan's Foods that had been considered by the Board of Directors over the years, including the purchase or sale of stores or groups of stores, expanding into other brands, strategic combinations, joint ventures or other strategic alliances, or refinancing, recapitalizing or reorganizing the Company, the value to shareholders of such alternatives and the timing and likelihood of actually achieving additional value from these alternatives, and the Board's assessment that none of these options was reasonably likely to create value for shareholders in the short to medium term greater than the merger consideration;

that the Board of Directors considered the interests of shareholders in connection with a potential strategic transaction, directed the process conducted by Brookwood Associates, including through the Transaction Committee, met numerous times to discuss possible alternatives available to the Company, including a sale, and representatives of Brookwood Associates and Tucker Ellis were available during those meetings to answer questions of the Board of Directors;

that the merger was agreed to only after a comprehensive strategic review process pursuant to which 88 potential purchasers were contacted, which process included, for certain parties, management presentations, due diligence sessions, and the submission of multiple non-binding proposals to acquire all or a portion of the Company;

that, in addition to formally contacting 88 potential purchasers, Brookwood also had informal private conversations at industry trade shows and conferences with a broad base of market participants they believed might be interested in acquiring all or a portion of the Company;

that the merger was agreed to by the Board of Directors only after the issuance on September 23, 2013 of a press release regarding a review of Company's strategic alternatives, significant publicity concerning the review of strategic alternatives, the possibility that the Company may be sold, and the passage of a significant period of time between issuance of the press release and approval of the merger agreement;

that the two final bidders in the auction process were, in the Board of Directors' view, the two strongest buyers in the quick-service restaurant industry and the most likely to be able to complete a transaction quickly, and that the \$5.00 per share merger consideration was the highest price offered as a result of active bidding between these two bidders on the bid deadline;

the current and historical market prices of Morgan's Foods' shares relative to the \$5.00 per share merger consideration, and the fact that the merger consideration represents a 61.3% premium over the closing price of Morgan's Foods' common shares on September 20, 2013 (the last full trading day prior to the announcement to consider strategic alternatives) and a 100% premium over the closing price of Morgan's Foods' common shares on March 28, 2014 (the last full trading day prior to the Board's approval of the merger agreement);

the Board of Director's assessment that Morgan's Foods' common share price was not likely to trade at or above the \$5.00 per share merger consideration, were the merger not consummated;

the fact that the merger consideration consists entirely of cash, which provides certainty of value to holders of Morgan's Foods common shares compared to a transaction in which shareholders receive stock or other securities;

the financial analyses of Brookwood Associates presented to the Board of Directors on March 30, 2014, as well as the opinion of Brookwood Associates, dated as of March 30, 2014, to the Board of Directors as to the fairness, from a financial point of view and as of the date of the opinion, of the consideration to be paid to the holders of Company common shares (other than Morgan's Foods, Apex, Merger Sub or their subsidiaries) in the proposed merger, as more fully described below under the caption "Opinion of Morgan's Foods' Financial Advisor" beginning on page 25;

the fact that Morgan's Foods shareholders who dissent from the merger will have dissenters' rights, as described in the section entitled "The Merger — Dissenters' Rights of Morgan's Foods Shareholders" beginning on page 36;

the terms of the merger agreement, as reviewed by the Board of Directors with the Company's legal advisors, including:

sufficient operating flexibility for the Company to conduct its business in the ordinary course between the execution of the merger agreement and consummation of the merger;

the fact that the completion of the merger is not conditioned on Apex's obtaining financing;

the fact that the conditions required to be satisfied prior to completion of the merger are customary and can be expected to be fulfilled in the ordinary course and the corresponding likelihood that the merger will be consummated;

the Company's ability to furnish information to and conduct negotiations with third parties under certain circumstances, as more fully described in "The Merger Agreement — No Solicitation" beginning on page 44; and

the ability of the Board of Directors to recommend a more favorable unsolicited acquisition proposal to Company shareholders and the Company's corresponding right to terminate the merger agreement upon the payment of a \$500,000 termination fee to Apex;

Apex's financial capability, as indicated by the financing commitment received by Apex;

the view of the Board of Directors, based upon the advice of senior management after consultation with legal counsel, that no regulatory approvals are necessary; and

the view of the Board of Directors, after consultation with legal counsel, that the conditions to Apex's obligation to complete the merger, and the right of Apex to terminate the merger agreement under certain circumstances, are not significant, see "The Merger Agreement— Termination" beginning on page 48.

The Board of Directors also considered a number of potentially negative factors in its deliberations concerning the merger, including, but not limited to:

the risk that, notwithstanding the likelihood of the merger being completed, the merger might not be completed, including the effect of the pendency of the merger and such failure to be completed may have on:

the trading price of Morgan's Foods common shares;

Morgan's Foods' operating results, including the costs incurred in connection with the transaction;

Morgan's Foods' ability to attract and retain key personnel; and

Morgan's Foods' ability to maintain key franchisor and supplier relationships;

that the Company will no longer exist as a publicly traded company and that shareholders will no longer participate in the future growth of the business;

that, under the terms of the merger agreement, the Company cannot solicit other acquisition proposals and the Company must pay Apex a termination fee if the merger agreement is terminated under certain circumstances, which may deter other parties from proposing an alternative transaction that may be more advantageous to shareholders;

the fact that gains from an all-cash transaction would generally be taxable to shareholders for United States federal income tax purposes;

that if the merger does not close, the Company's employees will have expended extensive time and efforts to attempt to complete the transaction and will have experienced significant distractions from their work during the pendency of

the transaction; and

the risks and contingencies related to the announcement and pendency of the merger, including the likely impact on key franchisor and supplier relationships and the potential effect of the merger on existing relationships with other third parties.

During its consideration of the merger with Apex, the Board of Directors was also aware that some of our directors and executive officers have interests in the merger that are in addition to or differ from those of our shareholders generally, as described in “The Merger—Interests of Morgan’s Foods Directors and Executive Officers in the Merger” beginning on page 32.

This summary is not meant to be an exhaustive description of the information and factors considered by the Board of Directors but is believed to address the material information and factors considered by each of them. In view of the wide variety of factors considered by the Board of Directors, it is not possible to quantify or to give relative weights to the various factors. After taking into consideration all of the factors set forth above, as well as other factors not specifically described above, the Board of Directors unanimously concluded that the merger is advisable to, and in the best interests of, Morgan’s Foods shareholders and approved the merger agreement and the transactions contemplated by the merger agreement.

Recommendation of the Board of Directors

At its meeting on March 30, 2014, after due consideration, the Board of Directors unanimously approved the merger agreement and unanimously recommended that Morgan's Foods shareholders vote **FOR** the adoption of the merger agreement.

Opinion of Morgan's Foods' Financial Advisor

Brookwood was retained to act as the financial advisor to the Board of Directors to render certain investment banking services including soliciting offers for the possible sale of Morgan's Foods.

As part of its engagement, the Board of Directors requested the opinion of Brookwood as to the fairness, from a financial point of view, to the holders of the outstanding common shares (other than Morgan's Foods, Apex, Merger Sub or their subsidiaries) of Morgan's Foods, Inc. of the \$5.00 per share cash consideration to be received by such shareholders (other than Morgan's Foods, Apex, Merger Sub or their subsidiaries) pursuant to the merger agreement. On March 30, 2014, Brookwood delivered its oral opinion to the Board of Directors and subsequently confirmed in writing, that, as of that date and based upon and subject to the assumptions, qualifications and limitations stated in the opinion, the \$5.00 per share cash consideration to be received by the shareholders (other than Morgan's Foods, Apex, Merger Sub or their subsidiaries) pursuant to the merger was fair, from a financial point of view, to such shareholders.

Brookwood provided the opinion described above for the information and assistance of the Board of Directors (in their capacity as directors and not in any other capacity) in connection with its consideration of the merger. The terms of the merger agreement, including the amount and form of the consideration payable in the merger, were determined through negotiations between Morgan's Foods and Apex, and were approved by the Board of Directors. Brookwood did not determine or recommend any specific consideration to the Board of Directors or that any specific consideration constituted the only appropriate consideration for the merger. During the course of Brookwood's engagement, at the request of the Board of Directors, Brookwood contacted certain parties to solicit indications of interest regarding a transaction involving Morgan's Foods. This process resulted in certain bids which culminated in Morgan's Foods decision to enter into the merger agreement. Brookwood considered the results of such solicitation in rendering its opinion. The opinion described above delivered to the Board of Directors was reviewed and approved by Brookwood's Fairness Opinion Committee. Brookwood has consented to the inclusion in this proxy statement of its opinion and the description of its opinion appearing under this subheading "Opinion of Brookwood."

The full text of Brookwood's written opinion, dated March 30, 2014, is attached as Annex C to this proxy statement and incorporated into this proxy statement by reference. 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. 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. Brookwood did not consider and expressed no opinion as to the amount or nature of the compensation to any of Morgan's Foods' officers, directors or employees (or any class of such persons) relative to the merger consideration payable to public shareholders. Brookwood did not address the merits of the underlying decision by Morgan's Foods to engage in the merger or the merits of any other potential alternative available to Morgan's Foods. The following 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.

In connection with Brookwood's review of the merger and the preparation of its opinion, Brookwood examined or discussed, among other things:

the financial terms of the March 28, 2014 draft of the merger agreement;

certain publicly available financial, business and operating information related to the Company that Brookwood deemed relevant;

certain internal financial, operating and other data with respect to the historical, current and future operations, financial condition and prospects of the Company prepared and furnished to Brookwood by the management of the Company;

certain internal financial projections for the Company that were prepared for financial planning purposes and furnished to Brookwood by the management of the Company;

certain publicly available market and securities data of the Company (including historical trading prices and volume);

certain financial data, transaction terms, and the imputed prices and trading activity of certain other publicly-traded companies that Brookwood deemed relevant for purposes of the opinion; and

other information, financial studies, analyses and investigations and other factors that Brookwood deemed relevant for purposes of the opinion.

Brookwood also conducted discussions with members of the senior management of Morgan's Foods concerning the historical, current and future financial condition, operating results, business and prospects for Morgan's Foods.

Brookwood relied upon and assumed the accuracy, completeness and fair presentation of the financial, accounting and other information furnished or otherwise made available to it by Morgan's Foods, discussed with or otherwise reviewed by Brookwood, or publicly available, and has not assumed responsibility independently to verify such information or any liability therefore. Brookwood also assumed, in reliance upon the assurances of management, that the information provided by Morgan's Foods was prepared on a reasonable basis in accordance with industry practice and, with respect to financial forecasts, projections and other estimates and other business outlook information, reflected the best currently available estimates and judgments of management, was based on reasonable assumptions, and that there was not (and that management of the Company was not aware of) any information or facts that would make the information provided or otherwise made available to Brookwood incomplete or misleading. With respect to Morgan's Foods forecasts and estimates, Brookwood was advised by Morgan's Foods, and assumed, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the

management of the Company as to the future financial performance of the Company. Brookwood expressed no opinion as to such financial forecasts, projections and other estimates and business outlook information or the assumptions on which they are based. Further, Brookwood relied, with Morgan's Foods consent, on advice of the outside counsel and the independent accountants to Morgan's Foods, and on the assumptions of the management of Morgan's Foods, as to all accounting, legal, tax and financial reporting matters with respect to the Company and the merger agreement. Furthermore, in arriving at its opinion, Brookwood was not requested to make, and has not made, any physical inspection of the properties or facilities of Morgan's Foods.

Brookwood assumed that the final form of the merger agreement would be substantially similar to the last draft it had reviewed. Brookwood also assumed, at the direction of Morgan's Foods, that the merger would be consummated in accordance with its terms, without waiver, modification, or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the merger, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, would be imposed that would have an adverse effect on Morgan's Foods or the merger. Brookwood did not perform any appraisals or valuations of any specific assets or liabilities (fixed, contingent, off-balance sheet or other) of Morgan's Foods, and has not been furnished with any such appraisals or valuations. Brookwood expresses no opinion regarding the liquidation value or solvency of any entity.

Brookwood's opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Morgan's Foods as of, the date of its opinion. In performing its analyses, Brookwood considered industry performance, general business and economic conditions and other matters, many of which are beyond Morgan's Foods control. Estimates of the financial value of companies do not purport to be appraisals or reflect the prices at which companies may actually be sold. It should be understood that, although subsequent developments may affect Brookwood's opinion, Brookwood does not have any obligation to update, revise or reaffirm its opinion.

The following is a summary of the material analyses performed and material factors considered by Brookwood in connection with its opinion. Brookwood performed certain procedures, including each of the analyses described below, and reviewed with the Board of Directors the assumptions upon which such analyses were based, as well as other factors. Although the summary does not purport to describe all of the analyses performed or factors considered by Brookwood in this regard, it does set forth those considered by Brookwood to be material in arriving at its opinion. The preparation of an opinion regarding fairness does not involve a mathematical evaluation or weighing of the results of the individual analyses performed, but requires Brookwood to exercise its professional judgment, based on its experience and expertise, in considering a wide variety of analyses taken as a whole. Each of the analyses conducted by Brookwood was carried out in order to provide a different perspective on the financial terms of the merger and add to the total mix of information available. Accordingly, Brookwood believes that selecting portions of its analyses and factors, without considering all analyses and factors, could create a misleading or incomplete view of the processes underlying Brookwood's analyses and opinion. Brookwood arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and believes that the totality of the factors considered and analyses it performed in connection with its opinion operated collectively to support its determination as to the fairness of the merger consideration from a financial point of view as of the date of Brookwood's opinion.

This summary includes information presented in tabular format, which tables must be read together with the corresponding text, and considered as a whole, in order to fully understand the financial analyses presented by Brookwood. The tables alone do not constitute a complete summary of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Brookwood's financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before March 28, 2014, and is not necessarily indicative of current market conditions.

Summary of Implied Share Values

Brookwood assessed the fairness of the per share merger consideration to the holders of Morgan's Foods common shares (other than Morgan's Foods, Apex, Merger Sub or their subsidiaries), by assessing the value of Morgan's Foods using several methodologies, including selected publicly traded company analysis, discounted cash flow analysis and M&A premiums paid analysis, each of which is described in more detail in the summaries set forth below. Each of these methodologies was used to generate implied valuation ranges that were compared to the per share merger

consideration of \$5.00. In rendering its opinion, Brookwood did not utilize or rely on a Selected Precedent Transactions Analysis as Brookwood determined in the exercise of its professional judgment that there was insufficient publicly available information regarding acquisitions of companies sufficiently comparable to Morgan's Foods to make such an analysis meaningful.

The following table shows the ranges of implied valuation per common share of Morgan's Foods derived under each of these methodologies. The table should be read together with the more detailed summary of each of these valuation analyses as set forth below. Each of these ranges is below the \$5.00 per share merger consideration:

Historical Trading Analysis

Brookwood observed the historical trading prices of Morgan's Foods for the last twelve months and for the last three years ending March 28, 2014. Brookwood noted that over the last twelve months, Morgan's closing share price ranged from a low of \$1.50 per share to a high of \$4.55 per share, with a volume weighted average price of \$3.24 per share. Brookwood also noted that over the past three years, Morgan's Foods closing share price ranged from a low of \$0.02 per share to a high of \$4.55 per share, with a volume weighted average price of \$1.25 per share. Brookwood's analysis of historical trading concluded that 100% of those shares that traded in the last twelve months and 100% of those shares that traded over the past three years traded below the merger consideration of \$5.00 per share. The below chart provides the respective premiums of the merger consideration to historical prices over the last twelve months.

Selected Publicly Traded Company Analysis

Brookwood reviewed and compared certain financial information relating to Morgan's Foods to corresponding financial information, ratios and public market multiples for a selected group of publicly-traded companies in the restaurant industry. Although none of the selected companies was identical or directly comparable to Morgan's Foods, the companies listed were selected because they are publicly traded companies with market capitalizations below \$150 million, many of which represent QSR franchisee operations. Carrol's Restaurant Group was also included because its standing as a 100% franchisee of a QSR concept. Additionally, Yum! Brands, the franchisor of the KFC, Taco Bell and Pizza Hut concepts, was also included as these are all concepts which Morgan's Foods operates under as a franchisee. Brookwood identified and analyzed seven comparable public companies:

Ark Restaurants, Corp.

Brazil Fast Food Corp.

Carrol's Restaurant Group, Inc.

Flanigan's Enterprises, Inc.

Granite City Food & Brewery Ltd.

Meritage Hospitality Group Inc.

YUM! Brands, Inc.

Among the information Brookwood considered were revenue, EBITDA (earnings before interest, taxes, depreciation and amortization) and EBIT (earnings before interest and taxes). Brookwood considered the enterprise value for each company (including Morgan's Foods), which Brookwood calculated as the equity values based on closing share prices on March 28, 2014 (the last trading day prior to Brookwood's distribution of its analysis to the Board of Directors), plus total debt, minority interest and preferred stock, less cash and cash equivalents. Enterprise Values were then divided by the revenue, EBITDA and EBIT for each company for the last twelve months for which results were publicly available, which we refer to as LTM, to arrive at certain multiples. The operating results and the corresponding derived multiples for Morgan's Foods and each of the selected public companies were based on each company's most recent available publicly disclosed financial information and closing share prices as of March 28, 2014. For Morgan's Foods and each of the selected public companies, Brookwood considered EBITDA and EBIT on an adjusted basis, to eliminate the impact of non-recurring, non-operating or non-cash items.¹ The implied enterprise value of Morgan's Foods is based on the equity value implied by the merger consideration plus the total debt, less cash and cash equivalents held by Morgan's Foods as of February 2, 2014 (the period twelve 2014 balance provided to Apex and other potential acquirers in the process identified before).

Brookwood then compared the multiples implied for Morgan's Foods based on the merger, to the range of trading multiples for the aggregate group of selected public companies. Information regarding the multiples from Brookwood's analysis of selected publicly traded companies is set forth in the following table.

Mathematical analysis, such as determining the average or median, is not in itself a meaningful method of using comparable company data. Brookwood performed this analysis to understand the multiples of revenue, EBITDA and EBIT, of these comparable public companies based upon market prices.

Based on the estimates and assumptions used in the comparable public companies analysis, the multiples implied by the merger consideration were above or within the range of the trading multiples of the comparable public companies. Based on the various judgments concerning relative comparability of each of the selected companies to Morgan's Foods, Brookwood did not rely solely on the quantitative results of the comparable public companies analysis in developing a reference range or otherwise applying its analysis. Based on the various judgments identified above, Brookwood estimated that an appropriate valuation range for Morgan's Foods is between 5.0x and 6.0x PF LTM P12 2014 Adjusted EBITDA. The implied valuation range for Morgan's Foods based on this comparable public companies analysis results in an implied price per share range of \$3.50 to \$4.39 per share.

1 Non-recurring, non-operating and non-cash expenses, include but not limited to restaurant closure and impairment expenses, gains/losses on asset disposals, pension settlement charges and early extinguishment of debt.

Discounted Cash Flow Analysis

Brookwood performed a discounted cash flow analysis of Morgan's Foods to calculate the estimated present value of the standalone, unlevered, after-tax free cash flows that Morgan's Foods was forecasted to generate during the Company's fiscal years 2015 through 2019 based on the projections provided by Morgan's Foods management. In this analysis, Brookwood assumed terminal multiples of Fiscal Year 2019 EBITDA ranging from 5.0x to 6.0x and assumed discount rates ranging from 18.1% to 20.1%. The terminal multiples range was derived from the relevant multiple ranges of the selected public companies analysis. The discount rate range was derived based upon a weighted average cost of capital analysis using the capital asset pricing model.

Brookwood aggregated the present value of the free cash flows over the applicable forecast period with the present value of the range of terminal values to arrive at an implied enterprise value range. Brookwood derived a range of diluted equity value per share by deducting Morgan's Foods' net debt as of February 2, 2014, from the resulting enterprise value range and by dividing by Morgan's Foods' total diluted shares outstanding, including in-the-money options. The implied valuation range for Morgan's Foods based on the discounted cash flow analysis was \$2.56 to \$3.34 per share.

M&A Premiums Paid Analysis

Brookwood reviewed data from 99 acquisitions of publicly traded companies, in which majority of the target's equity was acquired for cash and stock consideration at an equity value below or equal to \$100 million, occurring after January 1, 2011. Brookwood also reviewed data from a subset of 84 transactions within the same parameters, in which majority of the target's equity was acquired for 100% cash consideration at an equity value below or equal to \$100 million, occurring after January 1, 2011. Brookwood calculated the premiums paid relative to the target's share price one day and 30 days prior to the date the transaction was announced. The table below compares the premiums paid in these transactions to the premium that would be paid to Morgan's Foods shareholders based on the per share merger consideration.

Based on the mean and median premiums paid in the selected transactions at one day prior and 30 days prior to announcement, the implied valuation range for Morgan's Foods was \$2.37 to \$2.47 and \$3.57 to \$3.66, respectively.

Miscellaneous.

As noted above, the discussion set forth above is a summary of the material financial analyses presented by Brookwood to the Board of Directors in connection with its opinion and is not a comprehensive description of all analyses undertaken by Brookwood in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description. Brookwood believes that its analyses summarized above must be considered as a whole. Brookwood further believes that selecting portions of its analyses and the factors considered or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying Brookwood's analyses and opinion. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary.

Brookwood is an investment banking firm and is regularly engaged as a financial advisor in connection with mergers and acquisitions. The Board of Directors selected Brookwood to render its fairness opinion in connection with the proposed merger on the basis of Brookwood's experience and reputation in acting as a financial advisor in connection with mergers and acquisitions and particularly because of its familiarity with acquisitions in the quick-serve restaurant industry.

Brookwood acted as financial advisor to Morgan's Foods in connection with the merger and will receive a fee from Morgan's Foods for its services upon consummation of the merger. Brookwood's financial advisory fee is contingent upon the consummation of the merger. Brookwood also received a fee of \$100,000 from Morgan's Foods for providing its opinion. This opinion fee is not contingent upon the consummation of the merger. Morgan's Foods has also agreed to indemnify Brookwood against certain liabilities in connection with its services and to reimburse it for certain expenses in connection with its services. Brookwood is familiar with Morgan's Foods, having provided certain investment banking services to Morgan's Foods from time to time, including general advisory services such as debt restructuring, sale leaseback advisory and debt capital raising.

Certain Financial Information

In the course of the sale process described under "The Merger— Background of the Merger," we provided to Brookwood Associates in preparation of their fairness opinion, selected, non-public financial projections prepared by our senior management. In addition, bidders were provided selected, non-public historical financial information. Morgan's Foods does not as a matter of course make public projections as to future performance or earnings and the portions of these financial projections set forth below are included in this proxy statement only because this information was provided to Brookwood in connection with Brookwood rendering the fairness opinion described in "Opinion of Morgan's Foods' Financial Advisor" above.

You should note that these financial projections constitute forward-looking statements. See “Forward-Looking Statements” on page 13.

Morgan’s Foods advised the recipients of the financial projections that such projections are subjective in many respects. The financial projections are based on a variety of estimates and assumptions of our senior management regarding our business, industry performance, general business, economic, market and financial conditions and other matters, all of which are difficult to predict and many of which are beyond our control. In particular, these forward-looking statements were prepared on the assumption that Morgan’s Foods remained a standalone company and were based on numerous other assumptions that are now outdated. You should not regard the inclusion of these projections in this proxy statement as an indication that Morgan’s Foods, Apex, Brookwood Associates or any of their respective affiliates or representatives considered or consider the projections to be a reliable prediction of future events, and you should not rely on the projections as such. Accordingly, there can be no assurance that the assumptions made in preparing the projections will prove accurate. If the assumptions do not prove accurate, the projections will not be accurate. It is expected that there will be differences between actual and projected results, and actual results may be materially greater or less than those contained in the projections. It is highly likely that the contribution of Morgan’s Foods’ business to Apex’s consolidated results will be different from Morgan’s Foods’ performance on a standalone basis. In addition, if the merger is not consummated, we may not be able to achieve these financial projections. None of Morgan’s Foods, Apex or any of their respective affiliates or representatives has made or makes any representations to any person regarding the ultimate performance of Morgan’s Foods compared to the information contained in the projections.

The financial projections have been prepared by Morgan's Foods' senior management. Neither Morgan's Foods' independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the financial projections set forth below, nor have they expressed any opinion or any other form of assurance with respect thereto. The financial projections were not prepared with a view toward public disclosure or compliance with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. We do not intend to update these outdated financial projections or to make other projections public in the future.

The financial projections included (in thousands of dollars):

	LTM P12 2014⁽¹⁾	Pro Forma LTM P12 2014	2015	2016	2017	2018	2019
Total Net Sales	\$84,021	\$80,730	\$84,186	\$87,554	\$91,056	\$94,698	\$98,486
EBITDA	\$6,489	\$3,715	\$3,917	\$4,161	\$4,409	\$4,696	\$4,912

⁽¹⁾ Only LTM P12 2014 historical financials were provided to bidders.

The foregoing pro forma adjustments and financial projections are based upon numerous estimates and assumptions including, without limitation, the following:

Pro Forma LTM P12 2014 adjusted for GAAP accounting treatment of capitalized leases and restaurants closed during that twelve month period;

same store sales growth of 4.0% annually in FYE 2015 through FYE 2019;

store level margins improve based on improvements in food and labor costs; and

General and Administrative expenses held constant as a percentage of sales.

Interests of Morgan's Foods Directors and Executive Officers in the Merger

In considering the Board of Director's recommendation to vote for the proposal to adopt the merger agreement, Morgan's Foods shareholders should be aware that some of the directors and executive officers of Morgan's Foods have interests in the merger that are different from, or in addition to, the interests of Morgan's Foods shareholders generally and that may create potential conflicts of interest. The Board of Directors was aware of and considered the interests of its directors and executive officers when it considered and approved the merger agreement and determined to recommend to Morgan's Foods shareholders that they vote for the proposal to adopt the merger agreement.

Treatment of Stock Options

Under the terms of the merger agreement, each outstanding stock option held by our employees (including our executive officers) and directors that is outstanding as of the effective time of the merger (whether or not such stock option is vested and exercisable prior to the effective time) will be canceled and converted into the right to receive a cash payment equal to the number of shares underlying the option multiplied by the amount (if any) by which \$5.00 (the merger consideration) exceeds the option exercise price, less any applicable withholding taxes, and without interest.

The following table shows, for our directors and executive officers, the aggregate number of shares subject to outstanding options and the cash-out value of the outstanding options with a per share exercise price less than \$5.00. The information in the table is as of March 2, 2014.

Name	Aggregate Shares Subject to All Options	Aggregate Cash-Out Value of All Options
James J. Liguori	21,334	\$ 74,669
Ramesh J. Gursahaney	21,333	\$ 74,666
Kenneth L. Hignett	21,333	\$ 74,666
Vincent J. Oddi	21,333	\$ 74,666

Change in Control Agreements; Other Payments

On November 6, 2008, the Company entered into separate Change in Control Severance Agreements, collectively referred to as the CIC Agreements, with James J. Liguori, Kenneth L. Hignett, Ramesh J. Gursahaney and Vincent J. Oddi. The CIC Agreements are designed to retain these individuals and provide for continuity of management in the event of any actual or threatened change in control (as defined in the CIC Agreements) of the Company. The merger would constitute a change in control under each of the CIC Agreements.

The CIC Agreements are “double trigger” agreements. In order for an officer to receive the payments and benefits set forth in the CIC Agreement, there first must occur both (i) a change in control in the Company, as defined in the CIC Agreement, and (ii) a termination of the officer’s employment by the Company without cause, or a voluntary termination by the officer for good reason within two years of the change in control or before the executive dies or becomes disabled. After the triggering events, if the officer delivers a release to the Company, the officer will be paid in a lump sum within 60 days from the separation of service equal to three times the officer’s annual base compensation and three times the officer’s average annual bonus. In addition, each officer is entitled to 18 months of continued health benefits.

After termination of employment, the officer is not obligated to mitigate the amounts paid pursuant to the CIC Agreement. In addition, for the first year following termination of employment, the officer agrees not to disclose any of the Company’s confidential information, trade secret, or proprietary information and agrees not to compete with the Company in the ownership, development or management of KFC or Taco Bell franchises, and to not hire or solicit the employment of any employee who has been employed by the Company within the six months immediately preceding such date of hiring or solicitation. If and to the extent payments made to the officer on account of a change in control are treated as excess parachute payments under the Internal Revenue Code of 1986, as amended, the CIC Agreement provides for an additional payment to make the officer whole with respect to additional excise tax payments.

The following table summarizes the estimated cost of the change in control and severance benefits for our named executive officers if each named executive officer’s employment were terminated immediately following the merger

under the CIC Agreements described above, assuming a July 31, 2014 merger closing date and that each named executive officer and each other executive officer experiences a simultaneous qualifying termination of employment.

Executive Officer	Potential Amount of Cash	Estimated Value of Benefit	Total
	Severance	Continuation	
James J. Liguori	\$ 690,000	\$ 28,178	\$718,178
Kenneth L. Hignett	\$ 525,000	\$ 28,178	\$553,178
Ramesh J. Gursahaney	\$ 375,000	\$ 28,178	\$403,178
Vincent J. Oddi	\$ 265,500	\$ 28,178	\$293,178

Long-Term Incentive Plan. On April 9, 2013, the Company's Board of Directors adopted and approved Morgan's Foods, Inc. Long-Term Incentive Plan (the "LTIP"). A total of 150,000 Company common shares are reserved and available for awards under the LTIP. The Compensation and Leadership Committee of the Board of Directors administers the LTIP and determines who receives awards, the type and amount of awards, the consideration, if any, to be paid for awards, the timing of awards and the terms and conditions of awards. The Committee may only grant stock options that do not qualify as incentive stock options under Section 422A of the Internal Revenue Code of 1986, as amended. In addition, the Committee may make grants of restricted common shares, deferred shares, share purchase rights, share appreciation rights in tandem with stock options, other share-based awards or any combination thereof. Stock options will be exercisable and restricted common share grants will vest at such time or times as the Committee determines at the time of grant. In general, restricted common shares are non-transferable prior to vesting. Additionally, if any stock option or restricted common share grant is exercisable or becomes vested only in installments or after specified exercise dates, the Committee may waive such exercise provisions and accelerate any exercise date based on such factors as the Committee shall determine in its sole discretion. On April 9, 2013, the Committee granted incentive equity awards pursuant to the LTIP of 27,140 restricted common shares. In addition, on April 9, 2013, the Committee granted an incentive equity award pursuant to the LTIP of 3,429 restricted common shares.

Executive and Manager Nonqualified Stock Option Plan. On April 2, 1999, the Board of Directors of the Company approved a Stock Option Plan for Executives and Managers. Under the Plan 145,500 shares were reserved for the grant of options. The Stock Option Plan for Executives and Managers provides for grants to eligible participants of nonqualified stock options only. The exercise price for any option awarded under the Plan is required to be not less than 100% of the fair market value of the shares on the date that the option is granted. Options are granted by the Compensation and Leadership Committee of the Company. Options for 145,150 shares were granted to executives and managers of the Company on April 2, 1999, at an exercise price of \$4.125 and options for 350 shares were granted on November 6, 2008, at an exercise price of \$1.50. The plan provides that the options are exercisable after a waiting period of 6 months and that each option expires 10 years after its date of issue.

Key Employee Nonqualified Stock Option Plan. At the Company's annual meeting on June 25, 1999 the shareholders approved the Key Employees Stock Option Plan. This plan allows the granting of options covering 291,000 shares of stock and has essentially the same provisions as the Stock Option Plan for Executives and Managers which was discussed above. Options for 129,850 shares were granted to executives and managers of the Company on January 7, 2000, at an exercise price of \$3.00. Options for 11,500 shares were granted to executives on April 27, 2001, at an exercise price of \$.85. Options for 149,650 shares were granted to executives on November 6, 2008, at an exercise price of \$1.50. As of March 3, 2013, no options were available for grant under either plan.

Quantification of Payments and Benefits

In accordance with Item 402(t) of Regulation S-K, the table below sets forth the estimated amounts of compensation and benefits that each named executive officer of the Company could receive that are based on or otherwise relate to the merger. These amounts have been calculated assuming the merger is consummated on July 31, 2014, and

assuming each named executive officer experiences a qualifying termination of employment under their CIC Agreement as of that date, without taking into effect any possible reduction that might be required to avoid Sections 280G and 4999 of the Code.

Golden Parachute Compensation

Name	Cash	Equity	Perquisites/ Benefits	Total
	(\$ (1))	(\$ (2))	(\$ (3))	(\$)
James J. Liguori	\$690,000	\$74,669	\$ 28,178	\$792,847
Kenneth L. Hignett	\$525,000	\$74,666	\$ 28,178	\$627,844
Ramesh J. Gursahaney	\$375,000	\$74,666	\$ 28,178	\$477,844

Represents a double trigger lump sum cash severance payment under the CIC Agreement equal to three times the sum of the named executive officer's base salary and the greater of the named executive officer's average annual bonus over the last three completed calendar years or the last five completed calendar years. As described above (1)(see "Change in Control Agreements; Other Payments") the CIC Agreement is a double trigger agreement which means that for payment to be made under the CIC Agreement by the Company to the named executive officer there must also be a termination of employment within two years of a change in control. This disclosure assumes a qualifying termination has occurred within two years of the closing of the merger.

(2) Represents the merger consideration cash-out value of each named executive officer's outstanding options with a per share exercise price less than \$5.00.

Represents the value of continued health benefits for the executive and his family for 18 months payable in (3)connection with a qualifying termination under the CIC Agreements via payment of the applicable COBRA premiums.

Indemnification; Directors' and Officers' Insurance

Under the merger agreement, Apex has guaranteed, for a period of four years after the effective time of the merger, that the Articles of Incorporation and Code of Regulations of the surviving company in the merger shall contain, without amendment, modification or repeal, the provisions with respect to indemnification set forth in the Amended Code of Regulations of Morgan's Foods. Apex also has agreed, for a period not less than four years after the effective time of the merger, to maintain directors' and officers' liability insurance coverage for the benefit of the officers and directors of Morgan's Foods that is at least as favorable to the insureds as the policy maintained by Morgan's Foods immediately prior to the effectiveness of the merger, or, if substantially equivalent insurance coverage is not available, the best coverage available, subject to certain limitations on the amount of premiums required to be paid for such insurance coverage.

The Company has also entered into Indemnification Agreements with its directors and executive officers (each an "Indemnified Person"). The Indemnification Agreements provide that the Company will indemnify the Indemnified Person to the fullest extent not otherwise prohibited by the statute or other applicable law, including without limitation indemnity against any and all costs and expenses, in connection with any threatened, pending, or completed action, suit or proceeding, arbitration or other alternative dispute resolution mechanism, whether domestic or foreign, whether civil, criminal, administrative, or investigative, to which the Indemnified Person is or at any time becomes a party, or is threatened to be made a party, as a result, directly or indirectly, of serving at any time: (i) as a director, officer or agent of the Company; or (ii) at the request of the Company as a director, officer, trustee, fiduciary, manager, member, or agent of a corporation, partnership, trust, limited liability company, director benefit plan, or other enterprise or entity, whether domestic or foreign. Under the Indemnification Agreement there is no Company indemnity obligation (i) except to the extent that the aggregate amount of losses to be indemnified exceed the aggregate amount of such losses for which the Indemnified Person is actually paid or reimbursed pursuant to D&O insurance, if any, which may be purchased and maintained by the Company or any of its subsidiaries; (ii) on account of any proceeding in which judgment is rendered against the Indemnified Person for an accounting of profits made from the purchase or sale of securities of the Company pursuant to the provisions of Section 16(b) of the Exchange Act; (iii) on account of the Indemnified Person's conduct which is determined to have been knowingly fraudulent, deliberately dishonest, or willful misconduct, except to the extent such indemnity is otherwise permitted under the statute; (iv) with respect to any remuneration paid to Indemnified Person determined by a court having jurisdiction to have been in violation of law; (v) if it shall have been determined by a court having jurisdiction that indemnification is not lawful; and (vi) any action in which the only liability asserted against the Indemnified Person who is or was a director of the Company is pursuant to Section 1701.95 of the ORC.

Certain United States Federal Income Tax Consequences

Summary Only

The following is a summary of certain United States federal income tax consequences of the merger to Morgan's Foods shareholders whose common shares are converted into the right to receive cash under the merger agreement. The summary is based on provisions of the Internal Revenue Code, United States Treasury Regulations promulgated thereunder, judicial opinions and published positions of the United States Internal Revenue Service, each in effect as of the date of this proxy statement and all of which are subject to change, possibly with retroactive effect. The summary applies only to shareholders who hold Morgan's Foods common shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code. This summary does not purport to consider all aspects of United States federal income taxation that might be relevant to Morgan's Foods shareholders in light of their particular circumstances and does not apply to shareholders that are subject to special rules under the United States federal income tax laws (including, for example, insurance companies, tax-exempt organizations, financial institutions, dealers in securities, persons subject to the alternative minimum tax, persons who hold or have held Morgan's Foods common shares as part of a straddle, hedge, integrated constructive sale or conversion transaction for tax purposes, and persons who acquired Morgan's Foods common shares in compensatory transactions). If a partnership (including for this purpose any entity or arrangement treated as a partnership for United States federal income tax purposes) is a beneficial owner of Morgan's Foods common shares, the tax treatment of a partner in that partnership will generally depend on the status of the partner and the activities of the partnership.

This summary does not address the United States federal income tax consequences to any shareholder who, for United States federal income tax purposes, is a non-resident alien individual, foreign corporation, foreign partnership or foreign estate or trust, and does not address any aspect of state, local or foreign taxation.

All holders of Morgan's Foods common shares are urged to consult their own tax advisors to determine the particular tax consequences to them of the merger.

Merger

In general, a shareholder who surrenders Morgan's Foods common shares for cash pursuant to the merger will recognize a capital gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received in the merger and the shareholder's adjusted tax basis in Morgan's Foods common shares surrendered. Gain or loss will be determined separately for each block of shares (i.e., shares acquired at the same cost in a single transaction) surrendered for cash pursuant to the merger. Such gain or loss will be long-term capital gain or loss if a shareholder's holding period for such shares is more than one year at the time of the completion of the merger. In the case of individuals, long-term capital gain is currently eligible for reduced rates of United States federal income tax. There are limitations on the deductibility of capital losses.

Backup federal withholding tax at a rate of 28% may apply with respect to certain payments, including cash received in the merger, unless a payee (1) comes within certain exempt categories and, when required, demonstrates this fact or (2) provides a correct taxpayer identification number, certifies as to no loss of exemption from backup withholding and that such shareholder is a U.S. person (including a U.S. resident alien) and otherwise complies with applicable requirements of the backup withholding rules. Each of our shareholders and, if applicable, each other payee, should complete and sign the Substitute Form W-9 that will be included as part of the letter of transmittal to be returned to the paying agent, in order to provide the information and certification necessary to avoid backup withholding tax, unless an exemption applies and is established in a manner satisfactory to the paying agent.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a credit against your United States federal income tax liability, provided that you furnish the required information to the United States Internal Revenue Service. Such amounts, once withheld, are not refundable by us or the paying agent.

Medicare Tax on Unearned Income

For taxable years beginning after December 31, 2012, certain taxable U.S. holders who are individuals, trusts, or estates with adjusted gross income in excess of certain thresholds are subject to a 3.8% tax on all or a portion of “net investment income,” which includes gains recognized upon a disposition of stock. U.S. holders who are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of the Medicare tax to any gain recognized pursuant to the merger.

The United States federal income tax consequences set forth above are for general informational purposes only and are not intended to constitute a complete description of all tax consequences relating to the merger. Because individual circumstances may differ, all shareholders are urged to consult with their own tax advisors regarding the tax consequences of the merger to them, including the application of state, local and foreign tax laws.

Dissenters’ Rights of Morgan’s Foods Shareholders

If the merger agreement is adopted, each Morgan’s Foods shareholder objecting to the merger agreement may be entitled to seek relief as a dissenting shareholder under Sections 1701.84 and 1701.85 of the ORC. The following is a summary of the principal steps a shareholder must take to perfect his or her dissenters’ rights under the ORC. This summary is qualified by reference to a complete copy of Sections 1701.84 and 1701.85 of the ORC, which is attached as Annex D to this proxy statement. Any dissenting shareholder contemplating exercise of his or her dissenters’ rights is urged to carefully review the provisions of Sections 1701.84 and 1701.85 and to consult an attorney, since failure to follow fully and precisely the procedural requirements of the statute may result in termination or waiver of such rights.

To perfect dissenters' rights, a dissenting shareholder must satisfy each of the following conditions and must otherwise comply with Section 1701.85:

A dissenting shareholder must be a record holder on [_____], 2014, the record date for determining entitlement to vote on the proposal to adopt the merger agreement, of the Morgan's Foods common shares as to which such shareholder seeks to exercise dissenters' rights. Because only shareholders of record on the record date may exercise dissenters' rights, any person who beneficially owns Morgan's Foods common shares that are held of record by a broker, fiduciary, nominee or other holder and who desires to exercise dissenters' rights must, in all cases, instruct the record holder of the Morgan's Foods common shares to satisfy all of the requirements outlined under Section 1701.85.

A dissenting shareholder must not vote his or her Morgan's Foods common shares in favor of the proposal to adopt the merger agreement at the special meeting. Failing to vote or abstaining from voting does not waive a dissenting shareholder's rights. However, a proxy returned to Morgan's Foods signed but not marked to specify voting instructions will be voted in favor of the proposal to adopt the merger agreement and will be deemed a waiver of dissenters' rights. A dissenting shareholder may revoke his or her proxy at any time before its exercise by: (i) filing with Morgan's Foods an instrument revoking it; (ii) delivering a duly executed proxy bearing a later date; or (iii) attending and giving notice of the revocation of the proxy at the special meeting.

A dissenting shareholder must deliver a written demand for payment of the fair cash value of his or her Morgan's Foods common shares to Morgan's Foods before the vote on the proposal is taken at the special meeting. Any written demand must specify the shareholder's name and address, the number and class of shares held by him or her on the record date, and the amount claimed as the "fair cash value" of the Morgan's Foods common shares.

If Morgan's Foods so requests, a dissenting shareholder must submit his or her common share certificates to Morgan's Foods within 15 days of such request for endorsement thereon by Morgan's Foods that demand for the fair cash value of such shares has been made. Such a request is not an admission by Morgan's Foods that a dissenting shareholder is entitled to relief. Morgan's Foods will promptly return the share certificates to the dissenting shareholder. At the option of Morgan's Foods, a dissenting shareholder who fails to deliver his or her certificate upon request from Morgan's Foods may have his or her dissenters' rights terminated, unless a court otherwise directs for good cause shown.

Morgan's Foods and a dissenting shareholder may come to agreement as to the fair cash value of the Morgan's Foods common shares. If Morgan's Foods and any dissenting shareholder cannot agree upon the fair cash value of the Morgan's Foods common shares, then either may, within three months after service of demand by the dissenting shareholder, file a petition in the Court of Common Pleas of Cuyahoga County, Ohio, for a determination that the shareholder is entitled to exercise dissenters' rights and to determine the fair cash value of the Morgan's Foods common shares. The court may appoint one or more appraisers to recommend a fair cash value. The fair cash value is to be determined as of the day prior to the date of the special meeting. The fair cash value is the amount that a willing seller, under no compulsion to sell, would be willing to accept, and that a willing buyer, under no compulsion to purchase, would be willing to pay, but in no event may the fair cash value exceed the amount specified in the dissenting

shareholder's demand. In determining this value, any appreciation or depreciation in the market value of the Morgan's Foods common shares resulting from the merger is excluded, as is any control premium or discount for lack of marketability or minority shareholder status. The Ohio Supreme Court, in *Armstrong v. Marathon Oil Company*, 32 Ohio St. 3d 397 (1987), has held that fair cash value for publicly traded shares of a company with significant trading activity will be the market price for such shares on the date that the transaction is submitted to the shareholders or directors for final approval, as adjusted to exclude the impact of the transaction giving rise to the dissenters' rights. The fair cash value may ultimately be more or less than the per share merger consideration. Interest on the fair cash value and costs of the proceedings, including reasonable compensation to any appraisers, are to be assessed or apportioned as the court considers equitable.

Payment of the fair cash value must be made within 30 days after the later of the final determination of such value or the closing date of the merger. Such payment shall be made only upon simultaneous surrender to Morgan's Foods of the share certificates for which such payment is made.

A dissenting shareholder's rights to receive the fair cash value of his or her Morgan's Foods common shares will terminate if:

the dissenting shareholder has not complied with Section 1701.85 of the ORC;

the merger is abandoned or is finally enjoined or prevented from being carried out, or the Morgan's Foods shareholders rescind their adoption of the merger agreement;

the dissenting shareholder withdraws his or her demand with the consent of the Board of Directors; or

the dissenting shareholder and Board of Directors have not agreed on the fair cash value per share and neither has filed a timely complaint in the Court of Common Pleas of Cuyahoga County, Ohio.

All rights accruing from Morgan's Foods common shares, including voting and dividend and distribution rights, are suspended from the time a dissenting shareholder makes demand with respect to such shares until the termination or satisfaction of the rights and obligations of the dissenting shareholder and Morgan's Foods arising from the demand. During this period of suspension, any dividend or distribution paid on the Morgan's Foods common shares will be paid to the record owner as a credit upon the fair cash value thereof. If a shareholder's dissenters' rights are terminated other than by purchase by Morgan's Foods of the dissenting shareholder's Morgan's Foods common shares, then at the time of termination all rights will be restored and all distributions that would have been made, but for suspension, will be made.

Termination of Quotation of Morgan's Foods Common Shares

Morgan's Foods common shares are currently authorized for quotation on the OTCQB marketplace under the symbol "MRFD." Upon the consummation of the merger, the quotation of Morgan's Foods common shares on the OTCQB marketplace will terminate.

The Merger Agreement

The following description of the merger agreement describes the material provisions of the merger agreement but does not purport to describe all of the terms of the merger agreement. The full text of the merger agreement is attached to this proxy statement as Annex A and incorporated by reference into this proxy statement. You are urged to read the merger agreement in its entirety because it is the legal document that governs the merger.

The provisions contained in the merger agreement are intended to govern the contractual rights and relationships, and to allocate risks, between Morgan's Foods and Apex with respect to the merger. The representations and warranties made by Morgan's Foods and Apex to one another in the merger agreement were negotiated between the parties, and any inaccuracies in the representations and warranties may be waived by the beneficiary of such representations and warranties. Moreover, the representations and warranties are qualified in a number of important respects, including through the use of exceptions for certain matters disclosed by the party that made the representations and warranties to the other party. None of the representations and warranties will survive the closing of the merger.

The Merger

At the effective time of the merger, Merger Sub, a wholly owned subsidiary of Apex, will merge with and into Morgan's Foods. The separate corporate existence of Merger Sub will cease and Morgan's Foods will continue as the surviving corporation and will become a wholly owned subsidiary of Apex. Merger Sub was created solely for purposes of the merger and has no material assets or operations of its own.

Closing and Effective Time of the Merger

The merger will become effective at the time a certificate of merger is filed with the Secretary of State of the State of Ohio or such other time specified in the certificate of merger, which is referred to as the effective time of the merger.

The closing of the merger will take place on a date specified by the parties, which, unless otherwise agreed by the parties, shall be no later than the second business day after the satisfaction or waiver of all of the conditions described below under "The Merger Agreement — Conditions of the Merger" beginning on page 47.

Consideration to be Received in the Merger

The merger agreement provides that, at the effective time of the merger, each issued and outstanding Morgan's Foods common share will be converted into the right to receive \$5.00 in cash, without interest, which is referred to as the merger consideration. At that time, except with respect to dissenting shares as described below, each holder of Morgan's Foods common shares will no longer have any rights with respect to such common shares, except for the right to receive the merger consideration.

Cancellation of Shares

Each Morgan's Foods common share owned by Apex or any of its subsidiaries or held by Morgan's Foods as treasury stock immediately prior to the effective time of the merger automatically will be canceled and will not be entitled to any merger consideration.

Treatment of Stock Options

Pursuant to the merger agreement, we will take all action necessary so that, upon completion of the merger, each option outstanding immediately prior to the effective time of the merger will be entitled to receive, in settlement thereof, for each common share subject to such option, a cash payment equal to the product of (i) the excess, if any, of the per share merger consideration over the per share exercise price of the options and (ii) the number of common shares subject to such holder's options not previously exercised, whether or not then vested and exercisable, less any applicable withholding tax.

Dissenters' Shares

The merger agreement provides that any Morgan's Foods common shares held by a shareholder who has demanded and perfected the demand for appraisal of such holder's Morgan's Foods common shares pursuant to Sections 1701.84 and 1701.85 of the ORC and as of the effective time of the merger has not withdrawn or lost the right to such appraisal shall not be converted into or represent the right to receive merger consideration and such holder will only be entitled to the right granted to dissenting shareholders under applicable provisions of Ohio law; provided, however, that if such holder effectively withdraws or loses the right to appraisal, then such holder's shares will automatically be converted into and represent only the right to receive the merger consideration, without interest.

Payment for Shares

Prior to completion of the merger, Merger Sub will appoint a paying agent reasonably acceptable to Morgan's Foods to pay the merger consideration. At the effective time of the merger, Apex or Merger Sub will deposit with the paying agent funds sufficient to pay the merger consideration.

As soon as reasonably practicable and in any event not later than two business days after the effective time of the merger, the paying agent will mail to all record holders of Morgan's Foods common shares as of the time of the completion of the merger a letter of transmittal and instructions on how to surrender certificates in exchange for the merger consideration. Upon delivery of a valid letter of transmittal and the surrender of certificates on or before the first anniversary of the effective time of the merger, Apex or Merger Sub shall cause the paying agent to pay the holder of such certificates, in exchange for the certificates, cash in an amount equal to the merger consideration in respect of the Morgan's Foods common shares represented by such certificate, without interest. **Each certificate representing Morgan's Foods common shares that is surrendered will be canceled. Do not send common share certificates with your proxy card.**

Payment of the merger consideration may be made to a person other than the person in whose name the surrendered certificate is registered if:

the certificate is properly endorsed or otherwise in proper form for transfer; and

the person requesting the payment establishes to the satisfaction of Merger Sub or the paying agent that any transfer or other taxes resulting from the payment of the merger consideration to a person other than the registered holder of that certificate have been paid or are not applicable.

After the completion of the merger, no transfers of Morgan's Foods common shares will be made on the transfer books of the surviving corporation.

If your Morgan's Foods common share certificate has been lost, stolen or destroyed, you will be entitled to obtain payment of the merger consideration only by signing an affidavit to that effect and, if required by Morgan's Foods as the surviving corporation, posting a bond in an amount sufficient to protect Morgan's Foods against claims by any other party related to your lost, stolen or destroyed Morgan's Foods common share certificate.

The merger consideration paid in the merger will be net to the holder of Morgan's Foods common shares in cash, subject to reduction only for the withholding of any federal taxes payable by such shareholder.

Representations and Warranties

The merger agreement contains a number of representations and warranties made by Morgan's Foods, including representations and warranties relating to:

corporate organization, good standing and similar matters;

capital structure and equity securities;

corporate power and authority to enter into the merger agreement and due execution, delivery and enforceability of the merger agreement;

receipt of a fairness opinion from Brookwood Associates;

absence of conflicts with charter documents, applicable law or certain contracts;

absence of required governmental or third party consents in connection with the execution and delivery of the merger agreement or the closing of the merger;

accuracy and sufficiency of reports and financial statements filed with the SEC;

the absence of certain changes or events and the conduct of business in the ordinary course from March 3, 2013 through the date of the merger agreement;

the absence of material undisclosed liabilities;

material legal proceedings;

tax matters;

employee compensation and benefits matters and matters relating to the Employee Retirement Income Securities Act of 1974, as amended;

labor and employee matters;

compliance with applicable law, court orders and regulatory matters;

material contracts;

environmental matters and compliance with environmental laws;

intellectual property;

assets and property, including ownership of certain real property;

the inapplicability of state
takeover statutes;

Board of Directors approval of the merger;

brokers' fees payable in connection with the merger; and

the accuracy of information about Morgan's Foods included in this proxy statement.

The merger agreement also contains a number of representations and warranties by Apex and Merger Sub, including representations and warranties relating to:

corporate organization, good standing and similar matters;

corporate power and authority to enter into the merger agreement and due execution, delivery and enforceability of the merger agreement;

absence of conflicts with charter documents, applicable law or certain contracts;

absence of required governmental or third party consents in connection with the execution and delivery of the merger agreement or the closing of the merger;

the accuracy of information supplied to Morgan's Foods for inclusion in this proxy statement;

sufficiency of financial resources to consummate the transactions contemplated by the merger agreement; and

the operations of Merger Sub since its formation.

Significant portions of the representations and warranties of Morgan's Foods, Apex and Merger Sub are qualified as to "materiality," "material adverse effect," or "Company Material Adverse Effect." Under the merger agreement, a material adverse effect means, when used in connection with Morgan's Foods, any event, circumstance, change, occurrence or state of facts that (i) has a material adverse effect on the business, financial condition or results of operations of Morgan's Foods and its subsidiaries, taken as a whole or (ii) prevents Morgan's Foods from performing its obligations under the merger agreement, provided that "material" and "materially" have correlative meanings except, in the case of clause (i), any such events, circumstances, changes, occurrences or any state of facts relating to:

changes in industries relating to Morgan's Foods and its subsidiaries in general and not specifically relating to Morgan's Foods and its subsidiaries;

general legal, regulatory, political, business, economic, financial or securities market conditions in the United States or elsewhere (including fluctuations, in and of themselves, in the price of Morgan's Foods common shares);

the negotiation, execution or the announcement of the merger agreement, the undertaking and performance or observance of the obligations contemplated by the merger agreement or necessary to consummate the transactions contemplated by the merger agreement (including adverse effects on the results of operations attributable to uncertainties associated with the period between the date of the merger agreement and the closing date) or the consummation of any transaction (including the merger), including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners or employees;

acts of war, insurrection, sabotage or terrorism;

changes in GAAP or the accounting rules or regulations of the SEC;

the effect of incurring out-of-pocket expenses in connection with negotiating, entering into, performing or consummating the transactions contemplated by the merger agreement; or

the failure, in and of itself, by Morgan's Foods to meet any internal or published projections, forecasts or revenue or earnings predictions for any period ending on or after the date of the merger agreement.

Covenants and Agreements

Operating Covenants

We have agreed, with certain exceptions disclosed to Apex, that during the period from the date of the merger agreement until the effective time of the merger:

Morgan's Foods and its subsidiaries will conduct business only in the ordinary course of business, and, to the extent consistent therewith, each of Morgan's Foods and its subsidiaries shall use its reasonable best efforts to preserve its business organization intact and maintain its existing permits, relations with customers, suppliers, employees, creditors and business partners;

Morgan's Foods and its subsidiaries will maintain their existing policies of insurance at current levels;

Morgan's Foods and its subsidiaries will maintain their assets in normal operating condition and will not sell, lease, pledge or otherwise dispose of encumber any properties or assets material to Morgan's Foods and its subsidiaries, taken as a whole (including any accounts, leases, contracts or intellectual property or any assets or the stock of any of its subsidiaries, but excluding the sale or non-exclusive license of products and the sale of inventory in the ordinary course of business);

Morgan's Foods and its subsidiaries will not adopt or implement any shareholder rights plan;

Morgan's Foods and its subsidiaries will not enter into an agreement with respect to any merger, consolidation, liquidation or business combination, or any acquisition or disposition of all or substantially all of the assets or securities of Morgan's Foods and its subsidiaries;

Morgan's Foods and its subsidiaries will purchase and maintain inventories for the restaurants in such quantities and quality as necessary to operate the restaurants in accordance with historical practice;

Morgan's Foods and its subsidiaries will make all payments for rent or other amounts due under any leases when such payments become due;

Morgan's Foods will not amend its Amended and Restated Articles of Incorporation or Amended Code of Regulations;

neither Morgan's Foods nor any of its subsidiaries will (i) declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to its capital stock; (ii) issue, sell, transfer, pledge, dispose of or encumber or agree to issue, sell, transfer, pledge, dispose of or encumber any additional-shares of Morgan's Foods securities other than in respect of common shares reserved for issuance on the date of the merger agreement pursuant to the exercise of options outstanding on the date of the merger agreement, (iii) split, combine or reclassify the outstanding Morgan's Foods common shares or any outstanding capital stock of any of the subsidiaries of Morgan's Foods or (iv) redeem, purchase or otherwise acquire, directly or indirectly, any of Morgan's Foods' capital stock;

except in the ordinary course of business or as required by any law or under the terms of any Morgan's Foods employee benefits plan, Morgan's Foods will not (i) make any change in the compensation payable or to become payable to any of its officers, directors, employees, agents, consultants or persons providing management services, (ii) enter into or amend any employment, severance, consulting, termination or other agreement or Morgan's Foods employee benefits plan or (iii) make any loans to any of its officers, directors, employees, affiliates, agents or consultants or make any change in its existing borrowing or lending arrangements for or on behalf of any of such persons pursuant to any Morgan's Foods employee benefits plan or otherwise;

except in the ordinary course of business or as required by any law under the terms of any Morgan's Foods employee benefits plan, Morgan's Foods will not (i) pay or agree to pay or make any accrual or arrangement for payment of any pension, retirement allowance or other employee benefit pursuant to any existing plan, agreement or arrangement to any officer, director, employee or affiliate, (ii) pay or agree to pay or make any accrual or arrangement for payment to any officers, directors, employees or affiliates of Morgan's Foods of any amount relating to unused vacation days, (iii) adopt or pay, grant, issue, accelerate or accrue salary or other payments or benefits pursuant to any Morgan's Foods employee benefits plan, agreement or arrangement, or any employment or consulting agreement with or for the benefit of any director, officer, employee, agent, consultant or other person, whether past or present or (iv) amend any such existing Morgan's Foods employee benefits plan, agreement or arrangement in a manner inconsistent with the foregoing;

neither Morgan's Foods nor any of its subsidiaries will (i) incur or assume any long-term indebtedness, or except in the ordinary course of business, incur or assume any short-term indebtedness in amounts not consistent with past practice, (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person (iii) make any loans, advances or capital contributions to, or investments in, any other person or (iv) enter into any material commitment or transaction (including, but not limited to, any borrowing, capital expenditure or purchase, sale or lease of assets or real estate), except in the ordinary course of business and consistent with past practice;

neither Morgan's Foods nor any of its subsidiaries will settle, or offer or propose to settle, any material action involving or against Morgan's Foods or any of its subsidiaries, any shareholder litigation or dispute against Morgan's Foods or any of its officers or directors or any action that relates to the transactions contemplated by the merger agreement;

neither Morgan's Foods nor any of its subsidiaries will pay, discharge, waive or satisfy any rights, claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge, waiver or satisfaction of any such rights, claims, liabilities or obligations, in the ordinary course of business and consistent with past practice, or claims, liabilities or obligations reflected or reserved against in, or contemplated by, Morgan's Foods' audited consolidated financial statements;

neither Morgan's Foods nor any of its subsidiaries will (i) change any of the accounting methods used by it unless required by GAAP or applicable law, (ii) settle any material tax claim or assessment or (iii) consent to any material tax claim or assessment or any waiver of the statute of limitations for any such claim or assessment;

neither Morgan's Foods nor any of its subsidiaries will (i) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization (other than the merger agreement) or (ii) acquire, transfer, lease, license, sell, mortgage, pledge, dispose of or encumber any assets, other than in the ordinary course of business and consistent with past practice;

neither Morgan's Foods nor any of its subsidiaries will commit any material violation of applicable law;

neither Morgan's Foods nor any of its subsidiaries will fail to maintain its books, accounts and records in the usual manner on a basis consistent with that heretofore employed or change any accounting method, policy, practice or application previously employed;

neither Morgan's Foods nor any of its subsidiaries will fail to pay, or to make adequate provision for the payment of, all taxes, interest payments and penalties due and payable to any city, state, the United States, or any other taxing authority, except those being contested in good faith by appropriate proceedings and for which sufficient reserves have been established, or make any elections with respect to taxes;

neither Morgan's Foods nor any of its subsidiaries will acquire, enter into letters of intent, or agree to acquire (i) any business or any corporation, partnership, joint venture, association or other business organization or division thereof or (ii) any assets that are material, individually or in the aggregate, to Morgan's Foods or any of its subsidiaries, except purchases of inventory in the ordinary course of business consistent with past practice;

neither Morgan's Foods nor any of its subsidiaries will open or close any restaurant; and

neither Morgan's Foods nor any of its subsidiaries will enter into an agreement, contract, commitment or arrangement to do any of the foregoing, or to authorize, recommend, propose or announce an intention to do any of the foregoing.

No Solicitation

We have agreed that we will not, nor will we authorize or knowingly permit any of our subsidiaries or our or their directors, officers, employees or representatives (including any investment banker, attorney, accountant or other advisor or representative retained by us or any of our subsidiaries) to directly or indirectly:

solicit, initiate or knowingly or intentionally encourage the submission of any takeover proposal;

except as permitted below, enter into any letter of intent, memorandum of understanding or agreement with respect to any takeover proposal; or

except as permitted below, provide any non-public information regarding Morgan's Foods to any third party or engage in any negotiations or substantive discussions in connection with any takeover proposal.

The merger agreement provides that, notwithstanding the restrictions described above, if, at any time prior to the time that our shareholders adopt the merger agreement, we receive a takeover proposal that was not solicited, initiated or knowingly or intentionally encouraged by Morgan's Foods or a representative of Morgan's Foods, we may make such inquiries as may be necessary to inform ourselves of the proposed terms and details of the unsolicited takeover proposal and, if our Board of Directors determines in good faith, after consultation with counsel and financial advisors, that the following actions could result in the takeover proposal becoming a superior proposal, we may provide any non-public information regarding us to such person or engage in any negotiations or substantive discussions with such person concerning such a takeover proposal.

We have also agreed to keep Apex informed of the status and details of such discussions and negotiations, including promptly notifying Apex of the receipt of any such proposal and its material terms.

The Board of Directors cannot (i) withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to Apex or Merger Sub, the recommendation of the Board of Directors or (ii) approve or recommend, or propose publicly to approve or recommend, any takeover proposal. Notwithstanding the foregoing restrictions, the Board of Directors may, (i) in response to a takeover proposal that was not solicited, initiated or knowingly or intentionally encouraged by Morgan's Foods or a representative of Morgan's Foods in breach of merger agreement, the Board of Directors may terminate the merger agreement and cause Morgan's Foods to enter into an agreement with respect to any superior proposal, but only at a time that is after the second business day following Morgan's Foods' delivery to Apex of written notice advising Apex that the Board of Directors is prepared to accept a superior proposal, specifying the material terms and conditions of such superior proposal, and during such two-day period Morgan's Foods must have reasonably cooperated with Apex and Merger Sub to enable Apex and Merger Sub to make an offer that is at least as favorable to the shareholders of Morgan's Foods as such superior proposal (see "Merger Agreement – Termination" beginning on page 48 for applicable termination procedures and requirements and "Merger Agreement – Termination Fee" beginning on page 49 for applicable termination fees), and (ii) withdraw or modify in a manner adverse to Apex the recommendation of the Board of Director recommendation, but only if and to the extent, in each case, that the Board of Directors determines in good faith, after consultation with counsel and its financial advisor, that failing to take any such action could result in a breach of the fiduciary duties of the Board of Directors.

A "superior proposal" as used herein means a "takeover proposal" that the Board of Directors determines in good faith, after consultation with counsel and its financial advisor and taking into account all legal, financial and regulatory and other aspects of the takeover proposal, the person making the takeover proposal and all relevant material terms of such takeover proposal, and the merger agreement (including any changes to the merger agreement proposed by Apex in response to a takeover proposal), is more favorable to our shareholders than the merger and the other transactions

contemplated by the merger agreement.

A “takeover proposal” as used herein means (i) any inquiry, proposal or offer for an acquisition, merger, consolidation, or business combination or other similar transaction involving us, (ii) any inquiry, proposal or offer to acquire in any manner, directly or indirectly, more than 25% of the outstanding Morgan’s Foods common shares, or (iii) any inquiry, proposal or offer to acquire in any manner, directly or indirectly, assets of Morgan’s Foods or its subsidiaries representing more than 25% of the consolidated assets of Morgan’s Foods, in each case, other than the transactions contemplated by the merger agreement.

Nothing described above limits our ability to take actions to comply with our disclosure obligations under Rule 14e-2(a) of the Exchange Act with regard to a takeover proposal or to make such disclosure to our shareholders as, in the good faith judgment of the Board of Directors, after receiving advice from counsel, is required under applicable law.

Access to Information; Confidentiality

Prior to the effective time of the merger or the termination of the merger agreement, we will, except as prohibited by law:

report to Apex and Merger Sub material operational matters and the general status of ongoing operations;

notify Apex and Merger Sub of any unexpected emergency or other change in the normal course of Morgan's Foods' business or in the operation of its properties; and

notify Apex and Merger Sub of any governmental complaints, investigations, adjudicatory proceedings, or hearings (or communications indicating that the same may be contemplated).

The information will be held in confidence to the extent required by the provisions of the confidentiality agreement between us and Apex.

Indemnification and Insurance

The merger agreement requires that Apex and Morgan's Foods, as the surviving company in the merger, to the fullest extent permitted under Ohio law, honor Morgan's Foods' obligations pursuant to the Amended Code of Regulations to indemnify certain persons as set forth therein arising out of or pertaining to any action or omission occurring at or before the effective time of the merger (including the transactions contemplated by the merger agreement) and that these provisions not be amended, modified or repealed for four years from the effective time of the merger in a manner that would adversely affect the rights of any individual who at the effective time of the merger is covered by such provisions unless required by law, and that Apex shall guarantee the obligations of the surviving company under such provisions. Apex also has agreed to cause the surviving company in the merger to provide for at least four years after the effective time of the merger, directors' and officers' liability insurance coverage for the benefit of the current officers and directors of Morgan's Foods that is at least as favorable to the insureds as the policy maintained by Morgan's Foods immediately prior to the effectiveness of the merger, subject to certain limitations on the amount of premiums required to be paid for such insurance coverage.

Employee Benefit Matters

Apex has agreed to provide, or cause to be provided, the employees and former employees of Morgan's Foods and its subsidiaries with employee benefits and compensation plans (including with respect to salary and bonus), programs and arrangements no less favorable, in the aggregate, than those provided by Morgan's Foods or its subsidiaries, as the case may be, to the such employees for a period of two years after the effective time of the merger.

Apex has further agreed that with respect to any Apex benefit plan in which an employee of Morgan's Foods or any of its subsidiaries first becomes eligible to participate on or after the effective time of the merger, Apex will (i) with respect to any self-insured welfare benefit plans, cause, and with respect to all other welfare benefit plans, use reasonable best efforts to cause, waiver of all pre-existing conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to such employee and his or her dependents, except to the extent such pre-existing conditions, exclusions or waiting periods applied immediately before the effective time of the merger under the analogous Morgan's Foods benefit plan, (ii) provide such employee and his or her dependents with credit for any co-payments and deductibles paid before becoming eligible to participate in the Apex benefit plan under the analogous Morgan's Foods benefit plan, and (iii) recognize all service of such employee with Morgan's Foods and its subsidiaries that was recognized by Morgan's Foods prior to the date of the merger agreement for purposes of eligibility, vesting and benefit accruals under such Apex benefit plans to the extent such service was recognized for such purpose under the analogous Morgan's Foods benefit plan.

Financing Covenant

The merger agreement requires Apex to use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to arrange and consummate Apex's financing on the terms and conditions described in Apex's debt commitment letter, including, using reasonable best efforts to:

satisfy on a timely basis all terms, covenants and conditions set forth in the debt commitment letter;

enter into definitive agreements on the terms and conditions contemplated by the debt commitment letter; and

consummate the financing at or prior to the effective time of the merger.

Apex has agreed to keep Morgan's Foods informed with respect to all material activity concerning the status of the financing contemplated by the debt commitment letter and to give Morgan's Foods prompt notice of any material adverse change with respect to such financing. Without limiting the foregoing, Apex agreed to notify Morgan's Foods promptly, and in any event within two business days, if at any time:

the Huntington Bank debt commitment letter expires or is terminated for any reason;

any source of Apex's debt or equity financing notifies Apex that it no longer intends to provide financing to Apex; or

for any reason Apex no longer believes in good faith that it will be able to obtain all or any portion of the financing.

Apex has further agreed that it will not, and will not permit any of its affiliates to, without the prior written consent of the Morgan's Foods, take or fail to take any action or enter into any transaction, including any merger, acquisition, joint venture, disposition, lease, contract or debt or equity financing, that could reasonably be expected to materially impair, delay or prevent consummation of the debt financing, the equity financing or any alternate financing. In addition, Apex has agreed not to amend or alter, or agree to amend or alter, the debt commitment letter in any manner that would prevent or materially impair or delay the consummation of merger without the prior written consent of Morgan's Foods.

If any portion of the debt financing becomes unavailable on the terms and conditions contemplated in the debt commitment letter or the debt commitment letter is terminated or modified in a manner materially adverse to Apex for any reason, Apex will use its reasonable best efforts to arrange to obtain alternative financing from alternative sources

in an amount sufficient to consummate the merger, including:

satisfying on a timely basis all terms, covenants and conditions set forth in any new commitment letter;

entering into definitive agreements with on the terms and conditions contemplated by any new commitment letter;
and

consummating the alternate financing at or prior to the closing of the merger.

Conditions of the Merger

The obligation of each party to effect the merger is subject to the satisfaction or waiver on or before the closing date of each of the following conditions:

adoption of the merger agreement by Morgan's Foods shareholders; and

no order or law, entered, enacted, promulgated, enforced or issued by any court of competent jurisdiction, or any other governmental entity, or other legal restraint or prohibition, each of which is referred to as a transaction restraint, shall be in effect preventing the consummation of the merger; provided, however, that each of the parties to the merger agreement shall have used its commercially reasonable efforts to prevent the entry of such transaction restraints and to appeal as promptly as possible any such transaction restraints that may be entered.

The obligation of Apex and the Merger Sub to effect the merger is also subject to the satisfaction or waiver of the following conditions:

accuracy as of the time of closing of the representations and warranties made by us to the extent specified in the merger agreement;

we shall have performed in all material respects all obligations and agreements under the merger agreement to be performed or complied with by us at or prior to the closing date; and

since the date of the merger agreement, there shall not have been any continuing material adverse effect to Morgan's Foods.

The obligation of Morgan's Foods to effect the merger is also subject to the satisfaction or waiver of the following conditions:

accuracy as of the time of closing of the representations and warranties made by Apex and Merger Sub to the extent specified in the merger agreement; and

each of Apex and Merger Sub shall have performed in all material respects all obligations and agreements under the merger agreement to be performed by or complied with by it at or prior to the closing date.

We and Apex can provide no assurance that all of the conditions precedent to the merger will be satisfied or waived by the party permitted to do so.

Termination

We, Apex and Merger Sub may mutually agree in writing, at any time before the effective time of the merger, to terminate the merger agreement. Also, either Apex or we may terminate the merger agreement, without the consent of

the other, before the effective time of the merger if:

the merger is not consummated on or before July 31, 2014, referred to as the outside date, or such later time as we and Apex may agree; provided, that a party whose breach of the merger agreement results in a failure of the merger to be consummated by such time will not be able to terminate under this provision;

a permanent injunction which is final and non-appealable shall have been issued restraining or otherwise prohibiting consummation of the merger or any of the other transactions contemplated by the merger agreement, provided that the party exercising its right to terminate has used all reasonable best efforts to prevent the entry of such permanent injunction; or

our shareholders fail to adopt the merger agreement at the special meeting (including any adjournments or postponements thereof).

Apex can terminate the merger agreement before the effective time of the merger if:

the Board of Directors has withdrawn, or modified in a manner materially adverse to Apex its recommendation to adopt the merger agreement;