# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

**(Mark One)**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**FOR THE FISCAL YEAR ENDED DECEMBER 27, 2015**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from to**
**Commission File Number 000-51485**

# RUTH'S HOSPITALITY GROUP, INC.

**(Exact Name of Registrant as Specified in its Charter)**

| | |
|---|---|
| **Delaware** | **72-1060618** |
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification No.)** |
| **1030 W. Canton Avenue, Suite 100 Winter Park, Florida** | **32789** |
| **(Address of Principal Executive Offices)** | **(Zip Code)** |

**Registrant's Telephone Number, Including Area Code: (407) 333-7440**

**Securities Registered Pursuant to Section 12(b) of the Act:**

| | |
|---|---|
| **Common stock, par value $0.01 per share** | **The NASDAQ Stock Market LLC** |
| **(Title of class)** | **(Name of exchange on which registered)** |

**Securities Registered Pursuant to Section 12(g) of the Act:**
**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

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

As of June 28, 2015, the last day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock, par value $0.01 per share, held by non-affiliates was approximately $546,701,336.

The number of shares outstanding of the registrant's common stock as of February 26, 2016 was 33,638,024 which includes 1,150,082 shares of unvested restricted stock.

## DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of Annual Report on Form 10-K, to the extent not set forth herein, is incorporated herein by reference to the registrant's Proxy Statement for the 2016 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the close of the registrant's fiscal year.

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**FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K and the materials incorporated by reference herein contain “forward-looking statements” that reflect, when made, the Company’s expectations or beliefs concerning future events that involve risks and uncertainties. Forward-looking statements frequently are identified by the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “project,” “targeting,” “will be,” “will continue,” “will likely result,” or other similar words and phrases. Statements herein that describe the Company’s objectives, plans or goals, including with respect to new restaurant openings, are forward-looking statements. Actual results could differ materially from those projected, implied or anticipated by the Company’s forward-looking statements. Some of the factors that could cause actual results to differ include: reductions in the availability of, or increases in the cost of, USDA Prime grade beef, fish and other food items; changes in economic conditions and general trends; the loss of key management personnel; the effect of market volatility on the Company’s stock price; health concerns about beef or other food products; the effect of competition in the restaurant industry; changes in consumer preferences or discretionary spending; labor shortages or increases in labor costs; the impact of federal, state or local government regulations relating to income taxes, unclaimed property, Company employees, the sale or preparation of food, the sale of alcoholic beverages and the opening of new restaurants; harmful actions taken by the Company’s franchisees; the Company’s ability to protect its name and logo and other proprietary information; the impact of litigation; the restrictions imposed by the Company’s credit agreement; changes in, or the discontinuation of, the Company’s share repurchase program or dividend payments; and the Company’s indemnification obligations in connection with its recent sale of the Mitchell’s Fish Market and Mitchell’s/Cameron’s Steakhouse restaurants. For a discussion of these and other risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, please see Item 1A, Risk Factors, in this Annual Report on Form 10-K as well as the Company’s other filings with the Securities and Exchange Commission (the SEC), all of which are available on the SEC’s website at www.sec.gov. All forward-looking statements are qualified in their entirety by this cautionary statement, and the Company undertakes no obligation to revise or update this Annual Report on Form 10-K to reflect events or circumstances after the date hereof. You should not assume that material events subsequent to the date of this Annual Report on Form 10-K have not occurred.

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Unless the context otherwise indicates, all references in this Annual Report on Form 10-K to the “Company,” “we,” “us” or “our” or similar words are to Ruth’s Hospitality Group, Inc., and its wholly owned subsidiaries.

## PART I

## Item 1. BUSINESS

### Introduction

Ruth's Hospitality Group, Inc. develops and operates fine dining restaurants under the trade name Ruth's Chris Steak House. As of December 27, 2015, there were 148 Ruth's Chris Steak House restaurants, including 67 Company-owned restaurants, one restaurant operating under a management agreement and 80 franchisee-owned restaurants, including 20 international franchisee-owned restaurants in Aruba, Canada, China, Hong Kong, El Salvador, Japan, Mexico, Panama, Singapore, Taiwan and the United Arab Emirates.

The Company previously operated eighteen Mitchell's Fish Markets and three Mitchell's/Cameron's Steakhouse restaurants (the Mitchell's Restaurants), located primarily in the Midwest and Florida. On January 21, 2015, the Company sold the Mitchell's Restaurants to a third party. For financial reporting purposes, the Mitchell's Restaurants are classified as discontinued operations for all periods presented and, as of December 28, 2014, the assets are classified as held for sale.

The Company has a 52/53-week fiscal year ending the last Sunday in December. The 2015 fiscal year ended December 27, 2015, the 2014 fiscal year ended December 28, 2014, and the 2013 fiscal year ended December 29, 2013. Fiscal years 2015, 2014 and 2013 all had 52 weeks.

The following description of the Company's business should be read in conjunction with the information in Management's Discussion and Analysis of Results of Operations of Financial Condition in Item 7, Management's Discussion and Analysis of Results of Operations and Financial Condition of this Annual Report on Form 10-K and the consolidated financial statements included in this Annual Report on Form 10-K.

### Background

The year 2015 marked the 50th anniversary of the founding of Ruth's Chris Steak House. The Company was founded in 1965 when Ruth Fertel mortgaged her home for $22 thousand to purchase the "Chris Steak House," a 60-seat restaurant located near the New Orleans Fair Grounds racetrack. After a fire destroyed the original restaurant, Ruth relocated her restaurant to a new 160-seat facility nearby. As the terms of the original purchase prevented the use of the "Chris Steak House" name at a new restaurant, Ruth added her name to that of the original restaurant—thus creating the "Ruth's Chris Steak House" brand.

The Company's expansion began in 1972, when Ruth opened a second restaurant in Metairie, a suburb of New Orleans. In 1976, the first franchisee-owned Ruth's Chris Steak House opened in Baton Rouge, Louisiana. In 2005, the Company and certain selling shareholders completed an initial public offering of the Company's common stock, which is currently listed on the Nasdaq Global Select Market under the ticker symbol "RUTH".

### Recent Developments

- In 2015, Ruth's Chris Steak House was honored to be recognized by surveys and publications as a premier steakhouse restaurant brand, including recognition as the #1 Consumer Pick in the Nation's Restaurant News annual survey for the fine dining category and being honored as an Open Table's 2015 Top 100 Restaurant in America. Additionally, many of our restaurants continue to be ranked best steakhouse by local publications in the areas in which they operate.
- In the fourth quarter of fiscal year 2015, Ruth's Chris Steak House achieved its 23rd consecutive quarter of same-store sales growth.
- Two new Company-owned Ruth's Chris Steak House restaurants opened during 2015, including locations in St. Petersburg, FL and Dallas, TX.
- Franchisees opened three new restaurants during 2015, including locations in Ann Arbor, MI, Charleston, SC, and San Antonio, TX.
- The Company currently expects to open four new Ruth's Chris Steak House restaurants during 2016. The Company expects that franchisees will open three new Ruth's Chris Steak House restaurants during 2016.

### Ruth's Chris Steak House

With 148 restaurants as of December 27, 2015, Ruth's Chris Steak House is one of the largest upscale steakhouse companies in the world. The menu features a broad selection of high-quality USDA Prime and Choice grade steaks and other premium offerings served in Ruth's Chris' signature fashion —"sizzling"—complemented by other traditional menu items inspired by its New Orleans heritage. Ruth's Chris complements its distinctive food offerings with an award-winning wine list.

The Ruth's Chris brand reflects its 50-year commitment to the core values instilled by its founder, Ruth Fertel, of caring for guests by delivering the highest quality food, beverages and genuine hospitality in a warm and inviting atmosphere.

**Mitchell's Restaurants**

The Company acquired the Mitchell's Restaurants in 2008. Mitchell's Fish Market is an eighteen-restaurant upscale seafood concept and Mitchell's/Cameron's Steakhouse is a modern American steakhouse concept.

In November 2014, the Company and Landry's, Inc. and Mitchell's Entertainment, Inc., an affiliate of Landry's Inc. (together with Landry's Inc., Landry's), entered into an asset purchase agreement (the Agreement). Pursuant to the Agreement, the Company agreed to sell the Mitchell's Restaurants and related assets to Landry's for $10 million. The sale of the Mitchell's Restaurants closed on January 21, 2015. The assets sold consisted primarily of leasehold interests, leasehold improvements, restaurant equipment and furnishings, inventory, and related intangible assets, including brand names and trademarks associated with the 21 Mitchell's Restaurants. Under the terms of the Agreement, Landry's assumed the Mitchell's Restaurants' facility lease obligations and the Company will reimburse Landry's for gift cards sold prior to the closing date and used at the Mitchell's Restaurants during the eighteen months following the closing date. Landry's offered employment to substantially all of the employees of the Mitchell's Restaurants.

**Strengths**

The Company believes that the key strengths of its business model are the following:

***Premier Upscale Steakhouse Brand***

The Ruth's Chris Steak House brand is one of the strongest in the upscale steakhouse segment of the restaurant industry, with high levels of brand awareness. In 2015, Ruth's Chris Steak House was again the #1 Consumer Pick in the Nation's Restaurant News annual survey for the fine dining category. Additionally, many of our restaurants continue to be ranked best steakhouse by local publications in the areas in which they operate. In addition, the Company has been recognized for its award-winning core wine list, for which a majority of its Company-owned restaurants received "Awards of Excellence" from Wine Spectator magazine.

***Appealing Dining Experience***

At the Ruth's Chris restaurants, the Company seeks to exceed guests' expectations by offering high-quality food with warm, friendly service. The Company's entire restaurant staff is dedicated to ensuring that guests enjoy a superior dining experience. The Company's team-based approach to table service is designed to enhance the frequency of guest contact and speed of service without intruding on the guest experience.

**Strategy**

The Company's strategy is to deliver a total return to shareholders by maintaining a healthy core business, growing with a disciplined investment approach and returning excess capital to shareholders. The Company strives to maintain a healthy core business by growing sales through traffic, managing operating margins and leveraging infrastructure. The Company is committed to disciplined growth in markets with attractive sales attributes and solid financial returns. The Company believes that its franchisee program is a point of competitive differentiation and looks to grow its franchisee-owned restaurant locations as well. The Company also will consider acquiring franchisee-owned restaurants at terms that it believes are beneficial to both the Company and the franchisee.

***Improve Sales/Profitability***

The Company strives to improve sales and profitability by focusing on:

- Ensuring consistency of food quality through more streamlined preparation and presentation;
- Expanding our brand appeal through continued menu evolution and facility remodels;
- Increasing brand awareness through enhanced media advertising at the national and local levels;
- Enhancing and/or developing innovative marketing programs through its website (e.g., www.ruthschris.com), social media, digital media and email communication; and
- Creating and/or growing revenue opportunities via Ruth's Catering, Private Dining, HD Satellite Programs and Gift Cards.

***Expand Relationships with New and Existing Franchisees and Others***

The Company intends to grow its franchising business by developing relationships with a limited number of new franchisees and by expanding the rights of existing franchisees to open new restaurants. The Company believes that building relationships with quality franchisees is a cost-effective way to grow and strengthen the Ruth's Chris brand and generate additional revenues. The Company intends to continue to focus on providing operational guidance to its franchisees, including the sharing of "best practices" from Company-owned Ruth's Chris restaurants.

Franchisees opened 57 Ruth's Chris restaurants from 1999 through the end of 2015. In fiscal year 2015, franchisees opened three new restaurants in Ann Arbor, MI, Charleston, SC, and San Antonio, TX. In fiscal year 2014, franchisees opened three new restaurants in Boise, ID, Panama City, Panama, and Taipei, Taiwan. In fiscal year 2013, franchisees opened three new restaurants in San Juan, Puerto Rico, Chattanooga, TN and Shanghai, China. In addition, a franchise restaurant opened in 2013 in Las Vegas, NV under a licensing agreement with Harrah's Casino under which we receive a fee based on a percentage of sales. Franchisees are expected to open six new restaurants by the end of fiscal year 2017.

The Company and its franchise and licensing partners will have opened or relocated nineteen new Ruth's Chris Steak Houses worldwide during the three year period ended December 2015.

**Menu**

The Ruth's Chris menu features a broad selection of high-quality USDA Prime grade steaks and other premium offerings served in Ruth's Chris signature fashion—"sizzling" on a 500 degree plate and topped with butter—complemented by other Classic American steakhouse menu items. USDA Prime is the highest meat grade level, which refers to the superior quality and evenly distributed marbling that enhances the flavor of the steak. The Ruth's Chris menu also includes premium quality lamb chops, fish, shrimp, crab, chicken and lobster. Dinner entrées are generally priced from $28 to $85. Ruth's Chris is predominantly open dinner hours only with a limited number of restaurants open for lunch. The lunch menu offers entrées generally ranging in price from $13 to $27. The blended guest check average at Ruth's Chris was approximately $79 during fiscal year 2015. While the Ruth's Chris core menu is similar at all of its restaurants, the Company seasonally introduces new items such as specials and prix fixe offerings that allow it to give its guests additional choices while taking advantage of fresh sourcing and advantageous cost opportunities.

The Company's Ruth's Chris restaurants offer ten to thirteen standard appetizer items, including New Orleans-style barbequed shrimp, mushrooms stuffed with crabmeat, shrimp remoulade, lobster bisque and osso bucco ravioli, as well as six to eight different salads. They also offer a variety of potatoes and vegetables as side dishes. For dessert, crème brûlée, bread pudding, cheesecake, fresh seasonal berries with sweet cream sauce and other selections are available.

The Company's wine list features bottles typically ranging in price from $40 to over $1,000. Individual restaurants supplement their 250-bottle core wine list with approximately 20 additional selections that reflect local market tastes. Most of the Company's Ruth's Chris restaurants also offer approximately 39 wines-by-the-glass and numerous beers, liquors and alcoholic dessert drinks. Wine sales account for approximately 58% of the total beverage sales.

**Restaurant Operations and Management**

The Ruth's Chris President and Chief Operating Officer has primary responsibility for managing Company-owned restaurants and participates in analyzing restaurant-level performance and strategic planning. The Company has nine regional vice presidents that oversee restaurant operations at Company-owned restaurants and one vice president that has oversight responsibility for franchisee-owned restaurants. In addition, restaurant education and training is overseen by a regional staff dedicated to the ongoing training and development of customer service employees and kitchen staff.

The Company's typical Company-owned restaurant employs five managers, including a general manager, two front-of-the-house managers, an executive chef and a sous chef. The Company-owned restaurants also typically have approximately 70 hourly employees.

**Purchasing**

The Company's ability to maintain consistent quality throughout its restaurants depends in part upon its ability to acquire food and other supplies from reliable sources in accordance with its specifications. Purchasing at the restaurant level is directed primarily by the executive chef, who is trained in the Company's purchasing philosophy and specifications, and who works with regional and corporate managers to ensure consistent sourcing of meat, fish, produce and other supplies.

During fiscal year 2015, the Company purchased substantially all of the beef it used in Company-owned Ruth's Chris restaurants from two vendors, Sysco Food Services and Stock Yards Packing (a subsidiary of US Foods). Each vendor supplied about half of the Company's beef requirements. In addition, the Company has a distribution arrangement with a national food and restaurant supply distributor, Distribution Market Advantage, Inc. (DMA), which purchases products for the Company from various suppliers and through which all of the Company-owned Ruth's Chris Steak House restaurants receive a significant portion of their food supplies.

**Quality Control**

The Company strives to maintain quality and consistency in its Company-owned restaurants through careful training and supervision of personnel and standards established for food and beverage preparation, maintenance of facilities and conduct of personnel. The primary goal of the Company's training and supervision programs is to ensure that its employees display the characteristics of its brand and values that distinguish it from its competitors. Restaurant managers in Company-owned restaurants must complete a training program that is typically seven to eight weeks long, during which they are instructed in multiple areas of restaurant management, including food quality and preparation, guest service, alcoholic beverage service, liquor regulation compliance and employee relations. Restaurant managers also receive operations manuals relating to food and beverage preparation and restaurant operations. Restaurant managers are certified by the National Restaurant Association Educational Foundation for food safety.

The Ruth's Chris Steak House restaurants also employ an independent third-party food safety firm to ensure proper training, food safety and the achievement of the highest standards for cleanliness throughout the restaurant through routine quarterly unannounced inspections. The Company instructs chefs and assistants on safety, sanitation, housekeeping, repair and maintenance, product and service specifications, ordering and receiving food products and quality assurance.

Throughout each day at the Ruth's Chris restaurants, the executive chef, together with the restaurant managers, oversees a line check system of quality control and must complete a quality assurance checklist verifying the flavor, presentation and proper temperature of the food and beverages.

**Marketing and Promotions**

The goals of the Company's marketing efforts are to increase restaurant sales by attracting new guests, increasing the frequency of visits by current guests, improving brand recognition in new markets or markets where it intends to open a restaurant and to communicate the overall uniqueness, value and quality exemplified by our restaurants. The Company uses multiple media channels to accomplish these goals and complements its national advertising with targeted local media such as print, digital media, radio and outdoor billboards.

***Advertising***

In fiscal year 2015, the Company spent $10.9 million, or 2.9% of its revenues, in total marketing and advertising expenditures, which included spending on national media, consisting primarily of national cable television advertisements, online initiatives and consumer research. During fiscal year 2015, the Company continued to optimize its online marketing efforts, using a variety of tactics. The Company's online strategy also included an emphasis on targeted emails with special offers and announcements, as well as emails regarding seasonal specials, holiday offers and personalized birthday and anniversary invitations. In the fourth quarter of fiscal year 2015, the Company ran national television advertising across a targeted selection of cable channels and invested in online advertising. In fiscal year 2015, Ruth's Chris Steak House continued its participation in co-branded campaign with American Express Membership Rewards program. Many of the Company's restaurants also schedule events to strengthen community ties and increase local market presence. The Company's franchisees also conduct their own local media and advertising plans.

**Gift Cards**

The Company sells Ruth's Chris gift cards at most of its Ruth's Chris Steak House restaurants, including franchises, on its website and through its toll-free number. Ruth's Chris patrons frequently purchase gift cards for holidays, including Christmas, Hanukkah, Valentine's Day, Mothers' Day and Fathers' Day, and other special occasions. In December 2013, Ruth's Chris began offering e-gift cards to purchasers on its e-commerce gift card website. The e-gift card is emailed directly to the recipient and is redeemable in the same manner as a plastic gift card. E-gift cards give Ruth's Chris the opportunity to maximize last-minute gift-giving and address its patrons' requests for convenient, immediate purchases. In fiscal year 2015, system-wide gift card Company and franchise sales of Ruth's gift cards aggregated approximately $59 million. Ruth's Chris gift cards are redeemable at both Company and franchisee owned Ruth's Chris restaurants.

**Franchise Program and Relationship**

Under the Company's franchise program, the Company offers certain services and licensing rights to the franchisee to help maintain consistency in system-wide operations. The Company's services include training of personnel, construction assistance, providing the new franchisee with standardized operating procedures and manuals, business and financial forms, consulting with the new franchisee on purchasing and supplies and performing supervisory quality control services. The Company conducts reviews of its franchisee-owned restaurants on an ongoing basis in order to ensure compliance with its standards.

As of December 27, 2015, the Company's 80 franchisee-owned Ruth's Chris restaurants are owned by 30 franchisees with the three largest franchisees owning 29 restaurants in total. Currently, franchisees have agreed to open six additional Ruth's Chris restaurants, which are expected to open by the end of fiscal year 2017.

Under the Company's current franchise program, each franchise arrangement consists of a development agreement, if multiple restaurants are to be developed, with a separate franchise agreement executed for each restaurant. The Company's current form of development agreement grants exclusive rights to a franchisee to develop a minimum number of restaurants in a defined area, typically during a three-to-five-year period. Individual franchise agreements govern the operation of each restaurant opened and have a 20-year term with two renewal options each for additional ten-year terms if certain conditions are met. The Company's current form of franchise agreement requires franchisees to pay a 5% royalty on gross revenues plus up to a 1% advertising fee applied to national advertising expenditures.

Under the Company's current form of development agreement, and unless agreed otherwise, the Company collects a $50 thousand development fee, which is credited toward the $150 thousand franchise fee, for each restaurant the franchisee has rights to develop. Under the Company's current form of the franchise agreement, it collects up to $150 thousand of the full franchise fee at the time of executing the franchise agreement for each restaurant. If one restaurant is to be developed, a single unit franchise agreement is executed and the $150 thousand franchise fee is collected at signing.

**Information Systems and Restaurant Reporting**

All of the Company's restaurants use computerized point-of-sale systems, which are designed to promote operating efficiency, provide corporate management timely access to financial and marketing data and reduce restaurant and corporate administrative time and expense. These systems record each order and print the food requests in the kitchen for the cooks to prepare. The data captured for use by operations and corporate management includes gross sales amounts, cash and credit card receipts and quantities of each menu item sold. Sales and receipts information is generally transmitted to the corporate office daily.

The Company's corporate systems provide management with operating reports that show Company-owned restaurant performance comparisons with budget and prior year results. These systems allow the Company to monitor Company-owned restaurant sales, food and beverage costs, labor expense and other restaurant trends on a regular basis.

**Service Marks**

The Company has registered the main service marks "Ruth's Chris" and its "Ruth's Chris Steak House, U.S. Prime & Design" logo, as well as other service marks used by its restaurants, with the United States Patent and Trademark Office and in the foreign countries in which its restaurants operate. The Company has also registered in other foreign countries in anticipation of new store openings within those countries. The Company is not aware of any infringing uses that could materially affect its business. The Company believes that its service marks are valuable to the operation of its restaurants and are important to its marketing strategy.

**Seasonality**

The Company's business is subject to seasonal fluctuations. Historically, the percentage of its annual revenues earned during the first and fourth fiscal quarters have been higher due, in large part, to increased restaurant sales during the year-end holiday season and the popularity of dining out in the fall and winter months.

**Employees**

As of December 27, 2015, the Company employed 4,350 persons, of whom 434 were salaried and 3,916 were hourly personnel, who were employed in the positions set forth in the table below. None of the Company's employees are covered by a collective bargaining agreement**.**

| Functional Area | Number of Employees |
|---|---|
| Senior Officers / Corporate VPs / Operations VPs | 27 |
| General Managers | 71 |
| Managers | 177 |
| Regional Corporate Chefs / Executive Chefs | 69 |
| Sous Chefs | 50 |
| Non-Salaried Restaurant Staff | 3,898 |
| Corporate Salaried | 40 |
| Corporate Non-salaried | 18 |
| Total number of employees | 4,350 |

**Financial Information about Segments**

The Company-owned Ruth's Chris Steak House restaurants in North America are managed as an operating segment. The Ruth's Chris restaurants operate within the full-service dining industry, providing similar products to similar customers. The franchise operations are also considered to be an operating segment. Financial information concerning the Company's segments for financial reporting purposes appears in Note 17 of the consolidated financial statements.

**Government Regulation**

The Company is subject to extensive federal, state and local government regulation, including regulations relating to public health and safety, zoning and fire codes and the sale of alcoholic beverages and food. The Company maintains the necessary restaurant, alcoholic beverage and retail licenses, permits and approvals. Federal and state laws govern the Company's relationship with its employees, including laws relating to minimum wage requirements, overtime, tips, tip credits and working conditions. A significant number of the Company's hourly employees are paid at rates related to the federal or state minimum wage. During 2015, governmental entities acted to increase minimum wage rates in several jurisdictions wherein Company-owned restaurants are located. Additionally, the federal government may act to increase the U.S. federal minimum wage rate.

The offer and sale of franchises are subject to regulation by the U.S. Federal Trade Commission (FTC) and many states. The FTC requires that the Company furnish to prospective franchisees a franchise disclosure document containing prescribed information. A number of states also regulate the sale of franchises and require state registration of franchise offerings and the delivery of a franchise disclosure document to prospective franchisees. The Company's noncompliance could result in governmental enforcement actions seeking a civil or criminal penalty, rescission of a franchise, and loss of its ability to offer and sell franchises in a state, or a private lawsuit seeking rescission, damages and legal fees.

The Company is subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. The Company is, or will become, subject to laws and regulations requiring disclosure of calorie, fat, trans fat, salt and allergen content. The Patient Protection and Affordable Care Act of 2010 (ACA) requires restaurant companies, such as the Company, to disclose calorie information on their menus beginning in December 2016. The Food and Drug Administration has rules to implement this provision that would require restaurants to post the number of calories for most items on menus or menu boards and to make available more detailed nutrition information upon request. A number of states, counties and cities have also enacted menu labeling laws requiring restaurant companies, such as the Company, to disclose certain nutrition information on their menus, or have enacted legislation restricting the use of certain types of ingredients in restaurants. Although the ACA is intended to preempt conflicting state and local laws regarding nutrition labeling, the Company will be subject to a patchwork of state and local laws and regulations regarding nutritional content disclosure requirements until the Company is required to comply with the federal law. Many of the current requirements are inconsistent or are interpreted differently from one jurisdiction to another. The effect of such labeling requirements on consumer choices, if any, is unclear at this time.

The Company maintains an employee benefits program that provides self-insured and insured coverage to employees that meet the applicable requirements under the program. Employees can elect to enroll dependents that meet eligibility criteria. Coverage includes health, dental, vision, short- and long-term disability, life insurance and other voluntary ancillary benefits. Employees share in the cost of other coverage at varying levels. The Company has historically funded a majority of the cost of employee health benefits. The ACA requires that employers offer health care coverage that is qualified and affordable. Coverage must be offered to all "full-time" employees, as defined by the ACA. The Company routinely reviews its health benefit plans to assure conformity with the ACA. The hours of service eligibility criteria the Company requires for health benefits are lower than required under the ACA. Approximately 65% of eligible employees elect to participate in the Company's health benefit plans.

**Competition**

The restaurant business is highly competitive and highly fragmented, and the number, size and strength of the Company's competitors vary widely by region. The Company believes that restaurant competition is based on, among other things, quality of food products, customer service, reputation, restaurant location, atmosphere, name recognition and price. The Company's restaurants compete with a number of upscale steakhouses and upscale casual seafood restaurants within their markets, both locally owned restaurants and restaurants within regional or national chains. The principal upscale steakhouses with which the Company competes are Fleming's, The Capital Grille, Smith & Wollensky, The Palm, Del Frisco's Double Eagle Steakhouse, Fogo de Chão and Morton's The Steakhouse. The Company's competitors may be better established in certain of the Company's existing markets and/or markets into which the Company intends to expand.

**Available Information**

The Company maintains a website on the Internet at **www.rhgi.com**. The Company makes available free of charge, through the investor relations section of its website, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports electronically filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such information is available as soon as reasonably practicable after it files such reports with the SEC. Additionally, the Company's Code of Ethics may be accessed within the Investor Relations section of its website. Information found on the Company's website is not part of this Annual Report on Form 10-K or any other report filed with the SEC.

## Item 1A. RISK FACTORS

*In addition to the other information in this Annual Report on Form 10-K, the following risk factors should be considered carefully in evaluating the Company and its business. Additional risks and uncertainties not presently known to us or that the Company currently deems immaterial may also impair its business operations. If any of these certain risks and uncertainties were to actually occur, the Company's business, financial condition or results of operations could be materially adversely affected. In such case, the trading price of the Company's common stock could decline and its investors may lose all or part of their investment. These risks and uncertainties include the following:*

***We may not be able to compete successfully with other restaurants, which could reduce revenues.***

The restaurant industry is intensely competitive with respect to price, service, location, food quality, atmosphere and overall dining experience. Our competitors include a large and diverse group of well-recognized upscale steakhouse and upscale casual restaurant chains, including steakhouse and seafood chains as well as restaurants owned by independent local operators. Some of our competitors have substantially greater financial, marketing and other resources, and may be better established in the markets where our restaurants are or may be located. If we cannot compete effectively in one or more of our markets, we may be unable to maintain recent levels of comparable restaurant sales growth and/or may be required to close existing restaurants.

***Economic downturns may adversely impact consumer spending patterns.***

Economic downturns could negatively impact consumer spending patterns. Any decrease in consumer spending patterns may result in a decline in our operating performance. Economic downturns may reduce guest traffic and require us to lower our prices, which reduces our revenues and operating income, which may adversely affect the market price for our common stock.

***Increases in the prices of, or reductions in the availability of, any of our core food products could reduce our operating margins and revenues.***

We purchase large quantities of beef, particularly USDA Prime grade beef, which is subject to significant price fluctuations due to seasonal shifts, climate conditions, industry demand and other factors. Our beef costs represented approximately 47% of our food and beverage costs during fiscal year 2015. During fiscal year 2015, we entered into contracts with beef suppliers to establish set pricing on a portion of anticipated beef purchases. As of December 27, 2015, we have not negotiated set pricing for beef requirements in 2016. The market for USDA Prime grade beef is particularly volatile. If prices increase, or the supply of beef is reduced, our operating margins could be materially adversely affected.

In addition, under the Federal Meat Inspection Act and the Poultry Products Inspection Act, the production, processing or interstate distribution of meat and poultry products is prohibited absent federal inspection. If there is a disruption to the meat inspection process, we could experience a reduction in supply and a corresponding increase in meat prices, which could be significant, either of which could materially impact our operating margin and results of operations.

In the recent past, certain types of seafood have experienced fluctuations in availability. Seafood is also subject to fluctuations in price based on availability, which is often seasonal. If certain types of seafood are unavailable, or if our costs increase, our results of operations could be adversely affected.

***Food safety and food-borne illness concerns throughout the supply chain may have an adverse effect on our business.***

Food safety is a top priority, and we dedicate substantial resources to ensuring that our customers enjoy safe, quality food products. However, food safety issues could be caused by food suppliers or distributors and, as a result, be out of our control. In addition, regardless of the source or cause, any report of food-borne illnesses such as E. coli, norovirus, hepatitis A, trichinosis or salmonella, and other food safety issues including food tampering or contamination, at one of our restaurants could adversely affect the reputation of our brands and have a negative impact on our sales. Even instances of food-borne illness, food tampering or food contamination occurring solely at restaurants of our competitors could result in negative publicity about the food service industry generally and adversely impact our sales. The occurrence of food-borne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, resulting in higher costs and lower margins.

***Negative publicity surrounding our restaurants or the consumption of beef generally, or shifts in consumer tastes, could reduce sales in one or more of our restaurants and make our brand less valuable.***

Our success depends, in large part, upon the popularity of our menu offerings. Negative publicity resulting from poor food quality, illness, injury or other health concerns, or operating problems related to one or more restaurants, could make our menu offerings less appealing to consumers and reduce demand in our restaurants. Further, the influence of social media could make it more difficult for us to respond to negative publicity in a timely or effective manner. Consumers value readily available information and often act on such information without further investigation and without regard to its accuracy. The harm may be immediate without affording us the opportunity for redress or correction. In addition, any other shifts in consumer preferences away from the kinds of food we offer, particularly beef, whether because of dietary or other health concerns or otherwise, would make our restaurants less appealing and adversely affect revenues. By December 2016, the ACA requires our restaurants to disclose calorie information on menus. While we cannot predict the changes in guest behavior resulting from the implementation of this portion of the ACA, it could have an adverse effect on our revenues and results of operations.

***If our vendors or distributors do not deliver food and beverages in a timely fashion we may experience supply shortages and/or increased food and beverage costs.***

Our ability to maintain consistent quality throughout Company-owned restaurants depends in part upon our ability to purchase USDA Prime and Choice grade beef, seafood and other food products in accordance with our rigid specifications. During fiscal year 2015, the Company purchased substantially all of the beef used in Company-owned Ruth's Chris restaurants from two vendors, Sysco Food Services and Stock Yards Packing (a subsidiary of US Foods). Each vendor supplied about half of the Company's beef requirements.

In addition, we currently have a long-term distribution arrangement with a national food and restaurant supply distributor, DMA, which purchases products for us from various suppliers, and through which all of our Company-owned Ruth's Chris Steak House restaurants receive a significant portion of their food supplies. Consolidation in our supply chain due to mergers and acquisitions may change the relationships we have with our existing vendors and distributors and/or result in fewer alternative supply sources for purchasing our food supplies which could result in an increase in prices. If for any reason our vendors or distributors cease doing business with us, we could experience supply shortages in certain Company-owned restaurants and could be required to purchase supplies at higher prices until we are able to secure an alternative supply source. Any delay we experience in replacing vendors or distributors on acceptable terms could increase food costs or, in extreme cases, require us to temporarily remove items from the menu of one or more restaurants.

***Labor shortages or increases in labor costs could slow our growth or harm our business.***

Our success depends in part upon our ability to continue to attract, motivate and retain employees with the qualifications to succeed in our industry and the motivation to apply our core service philosophy, including regional operational managers, restaurant general managers and chefs. If we are unable to continue to recruit and retain sufficiently qualified individuals, our business and growth could be adversely affected. Competition for these employees could require us to pay higher wages, which could result in higher labor costs.

In addition, we have a substantial number of hourly employees who are paid wage rates at or based on the federal or state minimum wage and who rely on tips as a large portion of their income. Governmental entities have acted to increase minimum wage rates in several jurisdictions wherein Company-owned restaurants are located. The federal minimum wage may be increased and there likely will be additional minimum wage increases implemented in other states in which we operate or seek to operate. Likewise, changes to existing tip credit laws (which dictate the amounts an employer is permitted to assume an employee receives in tips when calculating the employee's hourly wage for minimum wage compliance purposes) continue to be proposed and implemented at both the federal and state government levels. As federal and/or state minimum wage rates increase and allowable tip credits decrease, we may need to increase not only the wage rates of our minimum wage employees but also the wages paid to our employees who are paid above the minimum wage, which will increase our labor costs. None of our employees are represented by a collective bargaining unit. Should some of our employees elect to be represented by a collective bargaining unit, our labor costs may increase due to higher wage rates and / or the implementation of work rules. We may be unable to increase our prices in order to pass these increased labor costs on to our guests, in which case our margins would be negatively affected.

***Regulations affecting the operation of our restaurants could increase operating costs and restrict growth.***

Each of our restaurants must obtain licenses from regulatory authorities allowing us to sell liquor, beer and wine, and each restaurant must obtain a food service license from local health authorities. Each restaurant's liquor license must be renewed annually and may be revoked at any time for cause, including violation by the Company or its employees of any laws and regulations relating to the minimum drinking age, advertising, wholesale purchasing and inventory control. In certain states, including states where we have a large number of restaurants or where we may open restaurants in the future, the number of liquor licenses available is limited and licenses are traded at market prices. If we are unable to maintain existing licenses, or if we choose to open a restaurant in those states, the cost of a new license could be significant. Obtaining and maintaining licenses is an important component of each of our restaurant's operations, and the failure to obtain or maintain food and liquor licenses and other required licenses, permits and approvals would materially adversely impact existing restaurants or our growth strategy.

We are also subject to a variety of federal and state labor laws, pertaining to matters such as minimum wage and overtime pay requirements, unemployment tax rates, workers' compensation rates and citizenship requirements. Government-mandated increases in minimum wages, overtime pay, paid leaves of absence and mandated health benefits, or increased tax reporting and tax payment requirements for employees who receive gratuities or a reduction in the number of states that allow tips to be credited toward minimum wage requirements could increase our labor costs and reduce our operating margins. In addition, the Federal Americans with Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment. Although our restaurants are designed to be accessible to the disabled, we could be required to make modifications to our restaurants to provide service to, or make reasonable accommodations for, disabled persons.

***The cost of our employee health care benefit program may increase in the future.***

We maintain an employee benefits program that provides self-insured and insured coverage to employees that meet the applicable requirements under the program. Employees can elect to enroll dependents that meet eligibility criteria. Coverage includes health, dental, vision, short- and long-term disability, life insurance and other voluntary ancillary benefits. Employees share in the cost of other coverage at varying levels. The Company has historically funded a majority of the cost of health benefits.

The ACA requires that employers offer health care coverage that is qualified and affordable. Coverage must be offered to all "full-time" employees, as defined by the ACA. The Company routinely reviews its health benefit plans to assure conformity with the ACA. While we have raised the eligibility requirement thresholds, the hours of service eligibility criteria for health benefits are lower than required under the ACA. Approximately 65% of eligible employees elect to participate in our health benefit plans. In the future, proportionately more employees may elect to participate in our health benefit plans because the ACA includes financial penalties for people who do not have health insurance. We are unable to reliably predict to what extent, if any, the percentage of eligible employees who elect health care coverage will increase in the future. Because we fund a majority of the cost of health benefits, our financial accounting expense will increase to the extent that additional employees elect to participate in the Company's health benefit plans.

Certain other restaurant companies may curtail the ability of their employees to participate in their health benefit plans by increasing the hours worked eligibility requirement to the minimum required under the ACA. Such restaurant companies may gain a cost advantage compared to us by reducing the cost of their employee health benefit programs.

Also, so-called "medical inflation" has historically tended to outpace general inflation. While medical inflation in the United States has been relatively muted in recent years, we are unable to reliably predict the extent to which future medical inflation will outpace general inflation. Additionally, because our medical benefit program is self-insured, an unusual incidence of large claims may cause our costs to unexpectedly increase.

***Our strategy to open franchisee-owned restaurants subjects us to extensive government regulation, compliance with which might increase our investment costs and restrict our growth.***

We are subject to the rules and regulations of the FTC and various international and state laws regulating the offer and sale of franchises. The FTC requires that we furnish to prospective franchisees a franchise disclosure document containing prescribed information and can restrict our ability to sell franchises. A number of states also regulate the sale of franchises and require the obtaining of a permit and/or registration of the franchise disclosure document with state authorities and the delivery of the franchise disclosure document to prospective franchisees. Non-compliance with those laws could result in governmental enforcement actions seeking a civil or criminal penalty, rescission of a franchise, and loss of our ability to offer and sell franchises in a state, or a private lawsuit seeking rescission, damages and legal fees, which could have a material adverse effect on our business.

***Our franchisees could take actions that harm our reputation and reduce our royalty revenues.***

We do not exercise control over the day-to-day operations of our franchisee-owned restaurants. While we strive to ensure that franchisee-owned restaurants maintain the same high operating standards that we demand of Company-owned restaurants, one or more of these restaurants may fail to maintain these standards. Any operational shortcomings of the franchisee-owned restaurants are likely to be attributed to our system-wide operations and could adversely affect our reputation and damage our brand as well as have a direct negative impact on the royalty income we receive from those restaurants.

***The expansion into international markets by our franchisees also creates additional risks to our brands and reputation.***

Our international operations are subject to all of the same risks associated with our domestic operations, as well as a number of additional risks. These include, among other things, international economic and political conditions, foreign currency fluctuations and differing cultures and consumer preferences. We are also subject to governmental regulation in such international markets, including antitrust and tax requirements, anti-boycott regulations, import/export/customs regulations and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Any new regulatory or trade initiatives could impact our operations in certain countries. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could harm our business, results of operations and financial condition.

***We rely on information technology in our operations and a failure to maintain a continuous and secure network, free from material failure, interruption or security breach, could harm our ability to effectively operate our business, damage our reputation and negatively affect our operations and profits.***

We rely on information systems across our operations, including for marketing programs, point-of-sale processing systems in our restaurants, online purchases of gift cards and various other processes and transactions. The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, a material network breach in the security of these systems as a result of a cyber-attack, or any other failure to maintain a continuous and secure network could adversely affect our reputation, negatively affect our results of operations and result in substantial harm to us or an individual.

We accept electronic payment cards, including credit, debit and gift cards, from our guests for payment in our restaurants and on our websites. We also receive and maintain certain personal information about our customers and employees. A number of retailers and restaurant operators have experienced security breaches in which credit, debit and gift card information may have been stolen. If we experienced a security breach, we could become subject to claims, lawsuits or other proceedings for purportedly fraudulent transactions arising out of the theft of credit or debit card information, theft of gift card information, compromised security and information systems, failure of our employees to comply with applicable laws, the unauthorized acquisition or use of such information by third parties, or other similar claims. Any such incidents or proceedings could negatively affect our reputation and our results of operations, cause delays in guest service, require significant capital investments to remediate the problem, and could result in the imposition of penalties or cause us to incur significant unplanned losses and expenditures, including those necessary to remediate any damage to persons whose personal information may have been compromised. Furthermore, as a result of legislative and regulatory rules, we may be required to notify the owners of the credit and debit card information of any data breaches, which could harm our reputation and financial results, as well as subject us to litigation or other proceedings by regulatory authorities.

***A lack of availability of suitable locations for new restaurants or a decline in the quality of the locations of our current restaurants may adversely affect our sales and results of operations.***

The success of our restaurants depends in large part on their locations. Possible declines in neighborhoods where our restaurants are located or adverse economic conditions in areas surrounding those neighborhoods could result in reduced sales in those restaurants. In addition, desirable locations for new restaurant openings or for the relocation of existing restaurants may not be available at an acceptable cost when we identify a particular opportunity for a new restaurant or relocation. The occurrence of one or more of these events could have a significant adverse effect on our sales and results of operations.

***Our failure to enforce our service marks or other proprietary rights could adversely affect our competitive position or the value of our brands.***

We own certain common law service mark rights and a number of federal and international service mark registrations, most importantly the Ruth's Chris Steak House names and logos, copyrights relating to text and print uses, and other proprietary intellectual property rights. We believe that our service marks, copyrights and other proprietary rights are important to our success and competitive position. Protective actions we take with respect to these rights may fail to prevent unauthorized usage or imitation by others, which could harm our reputation, brand or competitive position and, if we commence litigation to enforce our rights, cause us to incur significant legal expenses.

***Litigation concerning food quality, health and other issues could require us to incur additional liabilities and/or cause guests to avoid our restaurants.***

Occasionally, our guests file complaints or lawsuits against us alleging that we are responsible for some illness or injury they suffered at or after a visit to our restaurants. We are also subject to a variety of other claims arising in the ordinary course of our business, including personal injury claims, contract claims, claims from franchisees, claims alleging violations of federal and state law regarding workplace and employment matters and discrimination and similar matters. In addition, we could become subject to class action lawsuits related to these matters in the future. For example, in fiscal year 2005, we settled a class-action claim based on violation of wage and hour laws in California. The restaurant industry has also been subject to a growing number of claims that the menus and actions of restaurant chains have led to the obesity of certain of their guests. In addition, we are subject to “dram shop” statutes. These statutes generally permit a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Recent dram shop litigation against restaurant chains has resulted in significant judgments, including punitive damages. Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend and may divert time and money away from our operations and hurt our performance. A judgment significantly in excess of our insurance coverage for any claims would materially adversely affect our financial condition and results of operations. Adverse publicity resulting from these claims may negatively impact revenues at one or more of our restaurants.

***The terms of our senior credit agreement may restrict our ability to operate our business and to pursue our business strategies.***

Our senior credit agreement contains, and any agreements governing future indebtedness would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us. Our senior credit agreement, as amended in February 2012 and May 2013, limits our ability, among other things, to:

- pay dividends or purchase stock in excess of the limits permitted under the senior credit agreement;
- borrow money or issue guarantees;
- make investments;
- use assets as security in other transactions;
- sell assets or merge with or into other companies;
- enter into transactions with affiliates; and
- create or permit restrictions on our subsidiaries' ability to make payments to us.

Our ability to engage in these types of transactions is limited even if we believe that a specific transaction would contribute to our future growth or improve our operating results. Our senior credit agreement also requires us to maintain compliance with certain financial ratios. Our ability to comply with these ratios may be affected by events outside of our control. Any non-compliance would result in a default under our senior credit agreement and could result in our lenders declaring our senior debt immediately due and payable, which would have a material adverse effect on our financial position, consolidated results of operations and liquidity.

***We cannot assure our stockholders that we will continue to pay quarterly cash dividends on our common stock or repurchase shares of our common stock under our share repurchase program. Failure to continue to pay quarterly cash dividends to our stockholders or repurchase shares of our common stock under our share repurchase program could cause the market price for our common stock to decline.***

During fiscal year 2015, we continued paying quarterly cash dividends to holders of our common stock and repurchased shares of our common stock under our share repurchase program. Our ability to pay future quarterly cash dividends or repurchase shares of our common stock will be subject to, among other things, our results of operations, financial condition, business prospects, capital requirements, contractual restrictions, any indebtedness we may incur, restrictions imposed by applicable law, tax considerations and other factors that our Board of Directors deems relevant. There can be no assurance that we will continue to pay a quarterly cash dividend or repurchase shares of our common stock in the future. Any reduction or discontinuance by us of the payment of quarterly cash dividends or the repurchase of shares of our common stock under our share repurchase program could cause the market price of our common stock to decline. Moreover, in the event our payment of quarterly cash dividends is reduced or discontinued, our failure or inability to resume paying quarterly cash dividends at historical levels could result in a lower market valuation of our common stock.

***In the future we could incur unexpected expenses as a result of the sale of the Mitchell's Restaurants.***

Effective January 21, 2015, we sold the Mitchell's Restaurants and related assets to Landry's. Under the terms of the Agreement governing the sale, we will reimburse Landry's for gift cards sold prior to the closing date and used at the Mitchell's Restaurants during the eighteen months following the closing date. If the amount of gift cards redeemed during such period surpasses our expectations, we could incur unexpected expense. Pursuant to the terms of the Agreement, upon closing of the sale of the Mitchell's Restaurants, Landry's assumed the lease obligations of the Mitchell's Restaurants. However, we have guaranteed Landry's lease obligations aggregating $37.8 million under nine of the leases. Also, the Agreement includes customary seller representations and warranties. There is a risk that adverse events may occur that require us to defend against or fulfill an indemnity claim, which could result in unexpected expense.

***We depend on external sources of capital, which may not be available in the future.***

Historically, we have relied upon external sources of capital to fund our working capital and other requirements. Currently, we utilize our senior credit agreement to fund a portion of our working capital and other financing requirements. Any non-compliance with any restrictive or financial covenants in our senior credit agreement could result in a default and could result in our lenders declaring our senior debt immediately due and payable, which would have a material adverse effect on our financial position, consolidated results of operations and liquidity.

If we are required to seek other sources of capital, additional capital may or may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of things, including the market's perception of our current and potential future earnings. Furthermore, additional equity offerings may result in substantial dilution of stockholders' interests. If we are unable to access sufficient capital or enter into financing arrangements on favorable terms in the future, our financial condition and results of operations may be materially adversely affected.

***Tax assessments by governmental authorities could adversely impact our operating results.***

We remit a variety of taxes and fees to various governmental authorities, including federal and state income taxes, excise taxes, property taxes, sales and use taxes, and payroll taxes. The taxes and fees remitted by us are subject to review and audit by the applicable governmental authorities, which could result in liability for additional assessments. In addition, we are subject to unclaimed or abandoned property (escheat) laws which require us to turn over to certain government authorities the property of others held by us that has been unclaimed for a specified period of time. We are subject to audit by individual U.S. states with regard to our escheatment practices. The legislation and regulations related to tax and unclaimed property matters tend to be complex and subject to varying interpretations by both government authorities and taxpayers. Although management believes that the positions are reasonable, various taxing authorities may challenge certain of the positions we have taken, which may also potentially result in additional liabilities for taxes, unclaimed property and interest in excess of accrued liabilities. Our positions are reviewed as events occur such as the availability of new information, the lapsing of applicable statutes of limitations, the conclusion of tax audits, the measurement of additional estimated liability based on current calculations, the identification of new tax contingencies, or the rendering of relevant court decisions. An unfavorable resolution of assessments by a governmental authority could negatively impact our results of operations and cash flows in future periods.

***Repeal of the federal FICA tip credit could adversely impact our operating results.***

A restaurant company employer may claim a credit against the company's federal income taxes for FICA taxes paid on certain tip wages (the FICA tip credit). The credit against income tax liability is for the full amount of eligible FICA taxes. We utilize the federal FICA tip credit to reduce our periodic federal income tax expense. The Obama Administration's budget proposal for fiscal year 2016 proposed to repeal the income tax credit for FICA taxes that an employer pays on tips. The proposed change was not enacted; however, should similar proposals be enacted in the future, we would lose the benefit of the income tax credit.

***An impairment in the financial statement carrying value of our goodwill, other intangible assets or property could adversely affect our financial condition and consolidated results of operations.***

Goodwill represents the difference between the purchase price of acquired companies and the related fair values of net assets acquired. We test goodwill for impairment annually and whenever events or changes in circumstances indicate that impairment may have occurred. We compare the carrying value of a reporting unit, including goodwill, to the fair value of the unit. Carrying value is based on the assets and liabilities associated with the operations of that reporting unit. If the carrying value is less than the fair value, no impairment exists. If the carrying value is higher than the fair value, there is an indication of impairment. A significant amount of judgment is involved in determining if an indication of impairment exists. Factors may include, among others: a significant decline in our expected future cash flows; a sustained, significant decline in our stock price and market capitalization; a significant adverse change in legal factors or in the business climate; unanticipated competition; and slower growth rates. Any adverse change in these factors would have a significant impact on the recoverability of goodwill and negatively affect our financial condition and consolidated results of operations. We compute the amount of impairment by comparing the implied fair value of reporting unit goodwill with the financial statement carrying amount of that goodwill. We are required to record a non-cash impairment charge if the testing performed indicates that goodwill has been impaired.

We evaluate the useful lives of our other intangible assets to determine if they are definite or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance expenditures, and the expected lives of other related groups of assets.

As with goodwill, we test our indefinite-lived intangible assets (primarily franchise rights) for impairment annually and whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We estimate the fair value of the franchise rights based on an excess earnings valuation model, which requires assumptions related to projected revenues and cash flows from our annual strategic plan and a discount rate.

We review property and equipment (which includes leasehold improvements) for impairment when events or circumstances indicate these assets might be impaired. We test impairment using historical cash flow and other relevant facts and circumstances as the primary basis for our estimates of future cash flows. The analysis is performed at the restaurant level for indicators of permanent impairment. In determining future cash flows, we make significant estimates with respect to future operating results of each restaurant over the expected remaining life of the primary asset in the restaurant. If assets are determined to be impaired, the loss on impairment is measured by calculating the amount by which the asset-carrying amount exceeds its fair value. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment. If these estimates and assumptions change in the future, we may be required to record additional losses on impairment on these assets.

We cannot accurately predict the amount and timing of any impairment of assets. Should the financial statement carrying value of goodwill, other intangible assets or property and equipment become impaired, there could be an adverse effect on our financial condition and consolidated results of operations.

***Market volatility could adversely affect our stock price.***

Many factors affect the trading price of our stock, including factors over which we have no control, such as reports on the economy or the price of commodities, as well as negative or positive announcements by competitors, regardless of whether the report relates directly to our business. In addition to investor expectations, trading activity in our stock can reflect the portfolio strategies and investment allocation changes of institutional holders. Any failure to meet market expectations, whether for sales growth rates, earnings per share or other metrics, could adversely affect our share price.

**Item 1B. UNRESOLVED STAFF COMMENTS**

None.

## Item 2. PROPERTIES

Company-owned restaurants are generally located in spaces leased by wholly-owned direct or indirect subsidiaries. Sixty-five of the Company-owned Ruth's Chris restaurants operate in leased space, of which 59 currently provide for an option to renew for terms ranging from approximately five years to twenty years. Historically, the Company has not had difficulty in renewing its leases in a timely manner. Restaurant leases provide for a specified annual rent, and some leases call for additional or contingent rent based on sales volumes over specified levels.

All of the Company's Mitchell's Fish Market, Mitchell's Steakhouse and Cameron's Steakhouse restaurants were in leased spaces and each lease provided for at least one option to renew, with the exception of the lease for one Mitchell's Steakhouse. Under the terms of the Agreement to sell the Mitchell's Restaurants, Landry's assumed the Mitchell's Restaurants' facility lease obligations upon closing of the sale in January 2015. However, the Company has guaranteed Landry's lease obligations aggregating $37.8 million under nine of the leases. Landry's indemnified the Company in the event of a default under any of the leases.

The Company's corporate headquarters were relocated in 2011 from Heathrow, Florida. The corporate headquarters now resides in leased space (21,211 square feet) in Winter Park, Florida, with a term set to expire on August 31, 2021.

The Company owns the real estate for two Ruth's Chris operating restaurants: Ft. Lauderdale, FL (7,800 square feet) and Columbus, OH (8,100 square feet). We sold our Houston, TX property in 2013. The Houston restaurant operation was relocated to a nearby leased facility in the summer of 2013. The Columbus restaurant was closed in February 2016.

The following table sets forth information about the Company's existing Company-owned and franchisee-owned restaurants as of December 27, 2015. As of December 27, 2015, the Company operated 67 Ruth's Chris restaurants. In addition, franchisees operated 80 restaurants and one restaurant operated under a management agreement. Company-owned Ruth's Chris restaurants range in size from approximately 6,000 to approximately 13,000 square feet with approximately 180 to 375 seats. The Company expects that future restaurants will range in size from 8,000 to 10,000 square feet with approximately 230 to 250 seats.

**Company-Owned Ruth's Chris Restaurants**

| Year Opened | Locations | Property Leased or Owned |
|---|---|---|
| 1972 | Metairie, LA | Leased |
| 1977 | Lafayette, LA | Leased |
| 1983 | Washington, D.C. | Leased |
| 1984 | Beverly Hills, CA | Leased |
| 1985 | Ft. Lauderdale, FL | Owned |
| 1985 | Austin, TX | Leased |
| 1986 | Nashville, TN | Leased |
| 1987 | San Francisco, CA | Leased |
| 1987 | N. Palm Beach, FL | Leased |
| 1988 | Seattle, WA | Leased |
| 1989 | Memphis, TN | Leased |
| 1990 | Weehawken, NJ | Leased |
| 1990 | Scottsdale, AZ | Leased |
| 1992 | Palm Desert, CA | Leased |
| 1992 | Minneapolis, MN | Leased |
| 1992 | Chicago, IL | Leased |
| 1993 | Arlington, VA | Leased |
| 1993 | Manhattan, NY | Leased |
| 1994 | San Diego, CA | Leased |
| 1995 | Westchester, NY | Leased |
| 1996 | Dallas, TX | Leased |
| 1996 | Troy, MI | Leased |
| 1996 | Tampa, FL | Leased |
| 1996 | Bethesda, MD | Leased |
| 1997 | Irvine, CA | Leased |
| 1997 | Jacksonville, FL | Leased |
| 1998 | Louisville, KY | Leased |
| 1998 | Parsippany, NJ | Leased |
| 1998 | Northbrook, IL | Leased |
| 1999 | Columbus, OH | Owned |
| 1999 | Coral Gables, FL | Leased |
| 1999 | Ponte Vedra, FL | Leased |
| 1999 | Winter Park, FL | Leased |
| 2000 | Sarasota, FL | Leased |
| 2000 | Del Mar, CA | Leased |
| 2000 | Boca Raton, FL | Leased |
| 2001 | Orlando, FL | Leased |
| 2001 | Greensboro, NC | Leased |
| 2002 | Woodland Hills, CA | Leased |
| 2002 | Fairfax, VA | Leased |
| 2002 | Bellevue, WA | Leased |
| 2002 | Washington, D.C. | Leased |
| 2003 | Walnut Creek, CA | Leased |

**Franchisee-Owned Ruth's Chris Restaurants**

| Year Opened | Locations |
|---|---|
| 1976 | Baton Rouge, LA |
| 1985 | Mobile, AL |
| 1986 | Atlanta, GA |
| 1987 | Pittsburgh, PA |
| 1987 | Hartford, CT |
| 1988 | Philadelphia, PA |
| 1989 | Honolulu, HI |
| 1991 | Richmond, VA |
| 1992 | Baltimore, MD |
| 1993 | Birmingham, AL |
| 1993 | San Antonio, TX |
| 1993 | Taipei, Taiwan |
| 1993 | Cancun, Mexico |
| 1993 | Sandy Springs, GA |
| 1994 | Indianapolis, IN |
| 1995 | Long Island, NY |
| 1995 | Toronto, Canada |
| 1996 | Taichung, Taiwan |
| 1996 | Indianapolis, IN |
| 1997 | Kowloon, Hong Kong |
| 1997 | Raleigh (Cary), NC |
| 1998 | Annapolis, MD |
| 1998 | Maui, HI |
| 1999 | Atlanta, GA |
| 2000 | Pikesville, MD |
| 2000 | San Antonio, TX |
| 2000 | Wailea, HI |
| 2001 | Kaohsiung, Taiwan |
| 2001 | King of Prussia, PA |
| 2001 | Queensway, Hong Kong |
| 2001 | Cabo San Lucas, Mexico |
| 2003 | Mississauga, Canada |
| 2005 | Virginia Beach, VA |
| 2005 | Baltimore, MD |
| 2005 | Atlantic City, NJ |
| 2005 | Charlotte, NC |
| 2006 | St. Louis, MO |
| 2006 | Ocean City, MD |
| 2006 | Destin, FL |
| 2006 | Mauna Lani, HI |
| 2006 | Huntsville, AL |
| 2006 | Edmonton, Canada |
| 2007 | Charlotte, NC |

**Company-Owned Ruth's Chris Restaurants**

| Year Opened | Locations | Property Leased or Owned |
|---|---|---|
| 2005 | Roseville, CA | Leased |
| 2005 | Boston, MA | Leased |
| 2005 | Sacramento, CA | Leased |
| 2006 | Pasadena, CA | Leased |
| 2006 | Bonita Springs, FL | Leased |
| 2007 | Lake Mary, FL* | Land Leased |
| 2007 | Anaheim, CA* | Land Leased |
| 2007 | Biloxi, MS | Leased |
| 2007 | Knoxville, TN | Leased |
| 2007 | Tyson's Corner, VA | Leased |
| 2007 | West Palm Beach, FL | Leased |
| 2008 | Ft. Worth, TX | Leased |
| 2008 | New Orleans, LA | Leased |
| 2008 | Princeton, NJ* | Land Leased |
| 2008 | Fresno, CA | Leased |
| 2008 | South Barrington, IL* | Land Leased |
| 2011 | Portland, OR | Leased |
| 2012 | Cincinnati, OH | Leased |
| 2013 | Houston, TX | Leased |
| 2014 | Denver, CO | Leased |
| 2014 | Gaithersburg, MD | Leased |
| 2014 | Marina del Rey, CA | Leased |
| 2015 | St. Petersburg, FL | Leased |
| 2015 | Dallas, TX | Leased |

**Franchisee-Owned Ruth's Chris Restaurants**

| Year Opened | Locations |
|---|---|
| 2007 | Waikiki, HI |
| 2007 | Columbia, SC |
| 2007 | Mishawaka, IN |
| 2007 | Tokyo, Japan |
| 2007 | Madison, WI |
| 2007 | Calgary, Canada |
| 2007 | Rogers, AR |
| 2007 | Park City, UT |
| 2008 | Aruba |
| 2008 | Myrtle Beach, SC |
| 2008 | Wilmington, NC |
| 2008 | Ridgeland, MS |
| 2008 | Wilkes-Barre, PA |
| 2008 | Raleigh, NC |
| 2008 | Savannah, GA |
| 2009 | Greenville, SC |
| 2009 | St. Louis, MO |
| 2009 | Durham, NC |
| 2009 | Kennesaw, GA |
| 2009 | Carolina, Puerto Rico |
| 2010 | Salt Lake City, UT |
| 2011 | Grand Rapids, MI |
| 2011 | Asheville, NC |
| 2012 | Dubai, United Arab Emirates |
| 2012 | Singapore |
| 2012 | San Salvador, El Salvador |
| 2012 | Niagara Falls, Canada |
| 2013 | Las Vegas, NV |
| 2013 | San Juan, Puerto Rico |
| 2013 | Chattanooga, TN |
| 2013 | Shanghai, China |
| 2014 | Boise, ID |
| 2014 | Panama City, Panama |
| 2014 | Taipei, Taiwan |
| 2015 | Ann Arbor, MI |
| 2015 | Charleston, SC |
| 2015 | San Antonio, TX |

**Ruth's Chris Restaurants Under Management Agreement**

| Year Opened | Locations |
|---|---|
| 2012 | Cherokee, NC |

* The Company owns the building and leases the land pursuant to a long-term ground lease.

**Item 3. LEGAL PROCEEDINGS**

From time to time, the Company is involved in various disputes and litigation matters that arise in the ordinary course of business. While litigation is subject to uncertainties and the outcome of litigated matters is not predictable with assurance, the Company is not aware of any legal proceedings pending or threatened against it that it expects to have a material adverse effect on its financial condition or results of operations.

The Company sells a considerable number of gift cards, which are issued and administered by a third party gift card issuer and service provider, consistent with common retail industry practice. The third party gift card issuer is paid a net fee for its services by the Company. The third party gift card issuer and service provider, as well as a number of other restaurant companies, retailers and gift card issuers, were named as defendants in a qui tam action filed under seal in June 2013 by William French on behalf of the State of Delaware in the Superior Court of Delaware in and for New Castle County. The complaint alleges that the Company and the other defendants intentionally failed to report and remit money with respect to unused gift cards to the State of Delaware under the Delaware Escheats Law, and knowingly made, used or caused to be made or used, false statements and records to conceal, avoid or decrease an obligation to pay or transmit such money to Delaware in violation of the Delaware False Claims and Reporting Act (DFCRA). The complaint further alleges that the amount of money that the Company should have escheated to Delaware is approximately $30 million. The complaint seeks monetary damages (including treble damages under the DFCRA), penalties, and attorneys' fees and costs. The case was unsealed in March 2014, at which time the court also granted the State of Delaware's motion to intervene. In early 2015, the Company and the other defendants jointly filed a motion to dismiss the case on various grounds. In November 2015, the motion was granted in part and denied in part. The Company filed its answer to the complaint in December 2015. All parties to the case are now in the process of seeking discovery. The deadline for completing fact discovery is March 2017. The Company believes it is in compliance with the Delaware Escheats Law and has not violated the DFCRA. The Company has been vigorously defending the action, and intends to continue to do so.

**Item 4. MINE SAFETY DISCLOSURES**

None.

## PART II

**Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The Company's common stock is listed on the Nasdaq Global Select Market under the trading symbol "RUTH." As of February 26, 2016, there were 129 holders of record of its common stock.

The following table sets forth, for the period indicated, the highest and lowest sale price for its common stock for fiscal years 2015 and 2014, as reported by the Nasdaq Global Select Market:

| | High | Low |
|---|---|---|
| **Fiscal Year ended December 28, 2014** | | |
| First Quarter | $ 14.84 | $ 11.62 |
| Second Quarter | $ 12.90 | $ 11.57 |
| Third Quarter | $ 12.60 | $ 10.45 |
| Fourth Quarter | $ 14.39 | $ 10.80 |
| **Fiscal Year ended December 27, 2015** | | |
| First Quarter | $ 16.09 | $ 14.23 |
| Second Quarter | $ 16.08 | $ 14.31 |
| Third Quarter | $ 17.53 | $ 15.67 |
| Fourth Quarter | $ 17.40 | $ 15.07 |

**Dividends and Common Stock Repurchase Program**

We commenced paying quarterly cash dividends to holders of our common stock in May 2013. The payment of dividends is within the discretion of our Board of Directors and will depend upon our earnings, capital requirements and operating and financial condition, among other factors. In addition, we may not pay a dividend if there is a default (or if a default would result from such dividend payment) under our senior credit agreement. Our senior credit agreement was amended in May 2013 to reset the limit applicable to junior stock payments, which include both cash dividend payments and repurchases of common and preferred stock. Junior stock payments made subsequent to December 30, 2012 through the end of the agreement are limited to $100 million; $58.9 million of such payments had been made as of December 27, 2015.

The Company's Board of Directors declared the following dividends during the periods presented (amounts in thousands, except per share amounts):

| Declaration Date | Dividend per Share | Record Date | Total Amount | Payment Date |
|---|---|---|---|---|
| Fiscal Year 2013: | | | | |
| May 3, 2013 | $ 0.04 | May 16, 2013 | $ 1,430 | May 30, 2013 |
| July 24, 2013 | $ 0.04 | August 15, 2013 | $ 1,424 | August 29, 2013 |
| October 22, 2013 | $ 0.04 | November 14, 2013 | $ 1,424 | November 26, 2013 |
| | | | | |
| Fiscal Year 2014: | | | | |
| February 21, 2014 | $ 0.05 | March 13, 2104 | $ 1,798 | March 27, 2014 |
| April 22, 2014 | $ 0.05 | May 15, 2014 | $ 1,798 | May 29, 2014 |
| July 23, 2014 | $ 0.05 | August 14, 2014 | $ 1,778 | August 28, 2014 |
| October 29, 2014 | $ 0.05 | November 20, 2014 | $ 1,764 | December 4, 2014 |
| | | | | |
| Fiscal Year 2015: | | | | |
| February 13, 2015 | $ 0.06 | February 26, 2015 | $ 2,082 | March 12, 2015 |
| April 21, 2015 | $ 0.06 | May 14, 2015 | $ 2,090 | May 28, 2015 |
| July 22, 2015 | $ 0.06 | August 13, 2015 | $ 2,108 | August 27, 2015 |
| October 30, 2015 | $ 0.06 | November 19, 2015 | $ 2,069 | December 3, 2015 |

Subsequent to the end of fiscal year 2015, the Company's Board of Directors declared a $0.07 per share cash dividend ($2.4 million in total) payable on March 10, 2016. Dividends are paid to holders of common stock and restricted stock.

On November 17, 2014, the Company announced that its Board of Directors has approved a share repurchase program under which the Company is authorized to repurchase up to $50 million of outstanding common stock from time to time in the open market, through negotiated transactions or otherwise (including, without limitation, the use of Rule 10b5-1 plans), depending on share price, market conditions and other factors. The new share repurchase program replaces the Company's previous share repurchase program announced in May 2013, which has been terminated. The previous share repurchase program had permitted the repurchase of up to $30 million of outstanding common stock, of which approximately $19 million remained unused upon its termination. The Company conducts any open market share repurchase activities in compliance with the safe harbor provisions of Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The share repurchase program does not obligate the Company to repurchase any dollar amount or number of its shares. The program has no termination date. As of December 27, 2015, $21.1 million remained available for further purchases under the new program.

Stock repurchase activity during the fiscal quarter ended December 27, 2015 was as follows:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of a Publicly Announced Program | Maximum Dollar Value that May Yet be Purchased under the Program – Amounts in thousands |
|---|---|---|---|---|
| September 28, 2015 to November 1, 2015 | 78,676 | $ 15.73 | 78,676 | $ 31,956 |
| November 2, 2015 to November 29, 2015 | 610,000 | $ 16.66 | 610,000 | $ 21,795 |
| November 30, 2015 to December 27, 2015 | 41,971 | $ 15.99 | 41,971 | $ 21,124 |
| Totals for the fiscal quarter | 730,647 | $ 16.52 | 730,647 | $ 21,124 |

**Unregistered Recent Sales of Securities**

None.

**Securities Authorized for Issuance Under Equity Compensation Plans**

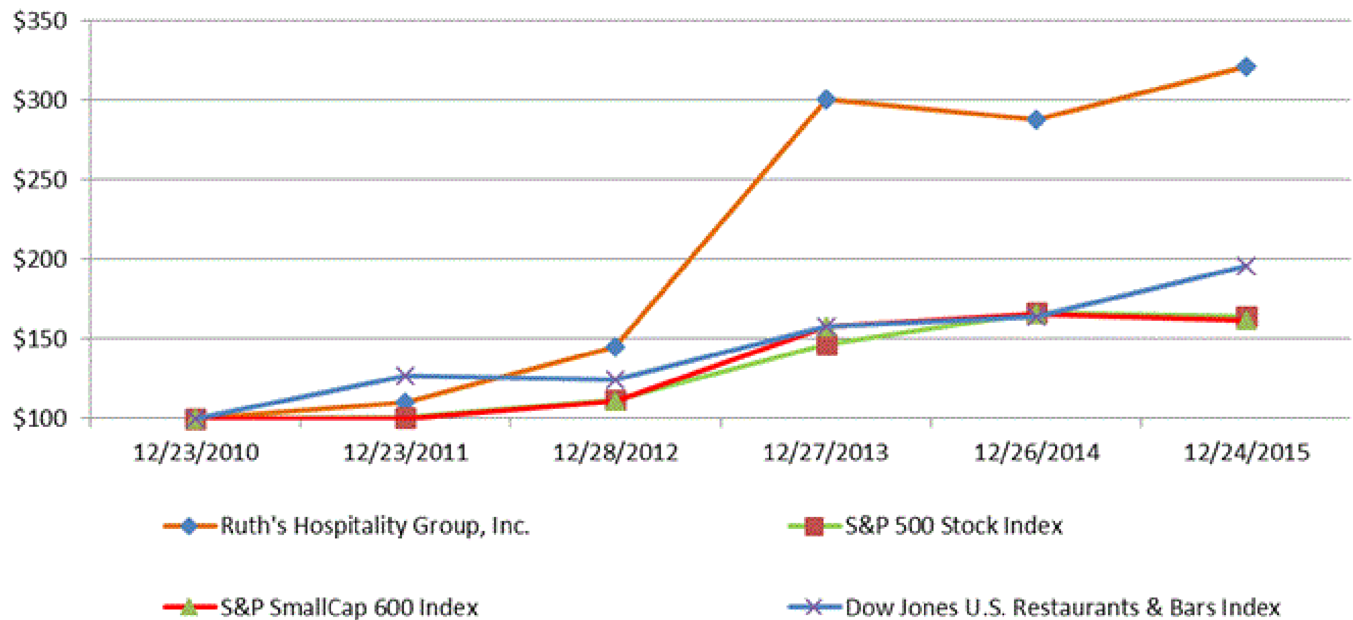
See Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, of this Annual Report on Form 10-K for information regarding securities authorized for issuance under the Company's equity compensation plans.

**Performance Graph**

The following table and graph shows the cumulative total stockholder return on the Company's Common Stock with the S&P 500 Stock Index, the S&P Small Cap 600 Index and the Dow Jones U.S. Restaurants & Bars Index, in each case assuming an initial investment of $100 on December 27, 2010 and full dividend reinvestment.

**CUMULATIVE TOTAL RETURN**

**Assuming an investment of $100 and reinvestment of dividends**




| | 12/23/10 | | 12/23/11 | | 12/28/12 | | 12/27/13 | | 12/26/14 | | 12/24/15 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ruth's Hospitality Group, Inc. | $ | 100 | $ | 110 | $ | 145 | $ | 301 | $ | 288 | $ | 322 |
| S&P 500 Stock Index | $ | 100 | $ | 101 | $ | 112 | $ | 147 | $ | 166 | $ | 164 |
| S&P SmallCap 600 Index | $ | 100 | $ | 100 | $ | 111 | $ | 158 | $ | 166 | $ | 162 |
| Dow Jones U.S. Restaurants & Bars Index | $ | 100 | $ | 127 | $ | 125 | $ | 158 | $ | 164 | $ | 196 |

All amounts rounded to the nearest dollar.

**********

The stock performance graph should not be deemed filed or incorporated by reference into any other filing made by us under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate the stock performance graph by reference in another filing.

**Item 6. SELECTED FINANCIAL DATA**

The following table sets forth the Company's selected financial data for the year indicated and should be read in conjunction with the disclosures in Item 7, Management's Discussion and Analysis of Results of Operations and Financial Condition, and Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K. Certain amounts have been revised to reclassify certain operating revenues and expenses to income from discontinued operations.

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| | | | ($ in thousands) | | |
| **Income Statement Data:** | | | | | |
| Revenues: | | | | | |
| Restaurant sales | $ 351,875 | $ 325,437 | $ 304,200 | $ 292,912 | $ 269,697 |
| Franchise income | 16,661 | 15,763 | 15,012 | 13,836 | 12,464 |
| Other operating income | 4,897 | 4,897 | 3,142 | 3,537 | 3,223 |
| Total revenues | 373,433 | 346,097 | 322,354 | 310,285 | 285,384 |
| Costs and expenses: | | | | | |
| Food and beverage costs | 108,101 | 103,259 | 93,386 | 92,608 | 82,550 |
| Restaurant operating expenses | 165,847 | 156,242 | 145,664 | 141,227 | 134,568 |
| Marketing and advertising | 10,925 | 10,076 | 9,341 | 9,158 | 9,347 |
| General and administrative costs | 30,242 | 24,311 | 27,808 | 25,612 | 21,077 |
| Depreciation and amortization expenses | 12,520 | 10,917 | 10,229 | 11,050 | 11,516 |
| Pre-opening costs | 1,032 | 1,630 | 691 | 540 | 192 |
| Loss on impairments | - | - | - | 3,262 | 436 |
| Gain on settlements, net | - | - | (1,719) | (683) | - |
| Total costs and expenses | 328,667 | 306,435 | 285,400 | 282,774 | 259,687 |
| Operating income | 44,766 | 39,662 | 36,954 | 27,511 | 25,697 |
| Other income (expense): | | | | | |
| Interest expense | (790) | (1,159) | (1,640) | (2,364) | (2,892) |
| Debt issuance costs written-off | - | - | - | (807) | - |
| Other | 358 | 37 | (77) | (293) | (464) |
| Income from continuing operations before income tax expense | 44,334 | 38,540 | 35,237 | 24,047 | 22,341 |
| Income tax expense | 14,168 | 11,830 | 10,744 | 7,855 | 2,963 |
| Income from continuing operations | 30,166 | 26,710 | 24,493 | 16,192 | 19,378 |
| Income (loss) from discontinued operations, net of income taxes | (162) | (10,255) | (2,004) | 187 | 171 |
| Net income | 30,004 | 16,455 | 22,489 | 16,379 | 19,549 |
| Preferred stock dividends | - | - | - | 514 | 2,493 |
| Accretion of preferred stock redemption value | - | - | - | 73 | 353 |
| Excess of redemption value over carrying value of preferred shares redeemed | - | - | - | 35,776 | - |
| Net income (loss) applicable to preferred and common shareholders | $ 30,004 | $ 16,455 | $ 22,489 | $ (19,984) | $ 16,703 |

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| | ($ in thousands, except per share data) | | | | |
| Basic earnings (loss) per share: | | | | | |
| Continuing operations | $ 0.88 | $ 0.76 | $ 0.71 | $ (0.59) | $ 0.38 |
| Discontinued operations | 0.00 | (0.29) | (0.06) | 0.01 | 0.01 |
| Basic earnings (loss) per share | $ 0.88 | $ 0.47 | $ 0.65 | $ (0.58) | $ 0.39 |
| Diluted earnings (loss) per share: | | | | | |
| Continuing operations | $ 0.87 | $ 0.75 | $ 0.69 | $ (0.59) | $ 0.38 |
| Discontinued operations | 0.00 | (0.29) | (0.06) | 0.01 | 0.01 |
| Diluted earnings (loss) per share | $ 0.87 | $ 0.46 | $ 0.63 | $ (0.58) | $ 0.39 |
| Shares used in computing earnings (loss) per common share: | | | | | |
| Basic | 34,018,582 | 34,955,760 | 34,761,160 | 34,313,636 | 34,093,104 |
| Diluted | 34,434,407 | 35,415,483 | 35,784,430 | 34,313,636 | 43,252,101 |
| Dividends declared per common share | $ 0.24 | $ 0.20 | $ 0.12 | $ - | $ - |
| **Balance Sheet Data (at end of fiscal year):** | | | | | |
| Cash and cash equivalents | $ 3,095 | $ 4,301 | $ 10,586 | $ 7,909 | $ 3,925 |
| Total assets | 198,597 | 218,567 | 228,081 | 229,702 | 238,567 |
| Total long-term debt including current portion | - | 13,000 | 19,000 | 45,000 | 22,000 |
| Total shareholders' equity | 97,902 | 96,311 | 100,653 | 80,733 | 97,987 |

## Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This discussion and analysis should be read in conjunction with our consolidated financial statements and related notes to financial statements. We report our financial results on a 52/53-week fiscal year, which ends on the last Sunday in December. Fiscal years 2015, 2014 and 2013 each included 52 weeks of operations.

### Overview

Ruth’s Hospitality Group, Inc. develops and operates fine dining restaurants under the trade name Ruth’s Chris Steak House. As of December 27, 2015, there were 148 Ruth’s Chris Steak House restaurants, including 67 Company-owned restaurants, one restaurant operating under a management agreement and 80 franchisee-owned restaurants, including 20 international franchisee-owned restaurants in Aruba, Canada, China, Hong Kong, El Salvador, Japan, Mexico, Panama, Singapore, Taiwan and the United Arab Emirates.

On January 21, 2015, the Company sold eighteen Mitchell’s Fish Markets and three Mitchell’s/Cameron’s Steakhouse restaurants (collectively, the Mitchell’s Restaurants), to a third party. For financial reporting purposes, the Mitchell’s Restaurants are classified as a discontinued operation for all periods presented and, as of December 28, 2014, the assets are classified as held for sale.

During 2015, we celebrated the 50th anniversary of the founding of Ruth’s Chris Steak House. The Ruth’s Chris menu features a broad selection of high-quality USDA Prime and Choice grade steaks and other premium offerings served in Ruth’s Chris’ signature fashion—“sizzling” and topped with butter—complemented by other traditional menu items inspired by our New Orleans heritage. The Ruth’s Chris restaurants reflect the fifty year commitment to the core values instilled by our founder, Ruth Fertel, of caring for our guests by delivering the highest quality food, beverages and service in a warm and inviting atmosphere.

Our Ruth’s Chris restaurants cater to special occasion diners and frequent customers, in addition to the business clientele traditionally served by upscale steakhouses, by providing a dining experience designed to appeal to a wide range of guests. We believe our focus on creating this broad appeal provides us with opportunities to expand into a wide range of markets, including many markets not traditionally served by upscale steakhouses. We offer USDA Prime and Choice grade steaks that are aged and prepared to exact company standards and cooked in 1,800-degree broilers. We also offer veal, lamb, poultry and seafood dishes and a broad selection of appetizers. We complement our distinctive food offerings with an award-winning wine list. During the fiscal year 2015, the average check was $79 per person at Company-owned Ruth’s Chris Restaurants.

All Company-owned Ruth's Chris Steak House restaurants are located in the United States. The franchisee-owned Ruth's Chris Steak House restaurants include 20 international franchisee-owned restaurants in Aruba, Canada, China (Hong Kong and Shanghai), El Salvador, Japan, Mexico, Panama, Singapore, Taiwan and the United Arab Emirates. We opened two new Company-owned Ruth's Chris Steak House restaurants in 2015 – one in St. Petersburg, FL in February and one in Dallas, TX in November. Three new franchisee-owned restaurants opened in 2015 – one in Ann Arbor, MI in May, one in Charleston, SC in May and one in San Antonio, TX in November. The franchisee-owned Ruth's Chris Steak House restaurant in San Salvador, El Salvador closed in January 2016. Due to local market conditions and disappointing financial results, we closed our Ruth's Chris Steak House restaurant in Columbus, OH in February 2016 after nearly seventeen years of operations.

**Sale of Mitchell's Restaurants**

The Company acquired the Mitchell's Restaurants in 2008. Mitchell's Fish Market is an eighteen-restaurant upscale seafood concept. Mitchell's/Cameron's Steakhouse is a modern American steakhouse three-restaurant concept.

In November 2014, the Company and Landry's, Inc. and Mitchell's Entertainment, Inc., an affiliate of Landry's Inc. (together with Landry's Inc., Landry's), entered into an asset purchase agreement (the Agreement). Pursuant to the Agreement, the Company agreed to sell the Mitchell's Restaurants and related assets to Landry's for $10 million. The sale of the Mitchell's Restaurants closed on January 21, 2015. The assets sold consist primarily of leasehold interests, leasehold improvements, restaurant equipment and furnishings, inventory, and related intangible assets, including brand names and trademarks associated with the 21 Mitchell's Restaurants. Under the terms of the Agreement, Landry's assumed the Mitchell's Restaurants' facility lease obligations and the Company will reimburse Landry's for gift cards sold prior to the closing date and used at the Mitchell's Restaurants during the eighteen months following the closing date. Landry's offered employment to substantially all of the employees of the Mitchell's Restaurants. For financial reporting purposes, the Mitchell's Restaurants are classified as a discontinued operation for all periods presented and, as of December 28, 2014, the assets were classified as held for sale.

**Change in Accounting for Gift Card Breakage**

The portion of gift cards sold to customers which are never redeemed is commonly referred to as gift card breakage. Prior to the fourth quarter of fiscal year 2013, we recognized breakage revenue using the delayed method of accounting. At the end of the fourth quarter of fiscal year 2013, we elected to change the Company's policy for recognizing gift card breakage revenue by changing from the delayed method to the preferable redemption method of accounting. Under the redemption method, breakage revenue is recognized and the gift card liability is derecognized for unredeemed gift cards in proportion to actual gift card redemptions. The impact of the cumulative catch-up adjustment recorded in the fourth quarter of fiscal year 2013 was to reduce gift card breakage revenue by $2.2 million. Inclusive of this adjustment, the Company recognized $804 thousand of gift card breakage revenue in fiscal year 2013. Gift card breakage revenue recognized in fiscal years 2015 and 2014 was $2.4 million and $2.6 million, respectively. Consistent with the cumulative catch-up method of accounting for a change in accounting estimate effected by a change in accounting principle, previously issued financial statements were not revised.

**Recap of Fiscal Year 2015 and Fiscal Year 2014 Operating Results**

Operating income for fiscal year 2015 increased from fiscal year 2014 by $5.1 million to $44.8 million. Operating income for fiscal year 2015 was favorably impacted by a $26.4 million increase in restaurant sales, which was somewhat offset by increased food and beverage costs and restaurant operating expenses. Higher restaurant sales were attributable both to an increase in comparable Company-owned restaurant sales and new or relocated restaurants.. After-tax income from continuing operations during fiscal year 2015 increased from fiscal year 2014 by $3.5 million to $30.2 million. Fiscal year 2015 net income increased from fiscal year 2014 by $13.5 million to $30.0 million. Net income for fiscal year 2014 was adversely impacted by a $10.3 million loss from discontinued operations. The fiscal year 2014 loss from discontinued operations was largely attributable to the impairment of the assets of the Mitchell's Restaurants.

Operating income for fiscal year 2014 increased from fiscal year 2013 by $2.7 million to $39.7 million. Operating income for fiscal year 2014 was favorably impacted by a $21.2 million increase in restaurant sales, which was somewhat offset by increased food and beverage costs and restaurant operating expenses. Higher restaurant sales were attributable both to an increase in the number of customers, as measured by an increase in entrées, and an increase in average check. After-tax income from continuing operations during fiscal year 2014 increased from fiscal year 2013 by $2.2 million to $26.7 million. Net income for fiscal year 2014 was adversely impacted by a $10.3 million loss from discontinued operations. The fiscal year 2014 loss from discontinued operations was largely attributable to the impairment of the assets of the Mitchell's Restaurants. Fiscal year 2014 net income decreased from fiscal year 2013 by $6.0 million to $16.5 million.

**Key Financial Terms and Metrics**

We evaluate our business using a variety of key financial measures:

*Restaurant Sales.* Restaurant sales consist of food and beverage sales by Company-owned restaurants. Restaurant sales are primarily influenced by total operating weeks in the relevant period and comparable restaurant sales growth. Total operating weeks is the total number of Company-owned restaurants multiplied by the number of weeks each is in operation during the relevant period. Total operating weeks are impacted by restaurant openings and closings, as well as changes in the number of weeks included in the relevant period. Comparable restaurant sales growth reflects the change in year-over-year or quarter-over-quarter, as applicable, sales for the comparable restaurant base. We define the comparable restaurant base to be those Company-owned restaurants in operation for not less than fifteen months prior to the beginning of the fiscal quarter including the period being measured. Comparable restaurant sales growth is primarily influenced by customer traffic, which is measured by the number of entrées sold, and the average guest check. Customer traffic is influenced by the popularity of our menu items, our guest mix, our ability to deliver a high-quality dining experience and overall economic conditions. Average guest check, a measure of total restaurant sales divided by the number of entrées, is driven by menu mix and pricing.

*Franchise Income.* Franchise income includes (1) franchise and development option fees charged to franchisees and (2) royalty income. Franchise royalties consist of 5.0% of adjusted gross sales from each franchisee-owned restaurant. In addition, our more recent franchise agreements require up to a 1.0% advertising fee to be paid by the franchisee, which is applied to national advertising expenditures. Under our prior franchise agreements, the Company would pay 1.0% out of the 5.0% royalty toward national advertising. We evaluate the performance of our franchisees by measuring franchisee-owned restaurant operating weeks, which is impacted by franchisee-owned restaurant openings and closings, and comparable franchisee-owned restaurant sales growth, which together with operating weeks, drives royalty income.

*Other Operating Income.* Other operating income consists primarily of breakage income associated with gift cards, and also includes fees earned from a management agreement, banquet-related guarantee and services revenue and other incidental guest fees.

*Food and Beverage Costs.* Food and beverage costs include all restaurant-level food and beverage costs of Company-owned restaurants. We measure food and beverage costs by tracking cost of sales as a percentage of restaurant sales and cost per entrée. Food and beverage costs are generally influenced by the cost of food and beverage items, distribution costs and menu mix.

*Restaurant Operating Expenses.* We measure restaurant operating expenses for Company-owned restaurants as a percentage of restaurant sales. Restaurant operating expenses include the following:

- Labor costs, consisting of restaurant management salaries, hourly staff payroll and other payroll-related items, including taxes and fringe benefits. We measure our labor cost efficiency by tracking hourly and total labor costs as a percentage of restaurant sales;
- Operating costs, consisting of maintenance, utilities, bank and credit card charges, and any other restaurant-level expenses; and
- Occupancy costs, consisting of both fixed and variable portions of rent, common area maintenance charges, insurance premiums and real property taxes.

*Marketing and Advertising.* Marketing and advertising includes all media, production and related costs for both local restaurant advertising and national marketing. We measure the efficiency of our marketing and advertising expenditures by tracking these costs as a percentage of total revenues. We have historically spent approximately 2.5% to 4.0% of total revenues on marketing and advertising and expect to maintain this level in the near term. All franchise agreements executed based on our new form of franchise agreement include up to a 1.0% advertising fee in addition to the 5.0% royalty fee. We spend this designated advertising fee on national advertising and record these fees as liabilities against which specified advertising and marketing costs will be charged.

*General and Administrative.* General and administrative costs include costs relating to all corporate and administrative functions that support development and restaurant operations and provide an infrastructure to support future Company and franchisee growth. General and administrative costs are comprised of management, supervisory and staff salaries and employee benefits, travel, performance-based compensation, stock compensation, information systems, training, corporate rent, professional and consulting fees, technology and market research. We measure our general and administrative expense efficiency by tracking these costs as a percentage of total revenues.

*Depreciation and Amortization.* Depreciation and amortization includes depreciation of fixed assets and certain definite life intangible assets. We depreciate capitalized leasehold improvements over the shorter of the total expected lease term or their estimated useful life.

*Pre-Opening Costs.* Pre-opening costs consist of costs incurred prior to opening a Company-owned restaurant, which are comprised principally of manager salaries and relocation costs, employee payroll and related training costs for new employees, including practice and rehearsal of service activities as well as lease costs incurred prior to opening.

**Results of Operations**

The table below sets forth certain operating data expressed as a percentage of restaurant sales and total revenues for the periods indicated. Our historical results are not necessarily indicative of the operating results that may be expected in the future. Certain prior year amounts have been reclassified to conform to the current year presentation of discontinued operations.

**RUTH'S HOSPITALITY GROUP, INC AND SUBSIDIARIES**
**Results of Operations**

| | Fiscal Year | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Revenues: | | | |
| Restaurant sales | 94.2% | 94.0% | 94.4% |
| Franchise income | 4.5% | 4.6% | 4.7% |
| Other operating income | 1.3% | 1.4% | 1.0% |
| Total revenues | 100.0% | 100.0% | 100.0% |
| Costs and expenses: | | | |
| Food and beverage costs (percentage of restaurant sales) | 30.7% | 31.7% | 30.7% |
| Restaurant operating expenses (percentage of restaurant sales) | 47.1% | 48.0% | 47.9% |
| Marketing and advertising | 2.9% | 2.9% | 2.9% |
| General and administrative costs | 8.1% | 7.0% | 8.6% |
| Depreciation and amortization expenses | 3.4% | 3.2% | 3.2% |
| Pre-opening costs | 0.3% | 0.5% | 0.2% |
| Gain on settlements, net | - | - | (0.5%) |
| Total costs and expenses | 88.0% | 88.5% | 88.5% |
| Operating income | 12.0% | 11.5% | 11.5% |
| Other income (expense): | | | |
| Interest expense | (0.2%) | (0.3%) | (0.5%) |
| Other | 0.1% | (0.1%) | (0.1%) |
| Income from continuing operations before income tax expense | 11.9% | 11.1% | 10.9% |
| Income tax expense | 3.8% | 3.4% | 3.3% |
| Income from continuing operations | 8.1% | 7.7% | 7.6% |
| Income (loss) from discontinued operations, net of income taxes | (0.1%) | (2.9%) | (0.6%) |
| Net income | 8.0% | 4.8% | 7.0% |

***Fiscal Year 2015 Compared to Fiscal Year 2014***

*Restaurant Sales.* Restaurant sales increased $26.4 million, or 8.1%, to $351.9 million during fiscal year 2015 from fiscal year 2014. The increase was attributable to an $11.7 million increase in comparable Company-owned restaurant sales and $14.7 million from new or relocated restaurants. Excluding discontinued operations, total operating weeks during fiscal year 2015 increased to 3,433 from 3,283 during fiscal year 2014. Comparable Company-owned restaurant sales increased 3.4%, which consisted of an average check increase of 3.5%, partially offset by a traffic decrease of 0.2%.

*Franchise Income*. Franchise income increased $898 thousand, or 5.7%, to $16.7 million during fiscal year 2015 from fiscal year 2014. The increase was driven primarily by a $636 thousand increase from new or re-located locations which opened during fiscal years 2015 and 2014 and a fiscal year 2015 $194 thousand recovery of franchise royalties from prior periods. The remaining increase is from an increase in comparable franchisee-owned restaurant sales of 0.7%.

*Other Operating Income*. Other operating income during fiscal year 2015 was relatively unchanged compared to fiscal year 2014. Other operating income includes gift card breakage revenue, our share of income from a managed restaurant and miscellaneous restaurant income. Fiscal year 2015 gift card breakage revenue decreased $228 thousand from the fiscal year 2014 level due to a slight decrease in the rate of gift card redemptions. Our management fee and our share of income from the Cherokee location was $992 thousand during fiscal year 2015 and $801 thousand during fiscal year 2014.

*Food and Beverage Costs*. Food and beverage costs increased $4.8 million, or 4.7%, to $108.1 million during fiscal year 2015 from fiscal year 2014. Food and beverage costs, as a percentage of restaurant sales, decreased 101 basis points to 30.7% compared to fiscal year 2014 due to a 3.5% increase in menu pricing and 8.0% lower beef costs.

*Restaurant Operating Expenses*. Restaurant operating expenses increased $9.6 million, or 6.1%, to $165.8 million during fiscal year 2015 from fiscal year 2014. Restaurant operating expenses, as a percentage of restaurant sales, decreased 88 basis points to 47.1% compared to fiscal year 2014 primarily due to lower healthcare claims.

*Marketing and Advertising.* Marketing and advertising expenses increased $849 thousand to $10.9 million during fiscal year 2015 from fiscal year 2014. The increase in marketing and advertising expenses during fiscal year 2015 was attributable to a planned increase in advertising. Marketing and advertising was 2.9% of total revenues, which was relatively unchanged from fiscal year 2014.

*General and Administrative*. General and administrative expenses increased $5.9 million to $30.2 million during fiscal year 2015 from fiscal year 2014, primarily due to an increase in incentive and stock-based compensation.

*Depreciation and Amortization Expenses*. Depreciation and amortization expense increased $1.6 million to $12.5 million during fiscal year 2015, primarily due to property additions related to new restaurants and remodel projects placed in service in fiscal years 2014 and 2015.

*Pre-opening Costs*. Pre-opening costs decreased $598 thousand to $1.0 million during fiscal year 2015, primarily due to two new restaurant openings in 2015 compared to three in 2014.

*Interest Expense.* Interest expense decreased $369 thousand to $790 thousand during fiscal year 2015 from fiscal year 2014. The decrease in expense was primarily due to a lower average debt balance during fiscal year 2015.

*Other Income.* Other income increased $321 thousand to $358 thousand during fiscal year 2015 from fiscal year 2014 primarily due to settlement proceeds received during fiscal year 2015 related to overbillings from a vendor for prior periods.

*Income Tax Expense*. During fiscal year 2015, we recognized income tax expense of $14.2 million. During fiscal year 2014, we recognized income tax expense of $11.8 million. The effective tax rate increased to 32.0% during fiscal year 2015 compared to 30.7% during fiscal year 2014. The increase in the effective tax rate in fiscal year 2015 was primarily due to a reduction in state employment tax credits.

*Income from Continuing Operations*. Income from continuing operations of $30.2 million during fiscal year 2015 increased by $3.5 million compared to fiscal year 2014 due to the factors noted above.

*Loss from Discontinued Operations, net of income taxes*. Loss from discontinued operations, net of income taxes during fiscal year 2015 was a loss of $162 thousand compared with a loss of $10.3 million during fiscal year 2014. Discontinued operations includes: the recurring revenues and expenses of restaurants closed or held for sale; impairments and loss on assets of restaurants closed or held for sale; impacts of remeasurement of lease liabilities associated with closed restaurants; and related income taxes. For financial reporting purposes, the Mitchell’s Restaurants are classified as a discontinued operation for all periods presented and, as of December 28, 2014, the assets of the Mitchell’s Restaurants are classified as held for sale.

The fiscal year 2015 loss from discontinued operations is primarily attributable to a $1.0 million loss from Mitchell's Restaurants, partially offset by an $869 thousand income tax benefit. The $869 thousand income tax benefit is primarily due to a tax loss recognized on the sale of Mitchell's Restaurants. The fiscal year 2014 loss from discontinued operations is largely attributable to a $15.3 million impairment loss and a $1.8 million loss on the assets of the Mitchell's Restaurants held for sale.

*Net Income.* Net income was $30.0 million during fiscal year 2015 compared to $16.5 million net income during fiscal year 2014.

***Fiscal Year 2014 Compared to Fiscal Year 2013***

*Restaurant Sales.* Restaurant sales increased $21.2 million, or 7.0%, to $325.4 million during fiscal year 2014 from fiscal year 2013. The increase was attributable to a $11.0 million increase in comparable Company-owned restaurant sales and $10.2 million from new or relocated restaurants. Excluding discontinued operations, total operating weeks during fiscal year 2014 increased to 3,283 from 3,169 during fiscal year 2013. Comparable Company-owned restaurant sales increased 3.7%, which consisted of a traffic increase of 2.5% and an average check increase of 1.2%.

*Franchise Income*. Franchise income increased $751 thousand, or 5.0%, to $15.8 million during fiscal year 2014 from fiscal year 2013. The increase was driven primarily by a $504 thousand increase from seven new locations which opened during fiscal years 2014 and 2013. The remaining increase is from an increase in comparable franchisee-owned restaurant sales of 3.4%.

*Other Operating Income*. Other operating income increased by $1.8 million to $4.9 million during fiscal year 2014 from fiscal year 2013. Other operating income includes gift card breakage revenue, our share of income from a managed restaurant and miscellaneous restaurant income. Fiscal year 2014 gift card breakage revenue increased $1.5 million from the fiscal year 2013 level. Fiscal year 2013 gift card breakage revenue was reduced by the unfavorable impact of the $2.2 million adjustment for the change in accounting for gift card breakage revenue, which included a revision in expected redemptions based on consumer redemption patterns. Our management fee and our share of income from the Cherokee location was $801 thousand during fiscal year 2014 and $706 thousand during fiscal year 2013.

*Food and Beverage Costs*. Food and beverage costs increased $9.9 million, or 10.6%, to $103.3 million during fiscal year 2014 from fiscal year 2013. Food and beverage costs, as a percentage of restaurant sales, increased 103 basis points to 31.7% compared to fiscal year 2013 primarily due to 6.0% higher beef costs, partially offset by a cumulative menu pricing increase of 2.6%.

*Restaurant Operating Expenses*. Restaurant operating expenses increased $10.6 million, or 7.3%, to $156.2 million during fiscal year 2014 from fiscal year 2013. Restaurant operating expenses as a percentage of restaurant sales for fiscal year 2014 was relatively unchanged from fiscal year 2013.

*Marketing and Advertising.* Marketing and advertising expenses increased $735 thousand to $10.1 million during fiscal year 2014 from fiscal year 2013. The increase in marketing and advertising expenses during fiscal year 2014 was attributable to planned spending.

*General and Administrative*. General and administrative expenses decreased $3.5 million to $24.3 million during fiscal year 2014 from fiscal year 2013, primarily due to lower incentive-based compensation.

*Depreciation and Amortization Expenses*. Depreciation and amortization expense increased $688 thousand to $10.9 million during fiscal year 2014, primarily due to property additions.

*Pre-opening costs*. Pre-opening costs increased $939 thousand to $1.6 million during fiscal year 2014, primarily due to three new restaurant openings in 2014 compared to one in 2013.

*Gain on Settlements*. During fiscal year 2013, the Company settled two loss claims asserted by us which previously arose and recognized an aggregate gain of $1.7 million, net of fees incurred. The majority of the gain pertained to compensation for the Company's lost operating income awarded by the claims administrator pursuant to the settlement agreement reached in litigation related to the 2010 Deepwater Horizon oil spill in the Gulf of Mexico.

*Interest Expense.* Interest expense decreased $481 thousand to $1.2 million during fiscal year 2014 from fiscal year 2013. The decrease in expense was primarily due to a lower average debt balance during fiscal year 2014.

*Income Tax Expense*. During fiscal year 2014, we recognized income tax expense of $11.8 million. During fiscal year 2013, we recognized income tax expense of $10.7 million. The effective tax rate increased to 30.7% during fiscal year 2014 compared to 30.5% during fiscal year 2013. The increase in the effective tax rate in fiscal year 2014 was primarily due to a reduction in state employment tax credits.

*Income from Continuing Operations*. Income from continuing operations of $26.7 million during fiscal year 2014 increased by $2.2 million compared to fiscal year 2013 due to the factors noted above.

*Loss from Discontinued Operations, net of income taxes*. Loss from discontinued operations, net of income taxes during fiscal year 2014 was a loss of $10.3 million compared with a loss of $2.0 million during fiscal year 2013. Discontinued operations includes: the recurring revenues and expenses of restaurants closed or held for sale; impairments and loss on assets of restaurants closed or held for sale; impacts of remeasurement of lease liabilities associated with closed restaurants; and related income taxes. For financial reporting purposes, the Mitchell's Restaurants are classified as a discontinued operation for all periods presented and, as of December 28, 2014, the assets of the Mitchell's Restaurants are classified as held for sale.

The fiscal year 2014 loss from discontinued operations is largely attributable to a $15.3 million impairment loss and a $1.8 million loss on the assets of the Mitchell's Restaurants held for sale. Fiscal years 2013 includes impairments related to the Mitchell's Restaurants aggregating $2.5 million. Discontinued operations in fiscal year 2013 includes a $1.9 million pre-tax loss attributable to property we lease near the United Nations in Manhattan. We recognized the loss as a consequence of the re-measurement of our lease exit costs due to the subtenant abandoning the property subleased from us.

*Net Income*. Net income was $16.5 million during fiscal year 2014 compared to $22.5 million net income during fiscal year 2013.

**Segment Profitability**

Segment profitability information for the Company's two operating segments is presented in Note 17 of the consolidated financial statements. Not all operating expenses are allocated to operating segments. The Ruth's Chris Steak House Company-owned restaurants, which are all located in North America, are managed as an operating segment. The Ruth's Chris concept operates within the full-service dining industry, providing similar products to similar customers. The franchise operations are reported as a separate operating segment. No costs are allocated to the franchise operations segment.

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (Dollar amounts in thousands) | | |
| Revenues: | | | |
| Company-owned steakhouse restaurants | $ 354,398 | $ 327,731 | $ 306,539 |
| Franchise operations | 16,661 | 15,763 | 15,012 |
| Unallocated other revenue and revenue discounts | 2,374 | 2,603 | 803 |
| Total revenues | $ 373,433 | $ 346,097 | $ 322,354 |
| Segment profits: | | | |
| Company-owned steakhouse restaurants | $ 80,450 | $ 68,230 | $ 67,489 |
| Franchise operations | 16,661 | 15,763 | 15,012 |
| Total segment profit | 97,111 | 83,993 | 82,501 |
| Unallocated operating income | 2,374 | 2,603 | 803 |
| Marketing and advertising expenses | (10,925) | (10,076) | (9,341) |
| General and administrative costs | (30,242) | (24,311) | (27,808) |
| Depreciation and amortization expenses | (12,520) | (10,917) | (10,229) |
| Pre-opening costs | (1,032) | (1,630) | (691) |
| Gain on settlements, net | - | - | 1,719 |
| Interest expense, net | (790) | (1,159) | (1,640) |
| Other income (expense) | 358 | 37 | (77) |
| Income from continuing operations before income tax expense | $ 44,334 | $ 38,540 | $ 35,237 |

Fiscal year 2015 segment profits for the Company-owned steakhouse restaurant segment increased by $12.2 million to $80.5 million from fiscal year 2014. The increase was primarily driven by increased revenues. The $898 thousand increase in franchise operations segment profitability is primarily attributable to six new locations which opened in 2015 and 2014.

Fiscal year 2014 segment profits for the Company-owned steakhouse restaurant segment increased by $741 thousand to $68.2 million from fiscal year 2013. The increase was driven by increased revenues. The $751 thousand increase in franchise operations segment profitability is attributable to seven new locations which opened in 2014 and 2013 and to an increase in comparable franchisee-owned restaurant sales

**Potential Fluctuations in Quarterly Results and Seasonality**

Our quarterly operating results may fluctuate significantly as a result of a variety of factors. See "Risk Factors" and "Quantitative and Qualitative Disclosures About Market Risk" for a discussion of certain material risks that could affect our quarterly operating results.

Our business is also subject to seasonal fluctuations. Historically, the percentages of our annual total revenues during the first and fourth fiscal quarters have been higher due, in part, to the year-end holiday season. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year, and comparable restaurant sales for any particular period may decrease.

**Liquidity and Capital Resources**

***Overview***

Our principal sources of cash during fiscal year 2015 were net cash provided by operating activities, proceeds from the sale of the Mitchell's Restaurants and related assets and borrowings under our $100 million senior credit facility. Our principal uses of cash during fiscal year 2015 were for capital expenditures, principal repayments under our $100 million senior credit facility, common stock repurchases and dividend payments. Cash flows from discontinued operations are combined with the cash flows from continuing operations within each of the categories on our statement of cash flows. Except for the receipt of $10 million for the sale of the Mitchell's Restaurants during the first quarter of fiscal year 2015, the sale of the Mitchell's Restaurants or any of our closed restaurants reported in discontinued operations did not have a material impact on the Company's cash flow during fiscal year 2015.

In May 2013, we announced that our Board of Directors approved a share repurchase program. During fiscal year 2014, a new share repurchase program was approved by our Board of Directors under which the Company is authorized to repurchase up to $50 million of outstanding common stock from time to time. The new share repurchase program replaces the previous share repurchase program announced in May 2013, which has been terminated. During fiscal year 2015, 1,483,085 shares were repurchased at an aggregate cost of $23.8 million or an average cost of $16.01 per share. All repurchased shares were retired and cancelled. As of December 27, 2015, $21.1 million remained available for future purchases under the share repurchase program.

During the second quarter of fiscal year 2013, we commenced paying quarterly cash dividends to holders of common and restricted stock. We paid a quarterly cash dividend of $0.06 per share, or $2.1 million in the aggregate, during each of the first, second, third and fourth quarters of fiscal year 2015. On February 12, 2016, we announced that our Board of Directors declared a quarterly cash dividend of $0.07 per share, or $2.4 million in the aggregate, to be paid on March 10, 2016 to common and restricted stockholders of record as of the close of business on February 25, 2016. Future dividends will be subject to the approval of our Board of Directors.

We believe that our borrowing ability under our senior credit facility coupled with our anticipated cash flow from operations should provide us with adequate liquidity in fiscal year 2016.

***Senior Credit Facility***

As of December 27, 2015, the Company had no outstanding indebtedness under its $100 million senior credit facility with approximately $95.8 million of borrowings available, net of outstanding letters of credit of approximately $4.2 million. As of December 27, 2015, the weighted average interest rate on our outstanding letters of credit was 2.1%. In addition, the fee on our unused senior credit facility was 0.2%. As of December 27, 2015, the Company was in compliance with all the covenants under its credit facility.

In February 2012, we entered into a Second Amended and Restated Credit Agreement with Wells Fargo Bank, as administrative agent, and certain other lenders (the Amended and Restated Credit Agreement). The Amended and Restated Credit Agreement allows for loan advances plus outstanding letters of credit of up to $100.0 million to be outstanding at any time that the conditions for borrowings are met. The Amended and Restated Credit Agreement sets the interest rates applicable to borrowings based on the Company's actual leverage ratio, ranging (a) from 2.00% to 2.75% above the applicable LIBOR rate or (b) at the Company's option, from 1.00% to 1.75% above the applicable base rate.

The Amended and Restated Credit Agreement contains customary covenants and restrictions, including, but not limited to: (1) prohibitions on incurring additional indebtedness and from guaranteeing obligations of others; (2) prohibitions on creating, incurring, assuming or permitting to exist any lien on or with respect to any property or asset; (3) limitations on the Company's ability to enter into joint ventures, acquisitions and other investments; (4) prohibitions on directly or indirectly creating or becoming liable with respect to certain contingent liabilities; and (5) restrictions on directly or indirectly declaring, ordering, paying, or making any restricted junior payments. The Amended and Restated Credit Agreement requires the Company to maintain a fixed charge coverage ratio of 1.25:1.00 and the maximum leverage ratio of 2.50:1.00. The agreement was amended in May 2013 to reset the limit applicable to junior stock payments, which include both cash dividend payments and repurchase of common and preferred stock. Junior stock payments made subsequent to December 30, 2012 through the end of the agreement are limited to $100.0 million; $58.9 million of such payments had been made as of December 27, 2015. The Company's obligations under the Amended and Restated Credit Agreement are guaranteed by each of its existing and future subsidiaries and are secured by substantially all of its assets and a pledge of the capital stock of its subsidiaries. The Amended and Restated Credit Agreement includes customary events of default. As of December 27, 2015, the Company was in compliance with the covenants under the Amended and Restated Credit Agreement.

***Capital Expenditures***

Capital expenditures in fiscal year 2015, which aggregated $20.3 million, pertained primarily to: $12.5 million for restaurant remodel projects and $6.8 million for new restaurants. Capital expenditures in fiscal year 2014, which aggregated $20.1 million, pertained primarily to: $7.7 million for restaurant remodel projects; $9.7 million for new restaurants; and $2.8 million for the acquisition of the Austin, TX Ruth's Chris Steak House Restaurant from the owner franchisee. Capital expenditures in fiscal year 2013, which aggregated $15.3 million, pertained primarily to: $8.0 million for various restaurant remodel projects; $5.3 million for new or relocated restaurants; and $1.7 million for information technology projects. We anticipate capital expenditures in fiscal year 2016 will be approximately $28.0 to $30.0 million. We currently expect to open four Company-owned restaurants at leased locations in fiscal year 2016.

***Cash Flows***

The following table summarizes our primary sources and uses of cash (in thousands):

| | Fiscal Year | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Net cash provided by (used in): | | | |
| Operating activities | $ 54,587 | $ 43,348 | $ 47,796 |
| Investing activities | (10,292) | (20,016) | (14,207) |
| Financing activities | (45,501) | (29,617) | (30,912) |
| Net increase (decrease) in cash and cash equivalents | $ (1,206) | $ (6,285) | $ 2,677 |

*Operating Activities*. Operating cash inflows pertain primarily to restaurant sales and franchise income. Operating cash outflows pertain primarily to expenditures for food and beverages, restaurant operating expenses, marketing and advertising and general and administrative costs. Operating activities provided cash flow all three fiscal years primarily because operating revenues have exceeded cash-based expenses.

*Investing Activities*. Cash used in investing activities in all three fiscal years pertained primarily to capital expenditure projects. During fiscal year 2015, the Company received $10.0 million for the sale of the Mitchell's Restaurants and related assets.

*Financing Activities*. Financing activities used cash in all three years. During fiscal year 2015, we: reduced the debt outstanding under our senior credit facility by $13.0 million; used $23.8 million to repurchase common stock; paid $1.4 million in employee taxes in connection with the vesting of restricted stock and the exercise of stock options; and paid dividends of $8.3 million. We paid $1.4 million in taxes in connection with the vesting of restricted stock and the exercise of stock options because some recipients elected to satisfy their individual minimum tax withholding obligations by having us withhold a number of vested shares of restricted stock and/or a number of shares otherwise issuable pursuant to stock options, in each case in an amount having a value on the date of vesting or exercise equal to a recipient's minimum federal and state withholding taxes. During fiscal year 2014, we: reduced the debt outstanding under our senior credit facility by $6.0 million; used $15.4 million to repurchase common stock; paid $3.1 million in employee taxes in connection with the vesting of restricted stock and the exercise of stock options; and paid dividends of $7.1 million. During fiscal year 2013, we reduced the debt outstanding under our senior credit facility by $26.0 million and paid dividends of $4.3 million.

***Contractual Obligations***

The following table summarizes our contractual obligations as of December 27, 2015:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-2 years | 3-5 years | More than 5 years |
| | | | (in millions) | | |
| Long-term debt obligations | $ 0.3 | $ 0.3 | $ - | $ - | $ - |
| Operating lease obligations | 210.2 | 21.1 | 20.1 | 51.6 | 117.3 |
| Total | $ 210.5 | $ 21.4 | $ 20.1 | $ 51.6 | $ 117.3 |

Long-term debt obligations include principal maturities and expected interest payments. Expected interest payments were estimated using the interest and fee rates under our senior credit facility as of December 27, 2015. Operating lease obligations do not include contingent rent, common area maintenance, property taxes and other pass through charges from our landlords. The above table does not include recorded liabilities to vendors or employees nor does it include routine purchase commitments for food and supplies.

Pursuant the terms of the Agreement, upon closing of the sale of the Mitchell's Restaurants in January 2015, Landry's assumed the lease obligations of the Mitchell's Restaurants. However, the Company has guaranteed Landry's lease obligations aggregating $37.8 million under nine of the leases. Landry's indemnified the Company in the event of a default under any of the leases. The above table does not include potential lease obligations for the Mitchell's Restaurants.

**Off-Balance Sheet Arrangements**

As of December 27, 2015, we do not have any off-balance sheet arrangements.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of results of operations and financial condition is based upon our audited consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements is based, in part, on our critical accounting policies that require us to make estimates and judgments that affect the amounts reported in those financial statements. Our significant accounting policies, which may be affected by our estimates and assumptions, are more fully described in Note 2 of the consolidated financial statements. Critical accounting policies are those that we believe are most important to portraying our financial condition and results of operations and also require the greatest amount of subjective or complex judgments by management. Judgments or uncertainties regarding the application of these policies may result in materially different amounts being reported under different conditions or using different assumptions. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing the consolidated financial statements.

***Deferred Gift Card Revenue and Gift Card Breakage Revenue***

Revenue from restaurant sales is recognized when food and beverage products are sold. Deferred revenue primarily represents the Company's liability for gift cards that have been sold but not yet redeemed, and is recorded at the expected redemption value. When the gift cards are redeemed, the Company recognizes restaurant sales and reduces the deferred revenue liability. Company issued gift cards redeemed at franchisee-owned restaurants reduce the deferred revenue liability but do not result in our restaurant sales. Gift card transactions involving franchisees are settled on a monthly basis through the Company's third party gift card provider. The expected redemption value of gift cards represents the full value of all gift cards issued less the amount the Company has recognized as other operating income for gift cards that are not expected to be redeemed.

The portion of gift cards sold to customers which are never redeemed is commonly referred to as gift card breakage. Gift card breakage produces a revenue stream which is a key element of the profitability of the Company's gift card program and is classified as a component of other operating revenue.

At the end of the fourth quarter of fiscal year 2013, the Company concluded it had accumulated a sufficient level of historical data from a large pool of homogeneous transactions to allow management to reasonably and objectively determine an estimated gift card breakage rate and the pattern of gift card redemptions. As a result, the Company elected to change its policy for recognizing gift card breakage revenue by changing from the delayed method to the redemption method of accounting. Under the redemption method, breakage revenue is recognized and the gift card liability is derecognized for unredeemed gift cards in proportion to actual gift card redemptions. The Company believes that the redemption method is preferable to the delayed method because it better reflects the gift card earnings process resulting in the recognition of breakage revenue over the period of gift card redemptions (i.e., over the performance period) and because the new method makes the Company's financial statements more comparable with its primary competitors. The Company will continue to review historical gift card redemption information to assess the reasonableness of projected gift card breakage rates and patterns of redemption. Future gift card usage may be different than our historical experience and as result our estimate of cards not expected to be redeemed is subject to inherent uncertainty. If actual redemption activity differs significantly from our historical experience our deferred revenue liability and results of operations could be materially impacted.

***Impairment of the Assets of the Mitchell's Restaurants***

During the third quarter of fiscal year 2014, the Company reassessed its asset grouping specific to its Mitchell's Fish Market and Mitchell's/Cameron's Steakhouse restaurants (the Mitchell's Restaurants) under FASB ASC Topic 360, "Property, Plant and Equipment," and concluded that it was appropriate to change the asset group from the individual restaurant unit to the set of Mitchell's Restaurants. As a result of the reassessment, the Company determined that a triggering event had occurred requiring an impairment evaluation of its trademarks and long-lived assets. Consequently, during the third quarter of fiscal year 2014, the Company recorded an impairment loss aggregating to $15.3 million. Specifically, the Company recorded a $7.3 million impairment loss related to trademark intangible assets and an $8.0 million impairment loss related to long-lived assets (primarily leasehold improvements). The impairment of both the trademark intangible assets and the long-lived assets was measured based on the amount by which the carrying amount of assets exceeded fair value. Fair value was estimated based on both the market and income approaches utilizing market participant assumptions reflecting all available information as of the balance sheet date. In November 2014, the Company agreed to sell its Mitchell's Restaurants and related assets to a third party for $10.0 million. The sale of the Mitchell's Restaurants closed on January 21, 2015. The assets sold consist primarily of leasehold interests, leasehold improvements, restaurant equipment and furnishings, inventory, and related intangible assets, including brand names and trademarks associated with the Mitchell's Restaurants. The assets and related liabilities of the Mitchell's Restaurants are classified as held for sale in the consolidated balance sheet as of December 28, 2014. A $1.8 million loss on assets held for sale was recorded in the fourth quarter of fiscal year 2014. The results of operations and impairment charges pertaining to the Mitchell's Restaurants have been classified as discontinued operations in the consolidated statements of income for all periods presented.

***Impairment of Long-Lived Assets***

We review property and equipment (which includes leasehold improvements) for impairment when events or circumstances indicate these assets might be impaired. We test impairment using historical cash flow and other relevant facts and circumstances as the primary basis for our estimates of future cash flows. The analysis is performed at the restaurant level for indicators of permanent impairment. In determining future cash flows, we make significant estimates with respect to future operating results of each restaurant over the expected remaining life of the primary asset in the restaurant. If assets are determined to be impaired, the loss on impairment is measured by calculating the amount by which the asset-carrying amount exceeds its fair value. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment. If these assumptions change in the future, we may be required to record additional losses on impairment on these assets. As noted above, during third quarter of fiscal year 2014, an $8.0 million impairment loss was recorded related to the long-lived assets of the Mitchell's Restaurants.

During fiscal year 2013, the Company recognized a $2.1 million impairment loss due to a decline in the estimated fair value of one restaurant's assets (primarily leasehold improvements). The decline in estimated fair value was attributable to decreases in that restaurant's projected profitability. The fiscal year 2013 impairment loss related to a Mitchell's restaurant and has been reclassified to discontinued operations.

The judgments we make related to the expected useful lives of long-lived assets and our ability to realize undiscounted cash flows in excess of the carrying amounts of these assets are affected by factors such as the ongoing maintenance and improvements of the assets, changes in economic conditions, changes in usage or operating performance and desirability of the restaurant sites. As we assess the ongoing expected cash flows and carrying amounts of our long-lived assets, significant adverse changes in these factors could cause us to recognize a material loss on impairment.

Generally, costs for exit or disposal activities, including restaurant closures, are expensed as incurred. The costs include the cost of disposing of the assets as well as other facility-related expenses from previously closed restaurants. Additionally, at the date we cease using a property under an operating lease, we record a liability for the net present value of any remaining lease obligations, net of estimated sublease income. Any subsequent adjustments to that liability as a result of lease termination or changes in estimates of sublease income are recorded in the period incurred. Upon disposal of the assets associated with a closed restaurant, any gain or loss is recorded in the same line within our consolidated statements of income as the original impairment.

***Valuation and Recoverability of Goodwill, Franchise Rights and Trademarks***

Goodwill, franchise rights and trademarks arose primarily from our acquisition of franchisee-owned Ruth's Chris restaurants and our acquisition of Mitchell's Fish Markets. The most significant acquisitions were completed in 1996, 1999, 2006, 2007 and 2008. Goodwill, trademarks and franchise rights acquired prior to 2008 are not subject to amortization. Such assets must be tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A variety of inherently uncertain estimates, judgments and projections are used in both assessing whether there has been an indicator that an impairment of an intangible asset may have occurred and estimating fair value of possibly impaired assets. Management is required to: project future sales and cash flows associated with a specific intangible asset; assess maintenance and capital improvement requirements; estimate the cost of capital (or discount rate) that a market participant would use in assessing value for a specific intangible asset; and anticipate changes in usage and operating performance. Changes in the following will impact future assessments of whether or not our intangible assets have been impaired: our expectations regarding future sales and profitability; the economic environment; competitive conditions; the desirability of restaurant sites; and the cost of capital to the restaurant industry generally and the Company specifically.

A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others: a significant decline in our expected future cash flows; a sustained, significant decline in our stock price and market capitalization; a significant adverse change in legal factors or in the business climate; unanticipated competition; unfavorable results of testing for recoverability of a significant asset group within a reporting unit; and slower growth rates. Any adverse change in these factors could have a significant impact on the recoverability of these assets which could have a material impact on our consolidated financial statements. If we determine that an intangible asset may be impaired we are required to estimate its fair value. Because similar intangible assets are not bought and sold regularly in public markets, estimates of fair value of our intangible assets are inherently uncertain. Franchise rights and trademarks tend to be bought and sold as components of the business units being sold. Also, trademarks and franchise rights tend to be unique assets further complicating the task of estimating the fair value of such assets.

The goodwill impairment test involves a two-step process. The first step is a comparison of the carrying value of the reporting unit to its fair value. Consistent with the valuation of restaurant operations, the Company utilizes a multiple of EBITDA to approximate the fair value of the reporting unit for purposes of completing Step 1 of the evaluation. The Company considers EBITDA multiples of publicly held companies, including its own, as well as other private reporting unit acquisitions. For reporting units whose estimated fair value exceed its carrying value, no impairment is recorded. As of November 29, 2015, the estimated fair values of all reporting units exceeded their respective carrying values. If a reporting unit's fair value had not exceeded its carrying value as the balance sheet date, the Company would have completed Step 2 of the evaluation by comparing the implied fair value of goodwill with the net asset value of the reporting unit. The Company would have calculated the implied fair value by allocating the fair value of a reporting unit to all of its assets and liabilities as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the unit. The fair values of the reporting units with goodwill on the balance sheet as of November 29, 2015 significantly exceed their financial statement carrying values.

The fair value of our franchise rights are estimated and compared to their carrying value. We estimate the fair value of these intangible assets using an excess earnings approach, which estimates value based upon the discounted value of future cash flow expected to be generated by Company-owned restaurants in the acquired trade area, net of all contributory asset returns. This calculation requires market based assumptions related to projected cash flows, projected capital expenditures, as well as a discount rate. We recognize an impairment loss when the estimated fair value of the franchise rights is less than its carrying value. We completed our impairment test of our franchise rights and concluded as of the date of the test, there was no impairment because the estimated fair value significantly exceeded the financial statement carrying value as of November 29, 2015.

The fair value of our acquired trademarks are estimated and compared to the financial statement carrying value. We recognize an impairment loss when the estimated fair value of a trademark is less than its carrying value. To determine the fair value of trademarks we use a relief-from-royalty valuation approach. This approach assumes that in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of these types of assets. This approach is dependent on a number of factors, including estimates of future revenue growth and trends, royalty rates in the category of intellectual property, discount rates and other variables. As noted above, during the third quarter of fiscal year 2014, a $7.3 million impairment loss was recorded related to the brand names and trademarks of the Mitchell's Restaurants. The fiscal year 2014 impairment loss has been reclassified to discontinued operations. The decline in estimated fair value and corresponding impairment of the Mitchell's trademarks was based on reduced revenue growth expectations, a reduced assumed royalty rate and an increase in the discount rate. During the fourth quarter of fiscal year 2013, a $400 thousand loss on the impairment of an ancillary trademark not expected to be used was recorded. The fiscal year 2013 impairment loss has been reclassified to discontinued operations. The remaining Mitchell's trademarks are classified as assets held for sale as of December 28, 2014.

Declines in sales at our restaurants and significant adverse changes in the operating environment for the restaurant industry may result in future impairment charges. Changes in circumstances, existing at the measurement date or at other times in the future, or in the estimates associated with management's judgments and assumptions made in assessing the fair value of our goodwill, franchise rights and trademarks could result in an impairment charge.

We evaluate the useful lives of our intangible assets to determine if they are definite or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required capital expenditures, and the expected lives of other related groups of assets.

***Insurance Liability***

We maintain various insurance policies for workers' compensation, employee health, general liability and property damage. Pursuant to those policies, we are responsible for losses up to certain limits and are required to estimate a liability that represents our ultimate exposure for aggregate losses below those limits. The recorded liabilities are based on management's estimates of the ultimate costs to be incurred to settle known claims and claims not reported as of the balance sheet date. We use independent actuaries to develop the estimated workers' compensation, general and employee health liabilities. Our estimated liability is not discounted and is based on a number of assumptions and factors, including historical trends, actuarial assumptions and economic conditions. If actual trends differ from our estimates, our financial results could be impacted.

***Income Taxes***

We account for income taxes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, "Income Taxes" (Topic 740). Topic 740 establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting of income taxes. We recognize deferred tax liabilities and assets for the future consequences of events that have been recognized in our consolidated financial statements or tax returns. In the event the future consequences of differences between financial reporting bases and tax bases of our assets and liabilities resulted in a net deferred tax asset, an evaluation is made of the probability of our ability to realize the future benefits indicated by such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or the entire deferred tax asset will not be realized. The realization of such net deferred tax will generally depend on whether we will have sufficient taxable income of an appropriate character within the carry-forward period permitted by the tax law. Without sufficient taxable income to utilize the deductible amounts and carry forwards, the related tax benefits will expire unused. We have evaluated both positive and negative evidence in making a determination as to whether it is more likely than not that all or some portion of the deferred tax asset will not be realized. Measurement of deferred items is based on enacted tax laws.

**Recent Accounting Pronouncements for Future Application**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers," (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles when it becomes effective. The new standard was originally effective for interim and annual periods in fiscal years beginning after December 15, 2016. In July 2015, the FASB affirmed its proposal for a one year deferral of the effective date. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

The FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," in April 2015, which requires entities to present debt issuance costs related to a recognized debt liability on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts. Entities will no longer record the cost of issuing debt as a separate asset, except when the cost is incurred before receipt of the funding from the associated debt liability. The new standard is effective for interim and annual periods beginning after December 15, 2015. On August 18, 2015 the FASB issued ASU No. 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements – Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting," (ASU 2015-15), which addresses the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. ASU 2015-15 states that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are outstanding borrowings under that line-of-credit arrangement. The Company's current financial statement presentation of debt issuance costs is consistent with the guidance in ASU 2015-15, so no material change in the Company's financial reporting is expected from the recent debt issuance cost standards.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40)." The pronouncement was issued to provide guidance concerning accounting for fees in a cloud computing arrangement. The pronouncement is effective for reporting periods beginning after December 15, 2015. The adoption of ASU 2015-05 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330)." The pronouncement was issued to simplify the measurement of inventory and changes the measurement from lower of cost or market to lower of cost and net realizable value. This pronouncement is effective for reporting periods beginning after December 15, 2016. The adoption of ASU 2015-11 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes" which requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. Prior to the issuance of the standard, deferred tax liabilities and assets were required to be separately classified into a current amount and a noncurrent amount in the balance sheet. The new accounting guidance represents a change in accounting principle and the standard is required to be adopted in annual periods beginning after December 15, 2016. Early adoption is permitted and the Company elected to early adopt this guidance as of December 27, 2015 and to apply the guidance retrospectively to all periods presented. Accordingly, the Company reclassified the prior period amount of $3.8 million related to its deferred tax asset from current to noncurrent, resulting in an offset to the noncurrent deferred income tax liability for the same amount for that period, according to the requirement to offset and present as a single amount. Because the application of this guidance affects classification only, such reclassifications did not have a material effect on the Company's consolidated financial position or results of operations.

## Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

***Interest Rate Risk***

The Company is exposed to market risk from fluctuations in interest rates. For fixed rate debt, interest rate changes affect the fair market value of such debt but do not impact earnings or cash flows. Conversely for variable rate debt, including borrowings under the Company's senior credit facility, interest rate changes generally do not affect the fair market value of such debt, but do impact future earnings and cash flows, assuming other factors are held constant. At December 27, 2015, the Company had no variable rate debt outstanding. The Company currently does not use financial instruments to hedge its risk to market fluctuations in interest rates. Holding other variables constant (such as debt levels), a hypothetical 100 basis point change in interest rates as of December 27, 2015 would be expected to have an impact on pre-tax earnings and cash flows for fiscal year 2015 of less than $0.1 million.

***Foreign Currency Risk***

The Company believes that fluctuations in foreign exchange rates do not present a material risk to its operations. Franchise fee revenue from international locations aggregated $3.0 million and $3.2 million in fiscal years 2015 and 2014, respectively.

***Commodity Price Risk***

The Company is exposed to market price fluctuations in beef and other food product prices. Given the historical volatility of beef and other food product prices, this exposure can impact the Company's food and beverage costs. As the Company typically sets its menu prices in advance of its beef and other food product purchases, the Company cannot quickly react to changing costs of beef and other food items. To the extent that the Company is unable to pass the increased costs on to its guests through price increases, the Company's results of operations would be adversely affected. As of December 27, 2015, we have not negotiated set pricing for any beef requirements for 2016. The market for USDA Prime grade beef is particularly volatile. If prices increase, or the supply of beef is reduced, operating margin could be materially adversely affected. *Ceteris paribus*, a hypothetical 10% fluctuation in beef prices would have an approximate impact on pre-tax earnings ranging from $4 million to $5 million for fiscal year 2016.

From time to time, the Company enters into purchase price agreements for other lower-volume food products, including poultry and seafood. In the past, certain types of poultry and seafood have experienced fluctuations in availability. Poultry and seafood are also subject to fluctuations in price based on availability, which is often seasonal. If certain types of poultry and seafood are unavailable, or if the Company's costs increase, the Company's results of operations could be adversely affected.

***Effects of Inflation***

Components of the Company's operations subject to inflation include food, beverage, lease and labor costs. The Company's leases require it to pay taxes, maintenance, repairs, insurance and utilities, all of which are subject to inflationary increases. The Company believes that general inflation, excluding increases in food and employee health plan costs, has not had a material impact on its results of operations in recent years. Additionally, increases in statutory minimum wage rates may increase our operating costs. Recently, governmental entities acted to increase minimum wage rates in several jurisdictions wherein Company-owned restaurants are located. The increased minimum wage rates are expected to increase employee compensation and related taxes by approximately $1.4 million in fiscal year 2016 compared to fiscal year 2015. Also, the U.S. government may act to increase the federal minimum wage rate.

## Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements, together with the related notes and report of independent registered public accounting firm, are set forth in the pages indicated in Item 15, Exhibits and Financial Statement Schedules, of this Annual Report on Form 10-K.

## Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## Item 9A. CONTROLS AND PROCEDURES

***Evaluation of Disclosure Controls and Procedures***

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 27, 2015. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 27, 2015 to ensure that information required to be disclosed in reports filed or submitted by the Company under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that information required to be disclosed by the Company is accumulated and communicated to the Company's management to allow timely decisions regarding the required disclosure.

***Management's Report on Internal Control over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act).

Management, including the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 27, 2015. In making this assessment, management applied the criteria based on the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). The Company's assessment included documenting, evaluating and testing the design and operating effectiveness of the Company's internal control over financial reporting. Based upon this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 27, 2015.

KPMG LLP, the Company's independent registered public accounting firm, has audited the financial statements included herein and issued an audit report on the Company's internal control over financial reporting as of December 27, 2015, which follows.

Our system of internal control over financial reporting was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with U.S. generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Changes in Internal Control over Financial Reporting***

During the fiscal quarter ending December 27, 2015, there was no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that in the Company's judgment has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders
Ruth's Hospitality Group, Inc.:

We have audited Ruth's Hospitality Group, Inc.'s internal control over financial reporting as of December 27, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Ruth's Hospitality Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Ruth's Hospitality Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 27, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Ruth's Hospitality Group, Inc. and subsidiaries as of December 27, 2015 and December 28, 2014, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 27, 2015, and our report dated March 4, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Orlando, Florida
March 4, 2016
Certified Public Accountants

**Item 9B. OTHER INFORMATION**

None.

## PART III

**Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this Item is incorporated by reference to the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

We have adopted a Code of Conduct and Ethics Policy that applies to our principal executive officer, principal financial officer and principal accounting officer. The text of our Code of Conduct and Ethics Policy is posted on our website: www.rhgi.com. We intend to disclose future amendments to, or waivers from, certain provisions of the Code of Conduct and Ethics Policy on our website within four business days following the date of such amendment or waiver. Stockholders may request a free copy of the Code of Conduct and Ethics Policy from: Ruth's Hospitality Group, Inc., Attention: Corporate Secretary, 1030 W. Canton Avenue, Suite 100, Winter Park, Florida 32789.

**Item 11. EXECUTIVE COMPENSATION**

The information required by this Item is incorporated by reference to the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information about security ownership is incorporated by reference to the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

The following table summarizes the number of stock options issued and shares of restricted stock granted, net of forfeitures and sales, the weighted-average exercise price of such stock options and the number of securities remaining to be issued under all outstanding equity compensation plans as of December 27, 2015:

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance Under an Equity Compensation Plan (Excluding Securities Reflected in Column (a)) |
|---|---|---|---|
| | (a) | (b) | (c) |
| Equity compensation plans approved by stockholders: | | | |
| 2005 Long-Term Equity Incentive Plan | 1,412,830 | $14.74 | 2,090,354 |

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item is incorporated by reference to the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated by reference to the Company's Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

## PART IV

### Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statement Schedules.

See Index to Consolidated Financial Statements appearing on page F-1. All schedules have been omitted because they are not required or applicable or the information is included in the consolidated financial statements or notes thereto.

(b) Exhibits.

See Exhibit Index appearing on page E-1 for a list of exhibits filed with or incorporated by reference as part of this Annual Report on Form 10-K.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 4, 2016

RUTH'S HOSPITALITY GROUP, INC.

By: /s/ MICHAEL P. O'DONNELL
**Michael P. O'Donnell**
**Chairman of the Board, President and Chief Executive Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of Ruth's Hospitality Group, Inc. and in the capacities and on the dates indicated.

| Signatures | Title | Dates |
|---|---|---|
| /s/ MICHAEL P. O'DONNELL<br>**Michael P. O'Donnell** | Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer) | March 4, 2016 |
| /s/ ARNE G. HAAK<br>**Arne G. Haak** | Executive Vice President and Chief Financial Officer (Principal Accounting and Financial Officer) | March 4, 2016 |
| /s/ ROBIN P. SELATI<br>**Robin P. Selati** | Lead Director | March 4, 2016 |
| /s/ CARLA R. COOPER<br>**Carla R. Cooper** | Director | March 4, 2016 |
| /s/ BANNUS B. HUDSON<br>**Bannus B. Hudson** | Director | March 4, 2016 |
| /s/ ROBERT S. MERRITT<br>**Robert S. Merritt** | Director | March 4, 2016 |
| /s/ ALAN VITULI<br>**Alan Vituli** | Director | March 4, 2016 |
| /s/ GIANNELLA ALVAREZ<br>**Giannella Alvarez** | Director | March 4, 2016 |

**RUTH’S HOSPITALITY GROUP, INC. AND SUBSIDIARIES**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders
Ruth's Hospitality Group, Inc.:

We have audited the accompanying consolidated balance sheets of Ruth's Hospitality Group, Inc. and subsidiaries as of December 27, 2015 and December 28, 2014, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 27, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ruth's Hospitality Group, Inc. and subsidiaries as of December 27, 2015 and December 28, 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 27, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Ruth's Hospitality Group, Inc.'s internal control over financial reporting as of December 27, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 4, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

As discussed in Note 2 to the consolidated financial statements, the Company elected to change its method of accounting for the recognition of gift card breakage income in 2013. That change was effected by and is inseparable from the effects of the Company's 2013 changes in estimated gift card breakage rates and the estimated pattern of actual gift card redemptions.

/s/ KPMG LLP

Orlando, Florida
March 4, 2016
Certified Public Accountants

**RUTH'S HOSPITALITY GROUP, INC. AND SUBSIDIARIES**
**Consolidated Balance Sheets**
**(Amounts in thousands, except share and per share data)**

| | December 27, 2015 | December 28, 2014 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 3,095 | $ 4,301 |
| Accounts receivable, less allowance for doubtful accounts 2015 - $732; 2014 - $760 | 18,501 | 20,458 |
| Inventory | 7,479 | 7,206 |
| Assets held for sale | 250 | 15,119 |
| Prepaid expenses and other | 1,259 | 1,291 |
| Total current assets | 30,584 | 48,375 |
| | | |
| Property and equipment, net of accumulated depreciation 2015 - $125,362; 2014 - $114,708 | 87,984 | 80,354 |
| Goodwill | 24,293 | 24,293 |
| Franchise rights, net of accumulated amortization 2015 - $218; 2014 - $180 | 32,200 | 32,237 |
| Other intangibles, net of accumulated amortization 2015 - $1,090; 2014 - $1,002 | 3,011 | 2,775 |
| Deferred income taxes | 19,309 | 28,829 |
| Other assets | 1,216 | 1,704 |
| Total assets | $ 198,597 | $ 218,567 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 10,018 | $ 13,414 |
| Accrued payroll | 17,064 | 15,304 |
| Accrued expenses | 9,280 | 11,065 |
| Deferred revenue | 35,202 | 34,552 |
| Liabilities associated with assets held for sale | - | 4,869 |
| Other current liabilities | 6,308 | 7,277 |
| Total current liabilities | 77,872 | 86,481 |
| Long-term debt | - | 13,000 |
| Deferred rent | 20,275 | 19,990 |
| Other liabilities | 2,548 | 2,785 |
| Total liabilities | 100,695 | 122,256 |
| Commitments and contingencies (Note 11) | - | - |
| | | |
| Shareholders' equity: | | |
| Common stock, par value $.01 per share; 100,000,000 shares authorized, 33,145,687 shares issued and outstanding at December 27, 2015 34,333,858 shares issued and outstanding at December 28, 2014 | 331 | 343 |
| Additional paid-in capital | 135,403 | 155,457 |
| Accumulated deficit | (37,832) | (59,489) |
| Treasury stock, at cost; 71,950 shares at December 27, 2015 and December 28, 2014 | - | - |
| Total shareholders' equity | 97,902 | 96,311 |
| Total liabilities and shareholders' equity | $ 198,597 | $ 218,567 |

See accompanying notes to consolidated financial statements.

**RUTH'S HOSPITALITY GROUP, INC. AND SUBSIDIARIES**
**Consolidated Statements of Income**
**(Dollar amounts in thousands, except share and per share data)**

| | Fiscal Year Ended | | |
|---|---|---|---|
| | December 27, 2015 | December 28, 2014 | December 29, 2013 |
| Revenues: | | | |
| Restaurant sales | $ 351,875 | $ 325,437 | $ 304,200 |
| Franchise income | 16,661 | 15,763 | 15,012 |
| Other operating income | 4,897 | 4,897 | 3,142 |
| Total revenues | 373,433 | 346,097 | 322,354 |
| Costs and expenses: | | | |
| Food and beverage costs | 108,101 | 103,259 | 93,386 |
| Restaurant operating expenses | 165,847 | 156,242 | 145,664 |
| Marketing and advertising | 10,925 | 10,076 | 9,341 |
| General and administrative costs | 30,242 | 24,311 | 27,808 |
| Depreciation and amortization expenses | 12,520 | 10,917 | 10,229 |
| Pre-opening costs | 1,032 | 1,630 | 691 |
| Gain on settlements, net | - | - | (1,719) |
| Total costs and expenses | 328,667 | 306,435 | 285,400 |
| Operating income | 44,766 | 39,662 | 36,954 |
| Other income (expense): | | | |
| Interest expense | (790) | (1,159) | (1,640) |
| Other | 358 | 37 | (77) |
| Income from continuing operations before income tax expense | 44,334 | 38,540 | 35,237 |
| Income tax expense | 14,168 | 11,830 | 10,744 |
| Income from continuing operations | 30,166 | 26,710 | 24,493 |
| Discontinued operations: | | | |
| Loss from discontinued operations, net of income tax benefit: 2015-($869); 2014-($7,472); 2013-($2,426) | (162) | (10,255) | (2,004) |
| Net income | $ 30,004 | $ 16,455 | $ 22,489 |
| Basic earnings (loss) per common share: | | | |
| Continuing operations | $ 0.88 | $ 0.76 | $ 0.71 |
| Discontinued operations | 0.00 | (0.29) | (0.06) |
| Basic earnings (loss) per share | $ 0.88 | $ 0.47 | $ 0.65 |
| Diluted earnings (loss) per common share: | | | |
| Continuing operations | $ 0.87 | $ 0.75 | $ 0.69 |
| Discontinued operations | 0.00 | (0.29) | (0.06) |
| Diluted earnings (loss) per share | $ 0.87 | $ 0.46 | $ 0.63 |
| Shares used in computing earnings (loss) per common share: | | | |
| Basic | 34,018,582 | 34,955,760 | 34,761,160 |
| Diluted | 34,434,407 | 35,415,483 | 35,784,430 |
| Dividends declared per common share | $ 0.24 | $ 0.20 | $ 0.12 |

See accompanying notes to consolidated financial statements.

**RUTH'S HOSPITALITY GROUP, INC AND SUBSIDIARIES**
**Consolidated Statements of Shareholders' Equity**
**(Amounts in thousands)**

| | Common Stock Shares | Common Stock Value | Additional Paid-in Capital | Accumulated Deficit | Treasury Stock Shares | Treasury Stock Value | Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance at December 30, 2012 | 34,434 | $ 344 | $ 167,404 | $ (87,015) | 72 | $ - | $ 80,733 |
| Net income | - | - | - | 22,489 | - | - | 22,489 |
| Cash dividends | - | - | - | (4,278) | - | - | (4,278) |
| Shares issued under stock compensation plan net of shares withheld for tax effects | 556 | 6 | (1,772) | - | - | - | (1,766) |
| Excess tax benefit from stock based compensation | - | - | 1,132 | - | - | - | 1,132 |
| Stock-based compensation | - | - | 2,343 | - | - | - | 2,343 |
| Balance at December 29, 2013 | 34,990 | 350 | 169,107 | (68,804) | 72 | - | 100,653 |
| Net income | - | - | - | 16,455 | - | - | 16,455 |
| Cash dividends | - | - | - | (7,138) | - | - | (7,138) |
| Repurchase of common stock | (1,244) | (12) | (15,397) | | | | (15,409) |
| Shares issued under stock compensation plan net of shares withheld for tax effects | 588 | 6 | (2,945) | - | - | - | (2,939) |
| Excess tax benefit from stock based compensation | - | - | 1,868 | - | - | - | 1,868 |
| Stock-based compensation | - | - | 2,821 | - | - | - | 2,821 |
| Balance at December 28, 2014 | 34,334 | 343 | 155,455 | (59,487) | 72 | - | 96,311 |
| Net income | - | - | - | 30,004 | - | - | 30,004 |
| Cash dividends | - | - | - | (8,349) | - | - | (8,349) |
| Repurchase of common stock | (1,483) | (15) | (23,737) | - | - | - | (23,752) |
| Shares issued under stock compensation plan net of shares withheld for tax effects | 295 | 3 | (1,145) | - | - | - | (1,142) |
| Excess tax benefit from stock based compensation | - | - | 743 | - | - | - | 743 |
| Stock-based compensation | - | - | 4,087 | - | - | - | 4,087 |
| Balance at December 27, 2015 | 33,146 | $ 331 | $ 135,403 | $ (37,832) | 72 | $ - | $ 97,902 |

See accompanying notes to consolidated financial statements.

**RUTH'S HOSPITALITY GROUP, INC AND SUBSIDIARIES**
**Consolidated Statements of Cash Flows**
**(Dollar amounts in thousands)**

| | Fiscal Year Ended | | |
|---|---|---|---|
| | December 27, 2015 | December 28, 2014 | December 29, 2013 |
| Cash flows from operating activities: | | | |
| Net income | $ 30,004 | $ 16,455 | $ 22,489 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 12,520 | 13,185 | 13,060 |
| Deferred income taxes | 9,519 | 753 | 6,093 |
| Non-cash interest expense | 421 | 421 | 421 |
| Loss on impairment and asset disposals | - | 15,805 | 3,262 |
| Amortization of below market lease | - | 129 | 129 |
| Stock-based compensation expense | 4,087 | 2,821 | 2,343 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivables | 1,957 | (7,049) | (2,114) |
| Inventories | (273) | (151) | 8 |
| Prepaid expenses and other | 32 | 1,193 | (621) |
| Other assets | 92 | 200 | 225 |
| Accounts payable and accrued expenses | (3,763) | (2,669) | 3,036 |
| Deferred revenue | 650 | 2,717 | 622 |
| Deferred rent | 285 | 50 | (1,123) |
| Other liabilities | (944) | (512) | (34) |
| Net cash provided by operating activities | 54,587 | 43,348 | 47,796 |
| Cash flows from investing activities: | | | |
| Acquisition of property and equipment | (20,292) | (17,365) | (15,311) |
| Acquisition of franchise restaurant, net of cash acquired | - | (2,800) | - |
| Proceeds from sale of the Mitchell's Restaurants | 10,000 | - | - |
| Proceeds on disposal of property and equipment | - | 149 | 1,104 |
| Net cash used in investing activities | (10,292) | (20,016) | (14,207) |
| Cash flows from financing activities: | | | |
| Principal repayments on long-term debt | (48,000) | (32,000) | (32,500) |
| Principal borrowings on long-term debt | 35,000 | 26,000 | 6,500 |
| Repurchase of common stock | (23,752) | (15,409) | - |
| Cash dividend payments | (8,349) | (7,138) | (4,278) |
| Excess tax benefits from stock compensation | 743 | 1,868 | 1,132 |
| Tax payments from the vesting of restricted stock and option exercises | (1,393) | (3,121) | (1,974) |
| Proceeds from exercise of stock options | 250 | 183 | 208 |
| Net cash used in financing activities | (45,501) | (29,617) | (30,912) |
| Net increase (decrease) in cash and cash equivalents | (1,206) | (6,285) | 2,677 |
| Cash and cash equivalents at beginning of period | 4,301 | 10,586 | 7,909 |
| Cash and cash equivalents at end of period | $ 3,095 | $ 4,301 | $ 10,586 |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during the period for: | | | |
| Interest, net of capitalized interest | $ 428 | $ 709 | $ 1,272 |
| Income taxes | $ 410 | $ 2,135 | $ 2,383 |
| Noncash investing and financing activities: | | | |
| Excess accrual-based acquisition of property and equipment | $ 1,608 | $ 1,243 | $ 1,213 |

See accompanying notes to consolidated financial statements.

**(1) The Company, Organization and Description of Business**

Ruth's Hospitality Group, Inc. and its subsidiaries (the Company) operate Ruth's Chris Steak House restaurants and sell franchise rights to Ruth's Chris Steak House franchisees giving the franchisees the exclusive right to operate similar restaurants in a particular area designated in the franchise agreement.

At December 27, 2015, there were 148 Ruth's Chris Steak House restaurants, of which 67 were Company-owned, 80 were franchisee-owned, and one location was operating under a management agreement. All Company-owned restaurants are located in the United States. The franchisee-owned restaurants include 20 international restaurants in Aruba, Canada, China (Hong Kong and Shanghai), El Salvador, Japan, Mexico, Panama, Singapore, Taiwan and the United Arab Emirates. A Ruth's Chris Steak House located at Harrah's Casino in Cherokee, NC operates under a management agreement between the Company and the Eastern Band of Cherokee Indians. Five new Ruth's Chris Steak House locations opened during fiscal year 2015, including two Company-owned restaurants and three franchisee-owned restaurants. The Company opened two new Company-owned Ruth's Chris Steak House restaurants in 2015 – one in St. Petersburg, FL in February and one in Dallas, TX in November. Subsequent to the Company's fiscal year 2015, the franchisee-owned Ruth's Chris Steak House restaurant in San Salvador, El Salvador and the Company-owned Ruth's Chris Steak House restaurant in Columbus, OH were closed.

As of December 28, 2014, the Company also operated eighteen Mitchell's Fish Markets and three Mitchell's/Cameron's Steakhouse restaurants (collectively, the Mitchell's Restaurants), located primarily in the Midwest and Florida. On January 21, 2015, the Company sold the Mitchell's Restaurants to a third party. For financial reporting purposes, the Mitchell's Restaurants are classified as a discontinued operation for all periods presented and, as of December 28, 2014, the assets and liabilities are classified as held for sale. See Notes 3, 4 and 5 for additional information regarding the Mitchell's Restaurants and the sale.

The following table summarizes the changes in the number of Company-owned Ruth's Chris Steak House restaurants and franchisee-owned restaurants during the thirteen and fifty-two weeks ended December 27, 2015.

| | 13 Weeks Ending December 27, 2015 | | | | 52 Weeks Ending December 27, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| Ruth's Chris Steak House | Company | Franchised | Managed | Total | Company | Franchised | Managed | Total |
| Beginning of period | 66 | 79 | 1 | 146 | 65 | 77 | 1 | 143 |
| Acquired | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sold | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New | 1 | 1 | 0 | 2 | 2 | 3 | 0 | 5 |
| Closed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| End of period | 67 | 80 | 1 | 148 | 67 | 80 | 1 | 148 |
| % of total | 45% | 54% | 1% | 100% | 45% | 54% | 1% | 100% |

**(2) Summary of Significant Accounting Policies**

***(a) Basis of Presentation***

The Company utilizes a 52- or 53-week reporting period ending on the last Sunday of December. The periods ended December 27, 2015 (fiscal year 2015) December 28, 2014 (fiscal year 2014) and December 29, 2013 each had a 52-week reporting period. The consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles and include the financial statements of Ruth's Hospitality Group, Inc. and its wholly owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain prior year amounts have been reclassified to conform to the current year presentation. Most significantly, the results of the Mitchell's Restaurants have been reclassified as a discontinued operation.

***(b) Change in Accounting for Gift Card Breakage***

The portion of gift cards sold to customers which are never redeemed is commonly referred to as gift card breakage. Prior to the fourth quarter of fiscal year 2013, the Company recognized breakage revenue using the delayed method of accounting. At the end of the fourth quarter of fiscal year 2013, the Company elected to change its policy for recognizing gift card breakage revenue by changing from the delayed method to the preferable redemption method of accounting. Under the redemption method, breakage revenue is recognized and the gift card liability is derecognized for unredeemed gift cards in proportion to actual gift card redemptions. The impact of the cumulative catch-up adjustment recorded in the fourth quarter of fiscal year 2013 was to reduce gift card breakage revenue by $2.2 million. Inclusive of this adjustment, the Company recognized $804 thousand of gift card breakage revenue in fiscal year 2013. Gift card breakage revenue recognized in fiscal years 2014 and 2015 was $2.6 million and $2.4 million, respectively. Consistent with the cumulative catch-up method of accounting for a change in accounting estimate effected by a change in accounting principle, previously issued financial statements were not revised.

***(c) Recent Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers," (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles when it becomes effective. The new standard was originally effective for interim and annual periods in fiscal years beginning after December 15, 2016. In July 2015, the FASB affirmed its proposal for a one year deferral of the effective date. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

The FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," in April 2015, which requires entities to present debt issuance costs related to a recognized debt liability on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts. Entities will no longer record the cost of issuing debt as a separate asset, except when the cost is incurred before receipt of the funding from the associated debt liability. The new standard is effective for interim and annual periods beginning after December 15, 2015. On August 18, 2015 the FASB issued ASU No. 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements – Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting," (ASU 2015-15), which addresses the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. ASU 2015-15 states that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are outstanding borrowings under that line-of-credit arrangement. The Company's current financial statement presentation of debt issuance costs is consistent with the guidance in ASU 2015-15, so no material change in the Company's financial reporting is expected from the recent debt issuance cost standards.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40)." The pronouncement was issued to provide guidance concerning accounting for fees in a cloud computing arrangement. The pronouncement is effective for reporting periods beginning after December 15, 2015. The adoption of ASU 2015-05 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330)." The pronouncement was issued to simplify the measurement of inventory and changes the measurement from lower of cost or market to lower of cost and net realizable value. This pronouncement is effective for reporting periods beginning after December 15, 2016. The adoption of ASU 2015-11 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes" which requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. Prior to the issuance of the standard, deferred tax liabilities and assets were required to be separately classified into a current amount and a noncurrent amount in the balance sheet. The new accounting guidance represents a change in accounting principle and the standard is required to be adopted in annual periods beginning after December 15, 2016. Early adoption is permitted and the Company elected to early adopt this guidance as of December 27, 2015 and to apply the guidance retrospectively to all periods presented. Accordingly, the Company reclassified the prior period amount of $3.8 million related to its deferred tax asset from current to noncurrent, resulting in an offset to the noncurrent deferred income tax liability for the same amount for that period, according to the requirement to offset and present as a single amount. Because the application of this guidance affects classification only, such reclassifications did not have a material effect on the Company's consolidated financial position or results of operations.

***(d) Contingencies***

The Company recognizes liabilities for contingencies when there is an exposure that indicates it is both probable that an asset has been impaired or that a liability has been incurred and that the amount of impairment or loss can be reasonably estimated.

***(e) Cash Equivalents***

For purposes of the consolidated financial statements, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company has included outstanding checks totaling $4.5 million and $7.6 million at December 27, 2015 and December 28, 2014, respectively, in "Accounts payable" and "Accrued payroll" in the consolidated balance sheets. Changes in such amounts are reflected in cash flows from operating activities in the consolidated statements of cash flows.

***(f) Accounts Receivable***

Accounts receivable consists primarily of bank credit cards receivable, landlord contributions, franchise royalty payments receivable, banquet billings receivable and other miscellaneous receivables.

***(g) Allowance for Doubtful Accounts***

The Company performs a specific review of account balances and applies historical collection experience to the various aging categories of receivable balances in establishing an allowance.

***(h) Inventories***

Inventories consist of food, beverages and supplies and are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

***(i) Property and Equipment, net***

Property and equipment are stated at cost. Expenditures for improvements and major renewals are capitalized and minor replacement, maintenance and repairs are charged to expense. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on the straight-line basis over the shorter of the lease term or the estimated useful lives of the assets. The estimated useful lives for assets are as follows: Building and Building Improvements, 20 to 40 years; Equipment, 5 years; Furniture and Fixtures, 5 to 7 years; Computer Equipment, 3 to 5 years; and Leasehold Improvements, 5 to 20 years (limited by the lease term).

***(j) Goodwill, Franchise Rights and Trademarks***

Goodwill and trademarks acquired in a business combination that are determined to have an indefinite useful life are not amortized, but tested for impairment at least annually in accordance with the provisions of FASB ASC Topic 350, "Intangibles-Goodwill and Other." Goodwill and trademarks are tested annually for impairment on a reporting unit basis and more frequently if events and circumstances indicate that the asset might be impaired. For purposes of testing goodwill impairment, a reporting unit is defined as a group of restaurants with similar economic characteristics. For purposes of testing trademark impairment, a reporting unit is defined as a group of acquired restaurants sharing a common trade name. An impairment loss is recognized to the extent that the financial statement carrying amount exceeds the asset's fair value.

Franchise rights acquired prior to 2008 in a purchase business combination that are determined to have an indefinite useful life are not amortized, but are tested for impairment at least annually on a reporting unit basis, which is defined as a group of reacquired restaurants, and more frequently if events and circumstances indicate that the asset might be impaired. The Company allows and expects franchisees to renew agreements indefinitely ensuring consistent cash flows. As a result, franchise rights acquired prior to 2008 are determined to have indefinite useful lives. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. Franchise rights acquired after 2007 are no longer considered to have indefinite useful lives and are amortized in accordance with FASB ASC Topic 350.

***(k) Impairment or Disposal of Long-Lived Assets***

In accordance with FASB ASC Topic 360-10, "Property, Plant and Equipment—Impairment or Disposal of Long-Lived Assets," (Topic 360-10), long lived assets, such as property and equipment and purchased intangibles subject to amortization, are reviewed for impairment on a restaurant-by-restaurant basis whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the financial statement carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Key assumptions in the determination of fair value are the future after-tax cash flows of the restaurant and discount rate. The after-tax cash flows incorporate reasonable sales growth and margin improvement assumptions that would be expected by a franchisee in the determination of a purchase price for the restaurant. Estimates of future cash flows are highly subjective judgments and can be significantly impacted by changes in the business or economic conditions. The discount rate used in the fair value calculations is our estimate of the required rate of return that a market participant would expect to receive when purchasing a similar restaurant or groups of restaurants and the related long-lived assets. The discount rate incorporates rates of returns for historical refranchising market transactions and is commensurate with the risks and uncertainty inherent in the forecasted cash flows.

The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the consolidated balance sheets. Assets are classified as held for sale when certain criteria are met, including the requirement that it is probable that the assets will be disposed of within one year. Assets classified as held for sale are separately presented in the balance sheet and reported at the lower of the carrying amount or the fair value less costs to sell, and are no longer depreciated. We account for exit or disposal activities, including restaurant closures, in accordance with Topic 360-10. Such costs include the cost of disposing of the assets as well as other facility-related expenses from previously closed restaurants. These costs are generally expensed as incurred. Additionally, at the date we cease using a property under an operating lease, we record a liability under FASB ASC Topic 420, "Exit and Disposal Cost Obligations" for the net present value of any remaining lease obligations, net of estimated sublease income. Any subsequent adjustments to that liability as a result of lease termination or changes in estimates of sublease income are recorded in the period incurred. Upon disposal of the assets associated with a closed restaurant, any gain or loss is recorded in the same line within our consolidated statements of income as the original impairment.

***(l) Deferred Financing Costs***

Deferred financing costs represent fees paid in connection with obtaining bank and other long-term financing. The Company paid no financing costs during fiscal years 2015, 2014 and 2013. The Company amortizes deferred financing costs using a method that approximates the effective interest method over the term of the related financing. Amortization of deferred financing costs was $421 thousand in each of the fiscal years 2015, 2014 and 2013 and is included in interest expense on the consolidated statements of income.

***(m) Revenues***

Revenues are derived principally from food and beverage sales. The Company does not rely on any major customers as a source of revenue.

Revenue from restaurant sales is recognized when food and beverage products are sold. Restaurant sales are presented net of sales taxes and discounts. Gratuities remitted by customers for the benefit of restaurant staff are not included in either revenues or operating expenses. Deferred revenue primarily represents the Company's liability for gift cards that have been sold but not yet redeemed. When the gift cards are redeemed, the Company recognizes restaurant sales and reduces the deferred revenue liability. Company issued gift cards redeemed at franchisee-owned restaurants reduce the deferred revenue liability but do not result in Company restaurant sales. Gift card transactions involving franchisees are settled on a monthly basis through the Company's third party gift card provider. The expected redemption value of gift cards represents the full value of all gift cards issued less the amount the Company has recognized as other operating income for gift cards that are not expected to be redeemed. Gift card breakage revenue is classified as a component of other operating income.

***(n) International Revenues***

The Company currently has 20 international franchisee-owned restaurants in Aruba, Canada, China, El Salvador, Japan, Mexico, Panama, Puerto Rico, Singapore, Taiwan and the United Arab Emirates. In accordance with its franchise agreements relating to these international restaurants, the Company receives royalty revenue from these franchisees in U.S. dollars. Franchise fee revenues from international restaurants were $3.0 million, $3.2 million and $3.0 million in fiscal years 2015, 2014 and 2013, respectively.

***(o) Rent***

Certain of the Company's operating leases contain predetermined fixed escalations of the minimum rent during the term of the lease. For these leases, the Company recognizes the related rent expense on a straight-line basis over the life of the lease and records the difference between amounts charged to operations and amounts paid as deferred rent.

Additionally, certain of the Company's operating leases contain clauses that provide additional contingent rent based on a percentage of sales greater than certain specified target amounts. The Company recognizes contingent rent expense prior to the achievement of the specified target that triggers the contingent rent, provided achievement of that target is considered probable.

***(p) Marketing and Advertising***

Marketing and advertising expenses in the accompanying consolidated statements of income include advertising expenses of $6.5 million, $6.1 million and $6.1 million in fiscal years 2015, 2014 and 2013, respectively. Advertising costs are expensed as incurred.

***(q) Insurance Liability***

The Company maintains various policies for workers' compensation, employee health, general liability and property damage. Pursuant to those policies, the Company is responsible for losses up to certain limits. The Company records liabilities for the estimated exposure for aggregate losses below those limits. The recorded liabilities are based on estimates of the ultimate costs to be incurred to settle known claims and claims incurred but not reported as of the balance sheet date. The estimated liabilities are not discounted and are based on a number of assumptions and factors, including historical trends, actuarial assumptions and economic conditions. Independent actuaries are used to develop estimates of the workers' compensation, general and employee health care liabilities.

***(r) Stock-Based Compensation***

The Company recognizes stock-based compensation in accordance with FASB ASC Topic 718, "Compensation—Stock Compensation, (Topic 718). Stock-based compensation cost includes compensation cost for all share-based payments granted based on the grant date fair value estimated in accordance with the provisions of Topic 718. Compensation cost is recognized on a straight-line basis, net of estimated forfeitures, over the requisite service period of each award.

***(s) Pre-Opening Costs***

Pre-opening costs incurred with the opening of new restaurants are expensed as incurred. These costs include rent expense, wages, benefits, travel and lodging for the training and opening management teams, and food, beverage and other restaurant operating expenses incurred prior to a restaurant opening for business.

***(t) Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company applies the provisions of FASB ASC Topic 740, "Income Taxes" (Topic 740). Topic 740 requires that a position taken or expected to be taken in a tax return be recognized (or derecognized) in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company's continuing practice is to recognize interest and penalties related to uncertain tax positions in income tax expense.

***(u) Earnings Per Share***

Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share is calculated by dividing net income by the diluted weighted average shares of common stock outstanding during each period. Potentially dilutive securities include shares of non-vested stock awards. Diluted earnings per share considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an antidilutive effect. Stock awards are excluded from the calculation of diluted earnings per share in the event they are antidilutive.

***(v) Restaurant Acquisition***

In February 2014, the Company acquired the Austin, TX Ruth's Chris Steak House restaurant and franchise rights from the franchisee owner for $2.8 million in cash. The acquisition price was allocated as follows: goodwill $2.2 million; property and equipment $259 thousand; and other assets $368 thousand. Allocation of the purchase price for the acquisition was based on estimates of the fair value of the net assets acquired. The revenues and expenses of the acquired restaurant are included in the consolidated statements of income from the date of the acquisition.

**(3) Mitchell's Restaurants**

As of December 28, 2014, the Company operated eighteen Mitchell's Fish Markets and three Mitchell's/Cameron's Steakhouse restaurants (collectively, the Mitchell's Restaurants).

During the third quarter of fiscal year 2014, the Company reassessed its asset grouping specific to the Mitchell's Restaurants under Topic 360 and concluded that it was appropriate to change the asset group from the individual restaurant unit to the set of Mitchell's Restaurants. As a result of the reassessment, the Company determined that a triggering event had occurred requiring an impairment evaluation of its trademarks and long-lived assets. Consequently, during the third quarter of fiscal year 2014, the Company recorded an impairment loss aggregating to $15.3 million. Specifically, the Company recorded a $7.3 million impairment loss related to trademark intangible assets and an $8.0 million impairment loss related to long-lived assets (primarily leasehold improvements). The impairment of both the trademark intangible assets and the long-lived assets was measured based on the amount by which the carrying amount of assets exceeded fair value. Fair value was estimated based on both the market and income approaches utilizing market participant assumptions reflecting all available information as of the September 28, 2014 balance sheet date. These impairment losses have been reclassified to discontinued operations.

In November 2014, the Company and Landry's, Inc. and Mitchell's Entertainment, Inc., an affiliate of Landry's Inc. (together with Landry's Inc., Landry's), entered into an asset purchase agreement (the Agreement). Pursuant to the Agreement, the Company agreed to sell the Mitchell's Restaurants and related assets to Landry's for $10 million. The sale of the Mitchell's Restaurants closed on January 21, 2015. The assets sold consisted primarily of leasehold interests, leasehold improvements, restaurant equipment and furnishings, inventory, and related intangible assets, including brand names and trademarks associated with the 21 Mitchell's Restaurants. The assets and related liabilities of the Mitchell's Restaurants were classified as held for sale in the consolidated balance sheet as of December 28, 2014. A $1.8 million loss on assets held for sale was recorded in the fourth quarter of fiscal year 2014. The results of operations, impairment charges and loss on assets held for sale have been classified as discontinued operations in the consolidated statements of income for all periods presented. No amounts for shared general and administrative costs or interest expense were allocated to discontinued operations. Substantially all direct cash flows related to operating these restaurants were eliminated at the closing date of the sale. The Company's continuing involvement was limited to transition services up to four months with minimal impact on cash flows.

Under the terms of the Agreement, Landry's assumed the Mitchell's Restaurants' facility lease obligations and the Company will reimburse Landry's for gift cards that are sold prior to the closing date and used at the Mitchell's Restaurants during the eighteen months following the closing date. In the Agreement, the Company and Landry's have made customary representations and warranties and have agreed to customary covenants relating to the sale of the Mitchell's Restaurants. Specifically, (i) before the closing date, the Company was subject to certain business conduct restrictions with respect to its operation of the Mitchell's Restaurants, and (ii) for eighteen months following the closing date, neither the Company nor Landry's will knowingly solicit or employ, or seek to solicit or employ, certain key employees of the other party, subject to certain limited exceptions. Landry's offered employment to substantially all of the employees of the Mitchell's Restaurants. The Company and Landry's have agreed to indemnify each other for losses arising from certain breaches of the Agreement and for certain other liabilities.

The following summarizes the financial statement carrying amounts of assets and liabilities associated with the Mitchell's Restaurants which are classified as held for sale as of December 28, 2014 (in thousands):

| | | |
|---|---|---|
| Inventory | $ | 952 |
| Property and equipment, net | | 8,775 |
| Trademarks | | 2,847 |
| Other intangibles | | 2,545 |
| Total assets held for sale | $ | 15,119 |
| | | |
| Deferred rent liability | $ | 4,869 |
| Total liabilities associated with assets held for sale | $ | 4,869 |

**(4) Discontinued Operations**

The Company accounts for its closed restaurants in accordance with the provisions of FASB ASC Topic 360, "Property, Plant and Equipment." As of December 29, 2014, the Company adopted ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," which changed the criteria for reporting discontinued operations and requires additional disclosures about discontinued operations. ASU 2014-08 requires that an entity report as a discontinued operation only a disposal that represents a strategic shift in operations that has a major effect on its operations and financial results. Therefore, individual restaurants which are closed after December 28, 2014 will not be classified as discontinued operations. Prior to the Company's adoption of ASU 2014-08, when a restaurant was closed or the restaurant was either held for sale or abandoned, the restaurant's operations were eliminated from the ongoing operations. Accordingly, the operations of such restaurants, net of applicable income taxes, are presented as discontinued operations and prior period operations of such restaurants, net of applicable income taxes, were reclassified. For fiscal years 2015, 2014 and 2013, all impairment charges, loss on disposal and remeasurement of lease liabilities along with restaurant sales, direct recurring costs and expenses and income taxes attributable to restaurants classified as discontinued operations have been aggregated to a single caption entitled loss from discontinued operations, net of tax benefit in the consolidated statements of income for all periods presented. Loss from discontinued operations, net of tax benefit is comprised of the following (in thousands):

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Revenues | | | |
| Mitchell's Restaurants | $ 4,343 | $ 73,974 | $ 75,925 |
| Other Restaurants | (3) | 3,386 | 9,176 |
| Total revenues | 4,340 | 77,360 | 85,101 |
| Costs and expenses | | | |
| Recurring costs and expenses | | | |
| Mitchell's Restaurants | 5,196 | 73,852 | 75,396 |
| Other Restaurants | 175 | 4,115 | 9,594 |
| Impairment losses | | | |
| Mitchell's Restaurants | - | 15,295 | 2,512 |
| Other Restaurants | - | - | 750 |
| Loss on pending sale of Mitchell's Restaurants | - | 1,825 | - |
| Gain on settlement - Mitchell's Restaurants | - | - | (437) |
| Remeasurement of lease exit liability | - | - | 1,716 |
| Total costs and expenses | 5,371 | 95,087 | 89,531 |
| Loss before income taxes | (1,031) | (17,727) | (4,430) |
| Income tax benefit | (869) | (7,472) | (2,426) |
| Loss from discontinued operations, net of income taxes | $ (162) | $ (10,255) | $ (2,004) |

In addition to the Mitchell's Restaurants, discontinued operations for fiscal years 2015, 2014 and 2013 also includes the results of the other closed restaurants. Due to an expiring lease term, the Company closed the Company-owned Ruth's Chris Steak House in Kansas City, MO in March 2014 after seventeen years of operation. Due to an expiring lease term, the Company closed the Company-owned Ruth's Chris Steak House restaurant in Phoenix, AZ in March 2013 after 27 years of operation. As the closing of these restaurants coincided with the termination of the lease agreements, the Company did not incur significant expenses related to closing these locations. Due to local market conditions and disappointing financial results, the Company negotiated early terminations of the facility leases for the Stamford, CT Mitchell's Fish Market restaurant, which closed in March 2014, and the Providence, RI Ruth's Chris Steak House restaurant, which closed in September 2014. The Company recognized an impairment loss of $750 thousand in fiscal year 2013 related to the Stamford, CT Mitchell's Fish Market restaurant.

**(5) Fair Value Measurements**

Fair value is defined under FASB ASC Topic 820, "Fair Value Measurements and Disclosures" (Topic 820), as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Topic 820 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs are:

- Level 1—quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2—quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3—unobservable and significant to the fair value measurement of the asset or liability.

The following were used to estimate the fair value of each class of financial instruments:

- The carrying amount of cash and cash equivalents, receivables, prepaid expenses, accounts payable and accrued expenses and other current liabilities are a reasonable estimate of their fair values due to their short duration.

- Borrowings under the senior credit facility as of December 27, 2015 and December 28, 2014 have variable interest rates that reflect currently available terms and conditions for similar debt. The carrying amount of this debt is a reasonable estimate of its fair value (Level 2).

The Company's non-financial assets measured at fair value on a non-recurring basis as of the end of fiscal year 2014 were as follows (in thousands):

| | Fair Value as of December 28, 2014 | Significant Unobservable Inputs (Level 3) | Total Losses on Impairment | Valuation Method |
|---|---|---|---|---|
| Long-lived assets held for sale | $ 11,320 | $ 11,320 | $ 9,809 | Market approach |

| | Fair Value as of December 28, 2014 | Significant Unobservable Inputs (Level 3) | Total Losses on Impairment | Valuation Method |
|---|---|---|---|---|
| Trademarks held for sale | $ 2,847 | $ 2,847 | $ 7,311 | Income approach |

Losses on these assets are recorded as loss on impairment in the accompanying consolidated statements of income. When the operating results of closed or sold restaurants are reclassified to discontinued operations, the impairment losses related to the assets of those closed or sold restaurants are also reclassified to discontinued operations. See Notes 6 and 7 for a description of the valuation techniques used to measure fair value of intangibles and long-lived assets, as well as information used to develop the inputs to the fair value measurements. Total losses on impairment include losses recognized from all non-recurring fair value measurements during each of the fiscal years.

**(6) Goodwill, Franchise Rights and Trademarks**

During the fourth quarter of each year, the Company completes an analysis to determine if goodwill and certain intangible assets are impaired as of the balance sheet date. The Company bases its fair value estimates on assumptions it believes to be reasonable, but which are inherently uncertain. During the fourth quarter of fiscal year 2015, the Company changed its testing date for determining whether goodwill and other intangible assets are impaired from the last day of the fiscal year to the last day of the Company's 48th fiscal week, which in fiscal year 2015 was November 29, 2015. The change was made to align our testing date with the timing of our budgeting and year-end reporting processes. We have determined that the change in our testing date, which represents a change in method of applying an accounting principal, is preferable under the circumstances. The change in testing date did not avoid, delay, cause or accelerate an impairment of goodwill or other intangible assets.

***Franchise Rights***

In accordance with FASB ASC Topic 350, owned franchise rights that have been determined to have indefinite lives must be reviewed for potential impairment annually and when triggering events are detected. No impairment charges related to franchise rights were recognized in fiscal years 2015, 2014 or 2013.

To determine the fair value of acquired franchise rights, the Company used a multi-period excess earnings approach. This approach involves projecting after-royalty future earnings, discounting those earnings using an appropriate market discount rate and subtracting a contributory charge for net working capital, property and equipment, assembled workforce and customer relationships to arrive at excess earnings attributable to these franchise rights. The Company calculated the present value of cash flows generated from future excess earnings and determined that the fair values exceeded the financial statement carrying value as of December 27, 2015.

***Trademarks***

In accordance with FASB ASC Topic 350, owned trademarks that have been determined to have indefinite lives must be reviewed for potential impairment annually and when triggering events are detected. To determine the fair value of the Mitchell's trademarks, including Mitchell's Fish Market, Columbus Fish Market, Mitchell's Steakhouse and Cameron's Steakhouse, the Company used a relief-from-royalty valuation approach. This approach assumes that in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of these types of assets. This approach is dependent on a number of factors, including estimates of future revenue growth and trends, royalty rates in the category of intellectual property, discount rates and other variables. After the sale of the Mitchell's Restaurants in January 2015, the Company no longer had a recorded asset for trademarks. As of December 28, 2014, the Mitchell's trademarks were recorded as assets held for sale (lower of carrying amount or fair value, less costs to sell).

As discussed in Note (3), during the third quarter of fiscal year 2014, a $7.3 million impairment loss related to the trademarks of the Mitchell's Restaurants was recorded. During the fourth quarter of fiscal year 2013, a $400 thousand loss on impairment of an ancillary trademark not expected to be used was recorded. No impairment charge related to trademarks was recognized in fiscal year 2015.

***Goodwill***

No impairment charges related to goodwill were recognized in fiscal years 2015, 2014 or 2013. Goodwill increased $2.2 million during fiscal year 2014 due to the acquisition of the Austin, TX Ruth's Chris Steak House restaurant.

In performing the fiscal year 2015 evaluation of goodwill impairment under FASB ASC Topic 350-20, the Company compared the carrying value of the reporting unit, which is considered to be the steakhouse operating segment, to its fair value. Consistent with the valuation of restaurant operations, the Company utilized a multiple of EBITDA to approximate the fair value of the reporting unit for purposes of completing Step 1 of the evaluation. The Company considered EBITDA multiples of publicly held companies, including its own, as well as recent industry acquisitions. For reporting units whose estimated fair value exceeded its carrying value, no impairment is recorded. As of November 29, 2015, the estimated fair values of all reporting units substantially exceeded their respective carrying values.

If a reporting unit's fair value did not exceed its carrying value as the balance sheet date, the Company would have completed Step 2 of the evaluation by comparing the implied fair value of goodwill with the net asset value of the reporting unit. The Company would have calculated the implied fair value by allocating the fair value of a reporting unit to all of its assets and liabilities as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the unit.

The financial statement carrying values of the Company's franchise rights, trademarks and goodwill were as follows (amounts in thousands):

| | Franchise Rights | Gross Goodwill | Accumulated Goodwill Impairment Losses | Net Carrying Value of Goodwill |
|---|---|---|---|---|
| Balance as of December 28, 2014 | $ 32,237 | $ 57,665 | $ (33,372) | $ 24,293 |
| Balance as of December 27, 2015 | $ 32,200 | $ 34,851 | $ (10,558) | $ 24,293 |

Any losses are included in "loss on impairment" in the accompanying consolidated statements of income. When the operating results of closed or sold restaurants are reclassified to discontinued operations, the impairment losses related to the assets of those closed or sold restaurants are also reclassified to discontinued operations.

**(7) Property and Equipment, net**

Property and equipment consists of the following (amounts in thousands):

| | December 27, 2015 | December 28, 2014 |
|---|---|---|
| Land | $ 917 | $ 917 |
| Building and building improvements | 24,451 | 24,175 |
| Equipment | 33,931 | 31,458 |
| Computer equipment | 10,069 | 9,735 |
| Furniture and fixtures | 17,943 | 16,583 |
| Automobiles | 27 | 27 |
| Leasehold improvements | 117,364 | 108,061 |
| Construction-in-progress | 8,644 | 4,106 |
| | 213,346 | 195,062 |
| Less accumulated depreciation | (125,362) | (114,708) |
| | $ 87,984 | $ 80,354 |

As discussed in Note (3), during the third quarter of fiscal year 2014, the Company recognized an $8.0 million impairment loss on long-lived assets (primarily leasehold improvements) related to Mitchell's Restaurants. In addition, during the fourth quarter of fiscal year 2014, the Company recognized a $1.8 million loss on the pending sale related to Mitchell's Restaurants. Impairment losses are reclassified to discontinued operations when the restaurant is closed, sold or held for sale.

**(8) Long-term Debt**

Long-term debt consists of the following (amounts in thousands):

| | December 27, 2015 | December 28, 2014 |
|---|---|---|
| **Senior Credit Facility:** | | |
| Revolving credit facility | $ - | $ 13,000 |
| Less current maturities | - | - |
| | $ - | $ 13,000 |

As of December 27, 2015, the Company had no outstanding indebtedness under its senior credit with approximately $95.8 million of borrowings available, net of outstanding letters of credit of approximately $4.2 million. As of December 27, 2015, the weighted average interest rate on the Company's outanding letters of credit was 2.13%. In addition, the fee on the Company's unused senior credit facility was 0.2%.

On February 14, 2012, the Company entered into a Second Amended and Restated Credit Agreement with Wells Fargo Bank, as administrative agent, and certain other lenders (the Amended and Restated Credit Agreement). The Amended and Restated Credit Agreement allows for loan advances plus outstanding letters of credit of up to $100.0 million to be outstanding at any time that the conditions for borrowings are met. The Amended and Restated Credit Agreement has a maturity date of February 14, 2017. The Amended and Restated Credit Agreement sets the interest rates applicable to borrowings based on the Company's actual leverage ratio, ranging (a) from 2.00% to 2.75% above the applicable LIBOR rate or (b) at the Company's option, from 1.00% to 1.75% above the applicable base rate.

The Amended and Restated Credit Agreement contains customary covenants and restrictions, including, but not limited to: (1) prohibitions on incurring additional indebtedness and from guaranteeing obligations of others; (2) prohibitions on creating, incurring, assuming or permitting to exist any lien on or with respect to any property or asset; (3) limitations on the Company's ability to enter into joint ventures, acquisitions and other investments; (4) prohibitions on directly or indirectly creating or becoming liable with respect to certain contingent liabilities; and (5) restrictions on directly or indirectly declaring, ordering, paying, or making any restricted junior payments. The Amended and Restated Credit Agreement requires the Company to maintain a fixed charge coverage ratio of 1.25:1.00 and the maximum leverage ratio of 2.50:1.00. The agreement was amended in May 2013 to reset the limit applicable to junior stock payments, which include both cash dividend payments and repurchase of common and preferred stock. Junior stock payments made subsequent to December 30, 2012 through the end of the agreement are limited to $100 million; $58.9 million of such payments had been made as of December 27, 2015. The Company's obligations under the Amended and Restated Credit Agreement are guaranteed by each of its existing and future subsidiaries and are secured by substantially all of its assets and a pledge of the capital stock of its subsidiaries. The Amended and Restated Credit Agreement includes customary events of default. As of December 27, 2015, the Company was in compliance with the covenants under the Amended and Restated Credit Agreement.

**(9) Leases**

At December 27, 2015, all of the Company-owned Ruth's Chris Steak House restaurants operated in leased premises, with the exception of the restaurants in Columbus, OH and Ft. Lauderdale, FL, which were owned properties, and the restaurants in Anaheim, CA, Lake Mary, FL, Princeton, NJ and South Barrington, IL, which operate on leased land. The leases generally provide for minimum annual rental payments and are subject to escalations based, in some cases, upon increases in the Consumer Price Index, real estate taxes and other costs. In addition, certain leases contain contingent rental provisions based upon the sales at the underlying restaurants. Certain leases also provide for rent deferral during the initial term of such lease and/or scheduled minimum rent increases during the terms of the leases. For financial reporting purposes, rent expense is recorded on a straight-line basis over the life of the lease. Accordingly, included in liabilities in the accompanying consolidated balance sheets at December 27, 2015 and December 28, 2014 are accruals related to such rent deferrals and the pro rata portion of scheduled rent increases of approximately $20.3 million and $20.0 million, respectively, net of the current portion included in other current liabilities $1.9 million and $2.0 million, respectively.

The Company also leases certain restaurant-related equipment under non-cancellable operating lease agreements with third parties, which are included with leased premises in future minimum annual rental commitments.

Future minimum annual rental commitments under operating leases as of December 27, 2015 are as follows (in thousands):

| | | Company Total |
|---|---|---|
| 2016 | $ | 21,120 |
| 2017 | | 20,072 |
| 2018 | | 18,514 |
| 2019 | | 17,265 |
| 2020 | | 15,865 |
| Thereafter | | 117,325 |
| | $ | 210,160 |

The recognized financial accounting lease liabilities pertaining to the Mitchell's Restaurants are included in the liabilities associated with assets held for sale caption as of December 28, 2014. Pursuant to the terms of the Agreement, upon closing of the sale of the Mitchell's Restaurants, Landry's assumed the lease obligations of the Mitchell's Restaurants. However, the Company has guaranteed Landry's lease obligations aggregating $37.8 million under nine of the leases. The Company did not record a financial accounting liability for the lease guarantees, because the likelihood of Landry's defaulting on the lease agreements was deemed to be remote. Landry's also indemnified the Company in the event of a default under any of the leases. The Company did record a $250 thousand liability for its letter of credit obligation related to one of the leases. The above table does not include potential lease obligations for the Mitchell's Restaurants.

Rental expense consists of the following and is included in restaurant operating expenses in the accompanying consolidated statements of income (in thousands):

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | | **2015** | | **2014** | | **2013** |
| Minimum rentals | $ | 18,846 | $ | 17,647 | $ | 16,424 |
| Contingent rentals | | 2,877 | | 2,558 | | 2,456 |
| | $ | 21,723 | $ | 20,205 | $ | 18,880 |

**(10) Franchise Operations**

The Company franchises Ruth's Chris Steak House restaurants. The Company executes franchise agreements for each franchisee-owned restaurant, which sets out the terms of its arrangement with the franchisee. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. The Company collects ongoing royalties of 5% of sales at franchisee-owned restaurants plus a 1% advertising fee applied to national advertising expenditures. The Company is not required to perform any services for the ongoing royalties and thus these royalties are recognized when the royalties are due from the franchisee on a monthly basis. These ongoing royalties are reflected in the accompanying consolidated statements of income as franchise income. The 1% advertising fee is not recorded as revenue, but rather is recorded as a liability against which specified advertising and marketing costs are charged.

The Company executes an area development agreement with franchisees that gives each franchisee exclusive rights to develop a specific number of restaurants within a specified area. The Company receives a development fee at the time that an area development agreement is executed. The development fee is recognized as revenue as franchisee-owned restaurants are opened. The Company also executes separate, site-specific franchise agreements for each restaurant developed by a franchisee under an area development agreement. The Company charges a site-specific fee at the time the franchise agreement is executed. This fee is related to construction assistance and consulting regarding operating procedures and purchasing. These services are performed prior to the restaurant opening. The Company recognizes the site-specific franchise fee when the related restaurant opens.

The Company currently has 80 franchisee-owned Ruth's Chris Steak House restaurants, including 20 international restaurants. Three new franchisee-owned restaurants opened in fiscal year 2015 including the Ann Arbor, MI and Charleston, SC which both opened in May and one in San Antonio, TX in November. During fiscal year 2014 three new franchisee-owned restaurants were opened - one in Boise, ID in February, one in Panama City, Panama in September and one in Taipei, Taiwan in December. During fiscal year 2013, four new Ruth's Chris Steak House franchise locations opened, including a second franchisee-owned restaurant located in San Juan in April , a franchisee-owned restaurant located in Chattanooga, TN in July, a location in Las Vegas, NV operating under a license agreement with the Company and a franchisee-owned restaurant located in Shanghai in December. One of two franchisee-owned restaurants located in Dubai was closed in July 2013. The franchisee-owned Ruth's Chris Steak House restaurant in San Salvador, El Salvador closed subsequent to the Company's fiscal year 2015. In February 2014, the Company acquired a franchisee-owned restaurant located in Austin, TX. No franchisee-owned restaurants were sold or purchased during fiscal years 2015 or 2013. Franchise income includes opening and development fees and income generated from existing franchisee-owned restaurants. The Company classifies franchise income separately in the consolidated statements of income (in thousands):

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| | | **2015** | | **2014** | | **2013** |
| Franchise income: | | | | | | |
| Income from existing franchise locations | $ | 16,361 | $ | 15,598 | $ | 14,612 |
| Opening and development fee income | | 300 | | 165 | | 400 |
| Total franchise income: | $ | 16,661 | $ | 15,763 | $ | 15,012 |

**(11) Gain on Settlements, Commitments and Contingencies**

During the third quarter of fiscal year 2013, the Company settled two loss claims asserted by the Company which previously arose and recognized an aggregate gain of $2.2 million, net of fees incurred. Approximately $437 thousand of the gain related to Mitchell's Restaurants and has been reclassified to discontinued operations. The majority of the gain pertained to compensation for the Company's lost operating income awarded by the claims administrator pursuant to the settlement agreement reached in litigation related to the 2010 Deepwater Horizon oil spill in the Gulf of Mexico.

The Company is subject to various claims, possible legal actions and other matters arising in the normal course of business. Management does not expect disposition of these other matters to have a material adverse effect on the financial position, results of operations or liquidity of the Company. The Company expenses legal fees as incurred.

The legislation and regulations related to tax and unclaimed property matters are complex and subject to varying interpretations by both government authorities and taxpayers. The Company remits a variety of taxes and fees to various governmental authorities, including excise taxes, property taxes, sales and use taxes, and payroll taxes. The taxes and fees remitted by the Company are subject to review and audit by the applicable governmental authorities which could assert claims for additional assessments. Although management believes that the tax positions are reasonable and consequently there are no accrued liabilities for claims which may be asserted, various taxing authorities may challenge certain of the positions taken by the Company which may result in additional liability for taxes and interest. These tax positions are reviewed periodically based on the availability of new information, the lapsing of applicable statutes of limitations, the conclusion of tax audits, the identification of new tax contingencies, or the rendering of relevant court decisions. An unfavorable resolution of assessments by a governmental authority could negatively impact the Company's results of operations and cash flows in future periods.

The Company is subject to unclaimed or abandoned property (escheat) laws which require the Company to turn over to certain state governmental authorities the property of others held by the Company that has been unclaimed for specified periods of time. The Company is subject to audit by individual U.S. states with regard to its escheatment practices. During fiscal year 2012, the Company agreed to pay $2.5 million to settle certain potential liabilities pertaining to unclaimed property returns which had not been filed timely, which was paid during the first quarter of fiscal year 2013. Prior to fiscal year 2014 the Company had not filed unclaimed property returns. During fiscal year 2014, the Company filed unclaimed property returns, provided additional information to the applicable governmental entities and remitted amounts due for unclaimed property liabilities. The settlement of unclaimed property liabilities did not have a material adverse impact on the financial position, results of operations or liquidity of the Company.

The Company sells a considerable number of gift cards, which are issued and administered by a third party gift card issuer and service provider, consistent with common retail industry practice. The third party gift card issuer is paid a net fee for its services by the Company. The third party gift card issuer and service provider, as well as a number of other restaurant companies, retailers and gift card issuers, were named as defendants in a qui tam action filed under seal in June 2013 by William French on behalf of the State of Delaware in the Superior Court of Delaware in and for New Castle County. The complaint alleges that the Company and the other defendants intentionally failed to report and remit money with respect to unused gift cards to the State of Delaware under the Delaware Escheats Law, and knowingly made, used or caused to be made or used, false statements and records to conceal, avoid or decrease an obligation to pay or transmit such money to Delaware in violation of the Delaware False Claims and Reporting Act (DFCRA). The complaint further alleges that the amount of money that the Company should have escheated to Delaware is approximately $30 million. The complaint seeks monetary damages (including treble damages under the DFCRA), penalties, and attorneys' fees and costs. The case was unsealed in March 2014, at which time the court also granted the State of Delaware's motion to intervene. In early 2015, the Company and the other defendants jointly filed a motion to dismiss the case on various grounds. In November 2015, the motion was granted in part and denied in part. The Company filed its answer to the complaint in December 2015. All parties to the case are now in the process of seeking discovery. The deadline for completing fact discovery is March 2017. The Company believes it is in compliance with the Delaware Escheats Law and has not violated the DFCRA. The Company has been vigorously defending the action, and intends to continue to do so.

The Company currently buys a majority of its beef from two suppliers. Although there are a limited number of beef suppliers, management believes that other suppliers could provide similar product on comparable terms. A change in suppliers, however, could cause supply shortages and a possible loss of sales, which would affect operating results adversely.

**(12) Shareholders' Equity**

The holders of the Company's common stock are entitled to one vote per share on all matters to be voted on by the Company's shareholders.

In May 2013, the Company announced that the Board of Directors approved a share repurchase program. Under the program the Company was authorized from time to time purchase up to $30 million of its outstanding common stock. During fiscal year 2014, 866,410 shares were repurchased under this program at an aggregate cost of $10.3 million or an average cost of $11.87 per share. The share repurchases were made at the Company's discretion, within pricing parameters set by the Board of Directors, in the open market.

On November 17, 2014, the Company announced that its Board of Directors has approved a new share repurchase program under which the Company is authorized to repurchase up to $50 million of outstanding common stock from time to time in the open market, through negotiated transactions or otherwise, depending on share price, market conditions and other factors. The new share repurchase program replaces the Company's previous share repurchase program announced in May 2013, which has been terminated. The share repurchase program does not obligate the Company to repurchase any dollar amount or number of its shares. The program has no termination date. During the fiscal year 2015, 1,483,085 shares were repurchased at an aggregate cost of $23.8 million or an average cost of $16.01 per share. As of December 27, 2015, $21.1 million remained available for future purchases under the new program. Share repurchases under both programs were accounted for under the cost method and all repurchased shares were retired and cancelled. The excess of the purchase price over the par value of the shares was recorded as a reduction in additional paid-in capital.

The Company's Board of Directors declared the following dividends during the periods presented (amounts in thousands, except per share amounts):

| Declaration Date | Dividend per Share | Record Date | Total Amount | Payment Date |
|---|---|---|---|---|
| Fiscal Year 2013: | | | | |
| May 3, 2013 | $ 0.04 | May 16, 2013 | $ 1,430 | May 30, 2013 |
| July 24, 2013 | $ 0.04 | August 15, 2013 | $ 1,424 | August 29, 2013 |
| October 22, 2013 | $ 0.04 | November 14, 2013 | $ 1,424 | November 26, 2013 |
| | | | | |
| Fiscal Year 2014: | | | | |
| February 21, 2014 | $ 0.05 | March 13, 2014 | $ 1,798 | March 27, 2014 |
| April 22, 2014 | $ 0.05 | May 15, 2014 | $ 1,798 | May 29, 2014 |
| July 23, 2014 | $ 0.05 | August 14, 2014 | $ 1,778 | August 28, 2014 |
| October 29, 2014 | $ 0.05 | November 20, 2014 | $ 1,764 | December 4, 2014 |
| | | | | |
| Fiscal Year 2015: | | | | |
| February 13, 2015 | $ 0.06 | February 26, 2015 | $ 2,082 | March 12, 2015 |
| April 21, 2015 | $ 0.06 | May 14, 2015 | $ 2,090 | May 28, 2015 |
| July 22, 2015 | $ 0.06 | August 13, 2015 | $ 2,108 | August 27, 2015 |
| October 30, 2015 | $ 0.06 | November 19, 2015 | $ 2,069 | December 3, 2015 |

Subsequent to the end of fiscal year 2015, the Company's Board of Directors declared a $0.07 per share cash dividend ($2.4 million in total) payable on March 10, 2016. Dividends are paid to holders of common stock and restricted stock.

**(13) Employee Benefit Plan**

In 2000, the Company established a 401(k) and Profit Sharing Plan. The Company may make matching contributions in an amount determined by the Board of Directors. In addition, the Company may contribute each period, at its discretion, an additional amount from profits. The Company matches the employees' contributions at year end. Employees vest in the Company's contributions based upon their years of service. The Company's expenses relating to matching contributions were approximately $305 thousand, $307 thousand and $305 thousand for fiscal years 2015, 2014 and 2013, respectively.

**(14) Incentive and Stock Option Plans**

As of December 27, 2015, the Company had the following share-based compensation plans.

***2005 Long-Term Equity Incentive Plan***

In connection with the initial public offering, the Company adopted the Ruth's Chris Steak House, Inc. 2005 Long-Term Equity Incentive Plan (the 2005 Equity Incentive Plan), which allows the Company's Board of Directors to grant stock options, restricted stock, restricted stock units, deferred stock units and other equity-based awards to directors, officers, key employees and other key individuals performing services for the Company. Initially, 2.4 million shares were authorized for issuance under the 2005 Equity Incentive Plan. The 2005 Equity Incentive Plan provides for granting of options to purchase shares of common stock at an exercise price not less than the fair value of the stock on the date of grant. Options are exercisable, and restricted stock vests, at various periods ranging from one to five years from date of grant. Effective May 22, 2008, the 2005 Equity Incentive Plan was amended, with stockholder approval, to increase the number of shares authorized for issuance under the plan by 1.5 million shares. The Amended and Restated 2005 Equity Incentive Plan was adopted on October 26, 2012, and the number of shares authorized for issuance under the Amended and Restated 2005 Long-Term Equity Incentive Plan was increased by 2.0 million shares at the 2013 annual meeting of stockholders. Under the Amended and Restated 2005 Equity Incentive Plan there are 1.4 million shares of common stock issuable upon exercise of currently outstanding options and restricted stock awards at December 27, 2015, and 2.1 million shares available for future grants.

During fiscal year 2013, the Company issued 247,225 shares of restricted stock to certain employees and executive officers from available shares under the Amended and Restated 2005 Equity Incentive Plan. The shares were issued with a grant date fair market value equal to the closing price of the stock on the date of the grants. Of the 247,225 shares of restricted stock issued during 2013, 155,441 shares vest on the second anniversary of the grant date and the remaining shares vest one-third on each of the three anniversary dates following the grant date.

During fiscal year 2014, the Company issued 275,794 shares of restricted stock to certain employees and executive officers from available shares under the Amended and Restated 2005 Equity Incentive Plan. The shares were issued with a grant date fair market value equal to the closing price of the stock on the date of the grants. Of the 275,794 shares of restricted stock issued during 2014, 125,932 shares vest on the second anniversary of the grant date and the remaining shares vest one-third on each of the three anniversary dates following the grant date.

During fiscal year 2015, the Company issued 893,662 shares of restricted stock to certain employees and executive officers from available shares under the Amended and Restated 2005 Equity Incentive Plan. The shares were issued with a grant date fair market value equal to the closing price of the stock on the date of the grants. Of the 893,662 shares of restricted stock issued during 2015, 54,095 shares vest on the second anniversary of the grant date, 214,567 shares will vest one-third on each of the three anniversary dates following the grant date, 300,000 shares will vest at 25% annually with the first vesting date occurring on the anniversary date in 2017 and ending on the anniversary date in 2020 and 325,000 shares will vest at 25% annually with the first vesting date occurring on the anniversary date in 2018 and ending on the anniversary date in 2021.

The Company recorded $4.1 million, $2.8 million and $2.3 million in total stock option and restricted stock compensation expense during fiscal years 2015, 2014 and 2013, respectively that was classified primarily as general and administrative costs. The Company recognized $0.7 million, $2.1 million and $0.9 million in income tax benefit related to stock-based compensation plans during fiscal years 2015, 2014 and 2013, respectively. As of December 27, 2015, the Company had a $7.9 million hypothetical Additional Paid-in Capital Pool (APIC Pool) balance. The hypothetical APIC Pool balance represents the tax benefit of the cumulative excess of corporate income tax deductions over financial accounting compensation expense recognized for equity based compensation awards which have fully vested. The hypothetical APIC Pool will increase or decrease each year, dependent upon both the vesting of restricted stock awards and the stock options exercised and/or cancelled. Shortfalls generated by the excess of compensation expense for financial accounting purposes over the corresponding corporate income tax deduction will be charged to the hypothetical APIC Pool balance rather than income tax expense. Once the hypothetical APIC Pool is fully depleted, the tax effect of any excess of financial accounting expense over the corresponding corporate income tax deduction beyond that point will be treated as income tax expense in the consolidated statements of income.

A summary of the status of non-vested restricted stock as of December 27, 2015 and changes during fiscal year 2015 is presented below.

| | 2015 | |
|---|---|---|
| | Shares | Weighted-Average Grant-Date Fair Value Per Share |
| Non-vested shares at beginning of year | 569,275 | $ 10.46 |
| Granted | 893,662 | 15.74 |
| Vested | (312,852) | 9.09 |
| Non-vested shares at end of year | 1,150,085 | $ 14.93 |

As of December 27, 2015, there was $13.1 million of total unrecognized compensation cost related to 1,150,085 shares of non-vested restricted stock. This cost is expected to be recognized over a weighted-average period of approximately 4.04 years. The total grant date fair value of restricted stock vested in fiscal years 2015, 2014 and 2013 was $2.8 million, $1.9 million and $3.3 million, respectively.

The following table summarizes stock option activity for fiscal year 2015:

| | 2015 | | | |
|---|---|---|---|---|
| | Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value ($000's) |
| Outstanding at beginning of year | 439,880 | $ 13.12 | | |
| Granted | - | - | | |
| Exercised | (72,875) | 3.46 | | |
| Forfeited | (104,257) | 17.78 | | |
| Outstanding at end of year | 262,748 | $ 13.88 | 1.69 | $ 1,107,544 |
| Options exercisable at year end | 262,748 | $ 13.88 | 1.69 | $ 1,107,544 |

As of December 27, 2015, there was no unrecognized compensation cost related to non-vested stock options. The total intrinsic value of options exercised in fiscal years 2015, 2014 and 2013 was $863 thousand, $6.3 million and $273 thousand, respectively.

During fiscal years 2015, 2014 and 2013, the Company received $250 thousand, $183 thousand and $208 thousand, respectively, in cash related to the exercise of options. The exercise of shares were fulfilled from shares reserved for issuance under the Amended and Restated 2005 Equity Incentive Plan and resulted in an increase in issued shares outstanding.

### (15) Income Taxes

Total income tax expense (benefit) for fiscal years 2015, 2014 and 2013 was (amounts in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Income from continuing operations | $ 14,168 | $ 11,830 | $ 10,744 |
| Loss from discontinued operations | (869) | (7,472) | (2,426) |
| Total consolidated income tax expense | $ 13,299 | $ 4,358 | $ 8,318 |

Income tax expense from continuing operations consists of the following:

| | Current | Deferred | Total |
|---|---|---|---|
| Year ended December 27, 2015 | | | |
| U.S. Federal | $ 14,692 | $ (3,445) | $ 11,247 |
| State | 2,697 | (120) | 2,577 |
| Foreign | 344 | - | 344 |
| | $ 17,733 | $ (3,565) | $ 14,168 |
| Year ended December 28, 2014 | | | |
| U.S. Federal | $ 3,475 | $ 6,447 | $ 9,922 |
| State | 562 | 961 | 1,523 |
| Foreign | 385 | - | 385 |
| | $ 4,422 | $ 7,408 | $ 11,830 |
| Year ended December 29, 2013 | | | |
| U.S. Federal | $ 2,056 | $ 6,708 | $ 8,764 |
| State | 136 | 1,495 | 1,631 |
| Foreign | 349 | - | 349 |
| | $ 2,541 | $ 8,203 | $ 10,744 |

Income tax expense differs from amounts computed by applying the federal statutory income tax rate to income from continuing operations before income taxes as follows (amounts in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Income tax expense at statutory rates | $ 15,517 | $ 13,489 | $ 12,333 |
| Increase (decrease) in income taxes resulting from: | | | |
| State income taxes at state statutory rate, net of federal benefit | 2,010 | 1,813 | 1,444 |
| Federal FICA tip credit net benefit | (3,124) | (2,814) | (2,634) |
| State employment tax credits generated in prior years | (60) | (331) | (623) |
| Increase to valuation allowance | 75 | - | 243 |
| Other | (250) | (327) | (19) |
| | $ 14,168 | $ 11,830 | $ 10,744 |
| | | | |
| Effective tax rate | 32.0% | 30.7% | 30.5% |

The Company utilizes the federal FICA tip credit to reduce its periodic federal income tax expense. A restaurant company employer may claim a credit against the company's federal income taxes for FICA taxes paid on certain tip wages (the FICA tip credit). The credit against income tax liability is for the full amount of eligible FICA taxes. Employers cannot deduct from taxable income the amount of FICA taxes taken into account in determining the credit.

Income taxes applicable to discontinued operations are comprised of (a) taxes calculated at the composite federal and state statutory tax rate times the pre-tax loss plus (b) the FICA tip credit benefit attributable to the restaurant sales of the Mitchell's Restaurants. A reconciliation of the U.S. statutory tax rate to the effective tax rate applicable to discontinued operations for fiscal years 2015, 2014 and 2013 follows (amounts in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Income tax benefit at statutory rates | $ (361) | $ (6,204) | $ (1,550) |
| Increase (decrease) in income taxes resulting from: | | | |
| State income taxes at state statutory rate, net of federal impact | (411) | (701) | (198) |
| Other, primarily federal FICA tip credit net benefit | (97) | (567) | (678) |
| | $ (869) | $ (7,472) | $ (2,426) |
| Effective tax rate | 84.3% | 42.2% | 54.8% |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets are presented below (amounts in thousands):

| | 2015 | 2014 |
|---|---|---|
| Deferred tax assets: | | |
| Accounts payable and accrued expenses | $ 8,222 | $ 3,775 |
| Deferred rent | 8,655 | 9,911 |
| Net state operating loss carryforwards | 3,281 | 2,923 |
| Tax credit carryforwards | 9,339 | 6,236 |
| Property and equipment | 5,098 | 10,589 |
| Other | 209 | 335 |
| Total gross deferred tax assets | 34,804 | 33,769 |
| Less valuation allowance | (979) | (947) |
| Net deferred tax assets | 33,825 | 32,822 |
| Deferred tax liabilities: | | |
| Intangible assets | (14,516) | (3,993) |
| Total gross deferred tax liabilities | (14,516) | (3,993) |
| Net deferred tax assets | $ 19,309 | $ 28,829 |

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of the net deferred tax assets.

As of December 27, 2015, the Company has state net operating loss carry-forwards of $85.2 million and federal and state tax credit carry-forwards of $9.3 million, which are available to offset federal and state taxable income with the last of such benefit expiring in 2035**.**

As of December 27, 2015, the Company's gross unrecognized tax benefits totaled approximately $607 thousand, of which $398 thousand, if recognized, would impact the effective tax rate. The Company does not anticipate there will be any material changes in the unrecognized tax benefits within the next 12 months. Our continuing practice is to recognize interest and penalties related to uncertain tax positions in income tax expense.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows (amounts in thousands):

| | | |
|---|---|---|
| Unrecognized tax benefits balance at December 28, 2014 | $ | 958 |
| Gross increases for tax positions of prior years | | 107 |
| Settlements | | (458) |
| Unrecognized tax benefits balance at December 27, 2015 | $ | 607 |

The Company files consolidated and separate income tax returns in the United States Federal jurisdiction and many state jurisdictions. With few exceptions, the Company is no longer subject to U.S. Federal or state and local income tax examinations for fiscal years before 2011.

**(16) Earnings Per Share**

Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share is calculated by dividing net income by the diluted weighted average shares of common stock outstanding during each period. Potentially dilutive securities include shares of non-vested stock awards. Diluted earnings per share considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an antidilutive effect. Stock awards are excluded from the calculation of diluted earnings per share in the event they are antidilutive.

The following table sets forth the computation of basic earnings per common share (amounts in thousands, except share and per share data):

| | | 2015 | | 2014 | | 2013 |
|---|---|---|---|---|---|---|
| Income from continuing operations | $ | 30,166 | $ | 26,710 | $ | 24,493 |
| Loss from discontinued operations, net of income taxes | | (162) | | (10,255) | | (2,004) |
| Net income | $ | 30,004 | $ | 16,455 | $ | 22,489 |
| Shares: | | | | | | |
| Weighted average number of common shares outstanding - basic | | 34,018,582 | | 34,955,760 | | 34,761,160 |
| Basic earnings per common share: | | | | | | |
| Continuing operations | $ | 0.88 | $ | 0.76 | $ | 0.71 |
| Discontinued operations | | 0.00 | | (0.29) | | (0.06) |
| Basic earnings per common share | $ | 0.88 | $ | 0.47 | $ | 0.65 |

Diluted earnings (loss) per share for fiscal years 2015, 2014 and 2013 excludes 46,117 stock options and restricted shares at a weighted-average price of $18.84, 153,613 stock options and restricted shares at a weighted-average price of $18.70 and 202,824 stock options and restricted shares at a weighted-average price of $18.67, respectively, which were outstanding during the periods but were anti-dilutive.

The following table sets forth the computation of diluted earnings per share (amounts in thousands, except share and per share data):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Income from continuing operations | $ 30,166 | $ 26,710 | $ 24,493 |
| Loss from discontinued operations, net of income taxes | (162) | (10,255) | (2,004) |
| Net income | $ 30,004 | $ 16,455 | $ 22,489 |
| Shares: | | | |
| Weighted average number of common shares outstanding - basic | 34,018,582 | 34,955,760 | 34,761,160 |
| Dilutive shares | 415,825 | 459,723 | 1,023,270 |
| Weighted-average number of common shares outstanding - diluted | 34,434,407 | 35,415,483 | 35,784,430 |
| Diluted earnings per common share: | | | |
| Continuing operations | $ 0.87 | $ 0.75 | $ 0.69 |
| Discontinued operations | 0.00 | (0.29) | (0.06) |
| Diluted earnings per common share | $ 0.87 | $ 0.46 | $ 0.63 |

**(17) Segment Information**

The Company has two reportable segments – the Company-owned steakhouse segment and the franchise operations segment. Previously reported segment information has been revised to exclude the Mitchell's Restaurants. The Company does not rely on any major customers as a source of revenue.

The Company-owned Ruth's Chris Steak House restaurants, all of which are located in North America, operate within the full-service dining industry, providing similar products to similar customers. Revenues are derived principally from food and beverage sales. As of December 27, 2015, (i) the Company-owned steakhouse restaurant segment included 67 Ruth's Chris Steak House restaurants and one Ruth's Chris Steak House restaurant operating under a management agreement and (ii) the franchise operations segment included 80 franchisee-owned Ruth's Chris Steak House restaurants. Segment profits for the Company-owned steakhouse restaurant segments equal segment revenues less segment expenses. Segment revenues for the Company-owned steakhouse restaurants include restaurant sales, management agreement income and other restaurant income. Gift card breakage revenue is not allocated to operating segments. Not all operating expenses are allocated to operating segments. Segment expenses for the Company-owned steakhouse segment include food and beverage costs and restaurant operating expenses. No other operating costs are allocated to the segments for the purpose of determining segment profits because such costs are not directly related to the operation of individual restaurants. The accounting policies applicable to each segment are consistent with the policies used to prepare the consolidated financial statements. The profit of the franchise operations segment equals franchise income, which consists of franchise royalty fees and franchise opening fees. No costs are allocated to the franchise operations segment. Segment information related to the Company's two reportable business segments follows.

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (Dollar amounts in thousands) | | |
| Revenues: | | | |
| Company-owned steakhouse restaurants | $ 354,398 | $ 327,731 | $ 306,539 |
| Franchise operations | 16,661 | 15,763 | 15,012 |
| Unallocated other revenue and revenue discounts | 2,374 | 2,603 | 803 |
| Total revenues | $ 373,433 | $ 346,097 | $ 322,354 |
| | | | |
| Segment profits: | | | |
| Company-owned steakhouse restaurants | $ 80,450 | $ 68,230 | $ 67,489 |
| Franchise operations | 16,661 | 15,763 | 15,012 |
| Total segment profit | 97,111 | 83,993 | 82,501 |
| | | | |
| Unallocated operating income | 2,374 | 2,603 | 803 |
| Marketing and advertising expenses | (10,925) | (10,076) | (9,341) |
| General and administrative costs | (30,242) | (24,311) | (27,808) |
| Depreciation and amortization expenses | (12,520) | (10,917) | (10,229) |
| Pre-opening costs | (1,032) | (1,630) | (691) |
| Gain on settlements, net | - | - | 1,719 |
| Interest expense, net | (790) | (1,159) | (1,640) |
| Other income (expense) | 358 | 37 | (77) |
| Income from continuing operations before income tax expense | $ 44,334 | $ 38,540 | $ 35,237 |
| | | | |
| Capital expenditures: | | | |
| Company-owned steakhouse restaurants | $ 18,934 | $ 14,867 | $ 11,242 |
| Corporate assets | 1,133 | 1,097 | 1,723 |
| Mitchell's Restaurants | 225 | 1,401 | 2,346 |
| Total capital expenditures | $ 20,292 | $ 17,365 | $ 15,311 |

| | December 27, 2015 | December 28, 2014 |
|---|---|---|
| | (Dollar amounts in thousands) | |
| Total assets: | | |
| Company-owned steakhouse restaurants | $ 168,766 | $ 155,757 |
| Franchise operations | 2,444 | 2,151 |
| Corporate assets - unallocated | 7,828 | 16,711 |
| Deferred income taxes - unallocated | 19,309 | 28,829 |
| Mitchell's Restaurants | 250 | 15,119 |
| Total assets | $ 198,597 | $ 218,567 |

**(18) Supplemental Consolidated Financial Statement Information**

***(a) Accounts Receivable, net***

Accounts receivable, net consists of the following (amounts in thousands):

**Accounts receivable**

| | December 27, 2015 | December 28, 2014 |
|---|---|---|
| Bank credit card receivables | $ 11,417 | $ 11,262 |
| Landlord contributions | 396 | 443 |
| Franchise fees | 2,306 | 2,116 |
| Trade | 751 | 682 |
| Refundable income tax | - | 2,335 |
| Receivable from gift card issuances | 929 | 2,216 |
| Other | 3,434 | 2,164 |
| Allowance for doubtful accounts | (732) | (760) |
| | $ 18,501 | $ 20,458 |

***(b) Other Assets***

Other assets consist of the following (amounts in thousands):

**Other assets**

| | December 27, 2015 | December 28, 2014 |
|---|---|---|
| Deposits | $ 702 | $ 764 |
| Deferred financing costs, net | 481 | 901 |
| Other | 33 | 39 |
| | $ 1,216 | $ 1,704 |

**(19) Quarterly Financial Data (Unaudited)**

Summarized unaudited quarterly financial data (amounts in thousands, except per share information):

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| | March 29, 2015 | June 28, 2015 | September 27, 2015 | December 27, 2015 | Total |
| Total revenues | $ 97,344 | $ 91,049 | $ 80,292 | $ 104,747 | $ 373,433 |
| Cost and expenses | (81,136) | (79,645) | (76,137) | (91,750) | (328,667) |
| Operating income | 16,208 | 11,404 | 4,155 | 12,997 | 44,766 |
| | | | | | |
| Interest expense, net | (226) | (174) | (188) | (202) | (790) |
| Debt issuance costs written off | 15 | 16 | 9 | 318 | 358 |
| | | | | | |
| Income from continuing operations before income tax expense | 15,997 | 11,246 | 3,976 | 13,113 | 44,334 |
| Income tax expense | 5,229 | 3,577 | 1,338 | 4,023 | 14,168 |
| | | | | | |
| Income from continuing operations | 10,768 | 7,669 | 2,638 | 9,090 | 30,166 |
| Discontinued operations, net of income tax | (357) | (153) | (73) | 420 | (162) |
| Net income | $ 10,411 | $ 7,516 | $ 2,565 | $ 9,510 | $ 30,004 |
| | | | | | |
| Basic earnings per share: | | | | | |
| Continuing operations | $ 0.31 | $ 0.22 | $ 0.08 | $ 0.27 | $ 0.88 |
| Discontinued operations | (0.01) | 0.00 | 0.00 | 0.01 | 0.00 |
| Basic earnings per share | $ 0.30 | $ 0.22 | $ 0.08 | $ 0.28 | $ 0.88 |
| | | | | | |
| Diluted earnings per share: | | | | | |
| Continuing operations | $ 0.31 | $ 0.22 | $ 0.08 | $ 0.27 | $ 0.87 |
| Discontinued operations | (0.01) | 0.00 | 0.00 | 0.01 | 0.00 |
| Diluted earnings per share | $ 0.30 | $ 0.22 | $ 0.08 | $ 0.28 | $ 0.87 |
| | | | | | |
| Dividends declared per common share | $ 0.06 | $ 0.06 | $ 0.06 | $ 0.06 | $ 0.24 |

| | Quarter Ended | | | | |
|---|---|---|---|---|---|
| | March 30, 2014 | June 29, 2014 | September 28, 2014 | December 28, 2014 | Total |
| Total revenues | $ 90,354 | $ 83,006 | $ 73,795 | $ 98,941 | $ 346,097 |
| Cost and expenses | (76,400) | (73,172) | (69,833) | (87,029) | (306,435) |
| Operating income | 13,954 | 9,834 | 3,962 | 11,912 | 39,662 |
| Interest expense, net | (287) | (298) | (297) | (278) | (1,159) |
| Other | 9 | 12 | 5 | 12 | 37 |
| Income from continuing operations before income tax expense | 13,676 | 9,548 | 3,670 | 11,646 | 38,540 |
| Income tax expense | 4,686 | 2,880 | 1,472 | 2,791 | 11,830 |
| Income from continuing operations | 8,990 | 6,668 | 2,198 | 8,855 | 26,710 |
| Discontinued operations, net of income tax | (125) | 236 | (9,496) | (870) | (10,255) |
| Net income (loss) | $ 8,865 | $ 6,904 | $ (7,298) | $ 7,985 | $ 16,455 |
| Basic earnings per share: | | | | | |
| Continuing operations | $ 0.25 | $ 0.19 | $ 0.06 | $ 0.26 | $ 0.75 |
| Discontinued operations | 0.00 | 0.01 | (0.27) | (0.03) | (0.29) |
| Basic earnings per share | $ 0.25 | $ 0.20 | $ (0.21) | $ 0.23 | $ 0.47 |
| Diluted earnings per share: | | | | | |
| Continuing operations | $ 0.25 | $ 0.18 | $ 0.06 | $ 0.26 | $ 0.75 |
| Discontinued operations | 0.00 | 0.01 | (0.27) | (0.03) | (0.29) |
| Diluted earnings per share | $ 0.25 | $ 0.19 | $ (0.21) | $ 0.23 | $ 0.46 |
| Dividends declared per common share | $ 0.05 | $ 0.05 | $ 0.05 | $ 0.05 | $ 0.20 |

During the third quarter of fiscal year 2014, the Company recorded an impairment loss aggregating $15.3 million pertaining to the assets of the Mitchell's Restaurants. During the fourth quarter, the Company recorded a $1.8 million loss on the assets of the Mitchell's Restaurants held for sale. The impairments and loss on assets held for sale are classified as discontinued operations.

**EXHIBITS**

*In reviewing the agreements included as exhibits to this report, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company, its subsidiaries or other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:*

- *should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;*
- *have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;*
- *may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and*
- *were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.*

*Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. We acknowledge that, notwithstanding the inclusion of the foregoing cautionary statement, we are responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this Annual Report on Form 10-K not misleading. Additional information about the Company may be found elsewhere in this Annual Report on Form 10-K and the Company's other public files, which are available without charge through the SEC's website at http://www.sec.gov.*

| Exhibit | Description |
|---|---|
| 3.1 | Certificate of Amended and Restated Certificate of Incorporation of Ruth's Hospitality Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed March 5, 2010). |
| 3.1.1 | Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Ruth's Hospitality Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed June 3, 2015). |
| 3.2 | Restated By-Laws of Ruth's Chris Steak House, Inc. (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-1 filed July 12, 2005). |
| 10.1 | License Agreement dated July 16, 1999 between Ruth U. Fertel and the Company (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 filed April 25, 2005). |
| 10.2* | Amended and Restated 2005 Long-Term Equity Incentive Plan (incorporated by reference to Appendix A to the Company's Proxy Statement filed April 19, 2013). |
| 10.3* | Form of Stock Option Agreement under the Company's 2005 Long-Term Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.22 of the Company's Registration Statement on Form S-1 filed August 8, 2005). |
| 10.4* | Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.16 of the Company's Registration Statement on Form S-1 filed April 25, 2005). |
| 10.5* | Ruth's Hospitality Group Nonqualified Deferred Compensation Plan (filed herewith). |
| 10.6 | Multi-Site Sale Leaseback Purchase Agreement dated August 1, 2008 among the Company, RCSH Operations, LLC, RCSH Operations, Inc. and RHG Kingfish, LLC and Sovereign Investment Company (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed August 5, 2008). |
| 10.7 | Second Amended and Restated Credit Agreement dated February 14, 2012 by and among the Company, the Lenders listed therein and Wells Fargo Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 21, 2012). |
| 10.8 | First Amendment to Second Amended and Restated Credit Agreement dated May 8, 2013 by and among the Company, the Lenders listed therein, the Guarantors listed therein, and Wells Fargo Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 13, 2013). |

| Exhibit | Description |
|---|---|
| 10.9* | Terms of Employment/Letter of Understanding and Salary Continuation Agreement dated August 1, 2008 between the Company and Michael P. O'Donnell (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K filed August 5, 2008). |
| 10.10* | Terms of Employment/Letter of Understanding and Salary Continuation Agreement dated April 5, 2010 between the Company and Kevin Toomy (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K filed April 8, 2010). |
| 10.11* | Terms of Employment/Letter of Understanding and Salary Continuation Agreement, effective as of August 8, 2011, by and between Ruth's Hospitality Group, Inc. and Arne G. Haak (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed July 29, 2011). |
| 10.12* | Terms of Employment/Letter of Understanding and Salary Continuation Agreement dated March 14, 2012 between the Company and Peter Beaudrault (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on April 30, 2012). |
| 10.2.1 | Amended Terms of Employment Agreement dated April 17, 2015 between the Company and Peter Beaudrault (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed April 20, 2015). |
| 10.13* | Terms of Employment/Letter of Understanding and Salary Continuation Agreement dated October 18, 2011 between the Company and Cheryl Henry (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on April 30, 2012). |
| 18.1 | Preferability Letter Regarding Change in Accounting Principle dated March 11, 2014 from KPMG, LLP (incorporated by reference to Exhibit 18.1 to the Company's Annual Report on Form 10-K filed on March 11, 2014). |
| 21.1 | Subsidiaries of the Company. |
| 23.1 | Consent of KPMG LLP. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101. | Interactive Data Files |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

* Management contract or compensatory plan or arrangement

# The CORPORATE*plan for Retirement*℠ EXECUTIVE PLAN

BASIC PLAN DOCUMENT

IMPORTANT NOTE

**This document has not been approved by the Department of Labor, the Internal Revenue Service or any other governmental entity. The Employer must determine whether the plan is subject to the Federal securities laws and the securities laws of the various states. The Employer may not rely on this document to ensure any particular tax consequences or to ensure that the Plan is "unfunded and maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees" under the Employee Retirement Income Security Act with respect to the Employer's particular situation. Fidelity Management Trust Company, its affiliates and employees cannot and do not provide legal or tax advice or opinions in connection with this document. This document does not constitute legal or tax advice or opinions and is not intended or written to be used, and it cannot be used by any taxpayer, for the purposes of avoiding penalties that may be imposed on the taxpayer. This document must be reviewed by the Employer's attorney prior to adoption.**



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**CORPORATEplan for Retirement EXECUTIVE**
**BASIC PLAN DOCUMENT**


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## PREAMBLE

**It is the intention of the Employer to establish herein an unfunded plan maintained solely for the purpose of providing deferred compensation for a select group of management or highly compensated employees as provided in ERISA. The Employer further intends that this Plan comply with Code section 409A, and the Plan is to be construed accordingly.**

**If the Employer has previously maintained the Plan described herein pursuant to a previously existing plan document or description, the Employer's adoption of this Plan document is an amendment and complete restatement of, and supersedes, such previously existing document or description with respect to benefits accrued or to be paid on or after the effective date of this document (except to the extent expressly provided otherwise herein).**

**Article 1. Adoption Agreement.**

**Article 2. Definitions.**

**2.01. Definitions.**

(a) Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

(1) "Account" means an account established on the books of the Employer for the purpose of recording amounts credited to a Participant and any income, expenses, gains, or losses attributable thereto.

(2) "Active Participant" means a Participant who is eligible to accrue benefits under a plan (other than earnings on amounts previously deferred) within the 24-month period ending on the date the Participant becomes a Participant under Section 3.01. Notwithstanding the above, however, a Participant is not an Active Participant if he has been paid all amounts deferred under the plan, provided that he was, on and before the date of the last payment, ineligible to continue or to elect to continue to participate in the plan for periods after such last payment (other than through an election of a different time and form of payment with respect to the amounts paid).

(A) For purposes of Section 4.01(d), as used in the first paragraph of the definition of "Active Participant" above, "plan" means an account balance plan (or portion thereof) of the Employer or a Related Employer subject to Code section 409A pursuant to which the Participant is eligible to accrue benefits only if the Participant elects to defer compensation thereunder, and the "date the Participant becomes a Participant under Section 3.01" refers only to the date the Participant becomes a Participant with respect to Deferral Contributions.

(B) For purposes of Section 8.01(a)(2), as used in the first paragraph of the definition of "Active Participant" above, "plan" means an account balance plan (or portion thereof) of the Employer or a Related Employer subject to Code section 409A pursuant to which the Participant is eligible to accrue benefits without any election by the Participant to defer compensation thereunder, and the "date the Participant becomes a Participant under Section 3.01" refers only to the date the Participant becomes a Participant with respect to Matching or Employer Contributions.



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(3) "Administrator" means the Employer adopting this Plan (but excluding Related Employers) or other person designated by the Employer in Section 1.01(c).

(4) "Adoption Agreement" means Article 1, under which the Employer establishes and adopts or amends the Plan and selects certain provisions of the Plan. The provisions of the Adoption Agreement are an integral part of the Plan.

(5) "Beneficiary" means the person or persons entitled under Section 7.02 to receive benefits under the Plan upon the death of a Participant.

(6) "Bonus" means any Performance-based Bonus or any Non-performance-based Bonus as listed and identified in the table in Section 1.05(a)(2) hereof.

(7) "Change in Control" means a change in control with respect to the applicable corporation, as defined in 26 CFR section 1.409A-3(i)(5). For purposes of this definition "applicable corporation" means:

(A) The corporation for which the Participant is performing services at the time of the change in control event;

(B) The corporation(s) liable for payment hereunder (but only if either the accrued benefit hereunder is attributable to the performance of service by the Participant for such corporation(s) or there is a bona fide business purpose for such corporation(s) to be liable for such payment and, in either case, no significant purpose of making such corporation(s) liable for such benefit is the avoidance of Federal income tax); or

(C) A corporate majority shareholder of one of the corporations described in (A) or (B) above or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in (A) or (B) above.

(8) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(9) "Compensation" means for purposes of Article 4:

(A) If the Employer elects Section 1.04(a), such term as defined in such Section 1.04(a).

(B) If the Employer elects Section 1.04(b), wages as defined in Code section 3401(a) and all other payments of compensation to an Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Employee a written statement under Code sections 6041(d) and 6051(a)(3), excluding any items elected by the Employer in Section 1.04(b), reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation and welfare benefits, but including amounts that are not includable in the gross income of the Employee under a salary reduction agreement by reason of the application of Code section 125, 132(f)(4), 402(e)(3), 402(h) or 403(b). Compensation shall be determined without regard to any rules under Code section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code section 3401(a)(2)).



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(C) If the Employer elects Section 1.04(c), any and all monetary remuneration paid to the Director by the Employer, including, but not limited to, meeting fees and annual retainers, and excluding items listed in Section 1.04(c).

For purposes of this Section 2.01(a)(9), Compensation shall also include amounts deferred pursuant to an election under Section 4.01.

(10) "Deferral Contribution" means a hypothetical contribution credited to a Participant's Account as the result of the Participant's election to reduce his Compensation in exchange for such credit, as described in Section 4.01.

(11) "Director" means a person, other than an Employee, who is elected or appointed as a member of the board of directors of the Employer, with respect to a corporation, or to an analogous position with respect to an entity that is not a corporation.

(12) "Disability" is described in Section 1.07(a)(2).

(13) "Employee" means any employee of the Employer.

(14) "Employer" means the employer named in Section 1.02(a) and any Related Employers listed in Section 1.02(b).

(15) "Employer Contribution" means a hypothetical contribution credited to a Participant's Account under the Plan as a result of the Employer's crediting of such amount, as described in Section 4.03.

(16) "Employment Commencement Date" means the date on which the Employee commences employment with the Employer.

(17) "ERISA" means the Employee Retirement Income Security Act of 1974, as from time to time amended.

(18) "Inactive Participant" means a Participant who is not an Employee or Director.

(19) "Matching Contribution" means a hypothetical contribution credited to a Participant's Account under the Plan as a result of the Employer's crediting of such amount, as described in Section 4.02.

(20) "Non-performance-based Bonus" means any Bonus listed under the column entitled "non-performance based" in Section 1.05(a)(2).

(21) "Participant" means any Employee or Director who participates in the Plan in accordance with Article 3 (or formerly participated in the Plan and has an amount credited to his Account).

(22) "Performance-based Bonus" means any Bonus listed under the column entitled "performance based" in Section 1.05(a)(2), which constitutes compensation, the amount of, or entitlement to, which is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months and which is further defined in 26 CFR section 1.409A-1(e).

(23) "Permissible Investment" means the investments specified by the Employer as available for hypothetical investment of Accounts. The Permissible Investments under the Plan are listed in the Service Agreement, and the provisions of the Service Agreement listing the Permissible Investments are hereby incorporated herein.



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(24) "Plan" means the plan established by the Employer as set forth herein as a new plan or as an amendment to an existing plan, such establishment to be evidenced by the Employer's execution of the Adoption Agreement, together with any and all amendments hereto.

(25) "Related Employer" means any employer other than the Employer named in Section 1.02(a), if the Employer and such other employer are members of a controlled group of corporations (as defined in Code section 414(b)) or trades or businesses (whether or not incorporated) under common control (as defined in Code section 414(c)).

(26) "Separation from Service" means the date the Participant retires or otherwise has a termination of employment (or a termination of the contract pursuant to which the Participant has provided services as a Director, for a Director Participant) with the Employer and all Related Employers, as further defined in 26 CFR section 1.409A-1(h); provided, however, that

(A) For purposes of this paragraph (26), the definition of "Related Employer" shall be modified as follows:

(i) In applying Code section 1563(a)(1), (2) and (3) for purposes of determining a controlled group of corporations under Code section 414(b), the phrase "at least 50%" shall be used instead of "at least 80 percent" each place "at least 80 percent" appears in Code section 1563(a)(1), (2) and (3); and

(ii) In applying 26 CFR section 1.414(c)-2 for purposes of determining trades or business (whether or not incorporated) under common control for purposes of Code section 414(c), the phrase "at least 50%" shall be used instead of "at least 80 percent" each place "at least 80 percent" appears in 26 CFR section 1.414(c)-2.

(B) In the event a Participant provides services to the Employer or a Related Employer as an Employee and a Director,

(i) The Employee Participant's services as a Director are not taken into account in determining whether the Participant has a Separation from Service as an Employee; and

(ii) The Director Participant's services as an Employee are not taken into account in determining whether the Participant has a Separation from Service as a Director

provided that this Plan is not aggregated with a plan subject to Code section 409A in which the Director Participant participates as an employee of the Employer or a Related Employer or in which the Employee Participant participates as a director (or a similar position with respect to a non-corporate entity) of the Employer or a Related Employer, as applicable, pursuant to 26 CFR section 1.409A-1(c)(2)(ii).

(27) "Service Agreement" means the agreement between the Employer and Trustee regarding the arrangement between the parties for recordkeeping services with respect to the Plan.

(28) "Specified Employee," (unless defined by the Employer in a separate writing, in which case such writing is hereby incorporated herein) means a Participant who meets the requirements in 26 CFR section 1.409A-1(i) applying the default definition components provided in such regulation (those that would apply absent elections, as described in 26 CFR section 1.409A-1(i)(8)), including an identification date of December 31. In the event that such default definition components are applicable, the Employer has elected Section 1.01(b)(2) and, immediately prior to the date in Section 1.01(b)(2), the Plan applied an identification date (the "prior date") other than the December 31, the prior date shall continue to apply, and December 31 shall not apply, until the date that is 12 months after the date in Section 1.01(b)(2).



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(29) "Trust" means the trust created by the Employer, pursuant to the Trust agreement between the Employer and the Trustee, under which assets are held, administered, and managed, subject to the claims of the Employer's creditors in the event of the Employer's insolvency, until paid to Participants and their Beneficiaries as specified in the Plan.

(30) "Trust Fund" means the property held in the Trust by the Trustee.

(31) "Trustee" means the individual(s) or entity appointed by the Employer under the Trust agreement.

(32) "Unforeseeable Emergency" is as defined in 26 CFR section 1.409A-3(i)(3)(i).

(33) "Year of Service" is as defined in Section 7.03(b) for purposes of the elapsed time method and in Section 7.03(c) for purposes of the class year method.

(b) Pronouns used in the Plan are in the masculine gender but include the feminine gender unless the context clearly indicates otherwise.

**Article 3. <u>Participation</u>.**

**3.01. <u>Date of Participation</u>.** An Employee or Director becomes a Participant on the date such Employee's or Director's participation becomes effective (as described in Section 1.03).

**3.02. <u>Participation following a Change in Status</u>.**

(a) If a Participant ceases to be an Employee or Director and thereafter resumes the same status he had as a Participant during his immediately previous participation in the Plan (as an Employee if previously a Participant as an Employee and as a Director if previously a Participant as a Director), he will again become a Participant immediately upon resumption of such status, provided, however, that if such Participant is a Director, he is an eligible Director upon resumption of such status (as defined in Section 1.03(b)), and provided, further, that if such Participant is an Employee, he is an eligible Employee upon resumption of such status (as defined in Section 1.03(a)). Deferral Contributions to such Participant's Account thereafter, if any, shall be subject to (1) or (2) below.

(1) If the Participant resumes such status during a period for which such Participant had previously made a valid deferral election pursuant to Section 4.01, he shall immediately resume such Deferral Contributions. Deferral Contributions applicable to periods thereafter shall be made pursuant to the election and other rules described in Section 4.01.

(2) If the Participant resumes such status after the period described in the first sentence of paragraph (1) of this Section 3.02, any Deferral Contributions with respect to such Participant shall be made pursuant to the election and other rules described in Section 4.01.

(b) When an individual who is a Participant due to his status as an eligible Employee (as defined in Section 1.03(a)) continues in the employ of the Employer or Related Employer but ceases to be an eligible Employee, the individual shall not receive an allocation of Matching or Employer Contributions for the period during which he is not an eligible Employee. Such Participant shall continue to make Deferral Contributions throughout the remainder of the applicable period (as described in Section 4.01) in which such change in status occurs, if, and as, applicable.



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(c) When an individual who is a Participant due to his status as an eligible Director (as defined in Section 1.03(b)) continues his directorship with the Employer or a Related Employer but ceases to be an eligible Director, the individual shall not receive an allocation of Matching or Employer Contributions for the period during which he is not an eligible Director. Such Participant shall continue to make Deferral Contributions throughout the remainder of the applicable period (as described in Section 4.01) in which such change in status occurs, if, and as, applicable.

## Article 4. Contributions.

**4.01 Deferral Contributions.** If elected by the Employer pursuant to Section 1.05(a) and/or 1.06(a), a Participant described in such applicable Section may elect to reduce his Compensation by a specified percentage or dollar amount. The Employer shall credit an amount to the Participant's Account equal to the amount of such reduction. Except as otherwise provided in this Section 4.01, such election shall be effective to defer Compensation relating to all services performed in the calendar year beginning after the calendar year in which the Participant executes the election. Under no circumstances may a salary reduction agreement be adopted retroactively. If the Employer has elected to apply Section 1.05(a)(2), no amount will be deducted from Bonuses unless the Participant has made a separate deferral election applicable to such Bonuses. A Participant's election to defer Compensation may be changed at any time before the last permissible date for making such election, at which time such election becomes irrevocable. Notwithstanding anything herein to the contrary, the conditions under which a Participant may make a deferral election as provided in the applicable salary reduction agreement are hereby incorporated herein and supersede any otherwise inconsistent Plan provision.

(a) **Performance Based Bonus.** With respect to a Performance-based Bonus, a separate election made pursuant to Section 1.05(a)(2) will be effective to defer such Bonus if made no later than 6 months before the end of the period during which the services on which such Performance-based Bonus is based are performed.

(b) **Fiscal Year Bonus.** With respect to a Bonus relating to a period of service coextensive with one or more consecutive fiscal years of the Employer, of which no amount is paid or payable during the service period, a separate election pursuant to Section 1.05(a)(2) will be effective to defer such Bonus if made no later than the close of the Employer's fiscal year next preceding the first fiscal year in which the Participant performs any services for which such Bonus is payable.

(c) **Cancellation of Salary Reduction Agreement.**

(1) The Administrator may cancel a Participant's salary reduction agreement pursuant to the provisions of 26 CFR section 1.409A-3(j)(4)(viii) in connection with the Participant's Unforeseeable Emergency. To the extent required pursuant to the application of 26 CFR section 1.401(k)-1(d)(3) (or any successor thereto), a Participant's salary reduction agreement shall be automatically cancelled.

(2) The Administrator may cancel a Participant's salary reduction agreement pursuant to the provisions of 26 CFR section 1.409A-3(j)(4)(xii) in connection with the Participant's disability. Such cancellation must occur by the later of the end of the Participant's taxable year or the 15th day of the third month following the date the Participant incurs a disability. For purposes of this paragraph (2), a disability is any medically determinable physical or mental impairment resulting in the Participant's inability to perform the duties of his or her position or any substantially similar position, where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six months.



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In no event may the Participant, directly or indirectly, elect such a cancellation. A cancellation pursuant to this subsection (c) shall apply only to Compensation not yet earned.

(d) **Initial Deferral Election.** Notwithstanding the above, if the Participant is not an Active Participant, the Participant may make an election to defer Compensation within 30 days after the Participant becomes a Participant, which election shall be effective with respect to Compensation payable for services performed during the calendar year (or other deferral period described in (a) or (b) above, as applicable) and after the date of such election. For Compensation that is earned based upon a specified performance period (e.g., an annual bonus) an election pursuant to this subsection (d) will be effective to defer an amount equal to the total amount of the Compensation for the performance period multiplied by the ratio of the number of days remaining in the performance period after the election over the total number of days in the performance period.

**4.02. Matching Contributions.** If so provided by the Employer in Section 1.05(b) and/or 1.06(b)(1), the Employer shall credit a Matching Contribution to the Account of each Participant entitled to such Matching Contribution. The amount of the Matching Contribution shall be determined in accordance with Section 1.05(b) and/or 1.06(b)(1), as applicable, provided, however, that the Matching Contributions credited to the Account of a Participant pursuant to Section 1.05(b)(2) shall be limited pursuant to (a) and (b) below:

(a) The sum of Matching Contributions made on behalf of a Participant pursuant to Section 1.05(b)(2) for any calendar year and any other benefits the Participant accrues pursuant to another plan subject to Code section 409A as a result of such Participant's action or inaction under a qualified plan with respect to elective deferrals and other employee pre-tax contributions subject to the contribution restrictions under Code section 401(a)(30) or 402(g) shall not result in an increase in the amounts deferred under all plans subject to Code section 409A in which the Participant participates in excess of the limit with respect to elective deferrals under Code section 402(g)(1)(A), (B) and (C) in effect for the calendar year in which such action or inaction occurs; and

(b) The Matching Contributions made on behalf of a Participant pursuant to Section 1.05(b)(2) shall never exceed 100% of the matching amounts that would be provided under the qualified employer plan identified in Section 1.05(b)(2) absent any plan-based restrictions that reflect limits on qualified plan contributions under the Code.

**4.03. Employer Contributions.** If so provided by the Employer in Section 1.05(c)(1) and/or 1.06(b)(2), the Employer shall make an Employer Contribution to be credited to the Account of each Participant entitled thereto in the amount provided in such Section(s). If so provided by the Employer in Section 1.05(c)(2) and/or 1.06(b)(3), the Employer may make an Employer Contribution to be credited to the Account maintained on behalf of any Participant in such an amount as the Employer, in its sole discretion, shall determine, subject to the provisions of the applicable Section.

**4.04. Election Forms.** Notwithstanding anything herein to the contrary, the terms of an election form with respect to the conditions under which a Participant may make any election hereunder, as provided in such form (whether electronic or otherwise) are hereby incorporated herein and supersede any otherwise inconsistent Plan provision.

**Article 5. Participants' Accounts.** The Administrator will maintain an Account for each Participant, reflecting hypothetical contributions credited to the Participant, along with hypothetical earnings, expenses, gains and losses, pursuant to the terms hereof. A hypothetical contribution shall be credited to the Account of a Participant on the date determined by the Employer and accepted by the Plan recordkeeper. The Administrator will maintain such other accounts and records as it deems appropriate to the discharge of its duties under the Plan.



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**Article 6. Investment of Accounts.**

**6.01. Manner of Investment.** All amounts credited to the Accounts of Participants shall be treated as though invested and reinvested only in Permissible Investments.

**6.02. Investment Decisions, Earnings and Expenses.** Investments in which the Accounts of Participants shall be treated as invested and reinvested shall be directed by the Employer or by each Participant, or both, in accordance with Section 1.09. All dividends, interest, gains, and distributions of any nature that would be earned on a Permissible Investment will be credited to the Account as though reinvested in additional shares of that Permissible Investment. Expenses that would be attributable to such investments shall be charged to the Account of the Participant.

**Article 7. Right to Benefits.**

**7.01. Retirement.** If provided by the Employer in Section 1.08(e)(1), the Account of a Participant or an Inactive Participant who attains retirement eligibility prior to a Separation from Service will be 100% vested.

**7.02. Death.** If provided by the Employer in Section 1.08(e)(2), the Account of a Participant or former Participant who dies before the distribution of his entire Account will be 100% vested, provided that at the time of his death he is earning Years of Service.

A Participant may designate a Beneficiary or Beneficiaries, or change any prior designation of Beneficiary or Beneficiaries, by giving notice to the Administrator on a form designated by the Administrator. If more than one person is designated as the Beneficiary, their respective interests shall be as indicated on the designation form.

A copy of the death certificate or other sufficient documentation must be filed with and approved by the Administrator. If upon the death of the Participant there is, in the opinion of the Administrator, no designated Beneficiary for part or all of the Participant's Account, such amount will be paid to his surviving spouse or, if none, to his estate (such spouse or estate shall be deemed to be the Beneficiary for purposes of the Plan). If a Beneficiary dies after benefits to such Beneficiary have commenced, but before they have been completed, and, in the opinion of the Administrator, no person has been designated to receive such remaining benefits, then such benefits shall be paid to the deceased Beneficiary's estate.

A distribution to a Beneficiary of a Specified Employee is not considered to be a payment to a Specified Employee for purposes of Sections 1.07 and 8.01(e).

**7.03. Separation from Service.**

(a) **General.** If provided by the Employer in Section 1.08, and subject to Section 1.08(e)(2), if a Participant has a Separation from Service, he will be entitled to a benefit equal to (i) the vested percentage(s) of the value of the Matching and Employer Contributions credited to his Account, as adjusted for income, expense, gain, or loss, such percentage(s) determined in accordance with the vesting schedule(s) and methodology selected by the Employer in Section 1.08, and (ii) the value of the Deferral Contributions to his Account as adjusted for income, expense, gain, or loss. The amount payable under this Section 7.03 will be distributed in accordance with Article 8.



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(b) **Elapsed Time Vesting.** Unless otherwise provided by the Employer in Section 1.08, vesting shall be determined based on the elapsed time method. For purposes of the elapsed time method, "Years of Service" means, with respect to any Participant or Inactive Participant, the number of whole years of his periods of service with the Employer and any Related Employers (as defined in Section 2.01(a)(26)(A)), subject to any exclusion elected by the Employer in Section 1.08(c). A Participant or Inactive Participant will receive credit for the aggregate of all time period(s) commencing with his Employment Commencement Date and ending on the date a break in service begins, unless any such years are excluded by Section 1.08(c). A Participant or Inactive Participant will also receive credit for any period of severance of less than 12 consecutive months. Fractional periods of a year will be expressed in terms of days.

A break in service is a period of severance of at least 12 consecutive months. A "period of severance" is a continuous period of time beginning on the date the Participant or Inactive Participant incurs a Separation from Service, or if earlier, the 12-month anniversary of the date on which the Participant or Inactive Participant was otherwise first absent from service.

Notwithstanding the above, the Employer shall comply with any service crediting rules to the extent required by applicable law.

(c) **Class Year Vesting.** If provided by the Employer in Section 1.08, a Participant's or Inactive Participant's vested percentage in the Matching Contributions and/or Employer Contributions portion(s) of his Account shall be determined pursuant to the class year method. Pursuant to such method, amounts attributable to the applicable contribution types are assigned to "class years" established in the records of the Plan. Such class years are years (calendar or non-calendar) to which the contribution is assigned by the Administrator, as described in the Service Agreement between the Trustee and the Employer. The Participant's or Inactive Participant's vested percentage in amounts attributable to a particular contribution is determined from the beginning of the applicable class year to the date the Participant or Inactive Participant incurs a Separation from Service. For purposes of the class year method, a Participant or Inactive Participant is credited with a Year of Service on the first day of each such class year.

**7.04. Vesting after Partial Distribution.** If a distribution from a Participant's Account has been made to him at a time when his Account is less than 100% vested, the vesting schedule in Section 1.08 will thereafter apply only to amounts in his Account attributable to Matching Contributions and Employer Contributions credited after such distribution. The balance of his Account attributable to Matching Contributions and Employer Contributions immediately after such distribution will be subject to the following for the purpose of determining his interest therein.

At any relevant time prior to a forfeiture of any portion thereof under Section 7.05, a Participant's nonforfeitable interest in the portion of his Account described in the sentence immediately above will be equal to $P(AB + (RxD))-(RxD)$, where P is the nonforfeitable percentage at the relevant time determined under Section 1.08; AB is the account balance of such portion at the relevant time; D is the amount of the distribution; and R is the ratio of the account balance of such portion at the relevant time to the account balance of such portion after distribution. Following a forfeiture of any portion of such portion under Section 7.05 below, any balance with respect to such portion will remain fully vested and nonforfeitable.

**7.05. Forfeitures.** Once payments are to commence to a Participant or Inactive Participant hereunder, the portion of such Account subject to the same payment commencement date but not yet vested, if any, (determined by his vested percentage at such payment commencement date) will be forfeited by him

**7.06. Change in Control.** If the Employer has elected to apply Section 1.07(a)(3)(D), then, upon a Change in Control, notwithstanding any other provision of the Plan to the contrary, all Participant Accounts shall be 100% vested.



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**7.07. Disability.** If the Employer has elected to apply Section 1.08(e)(3), then, upon the date a Participant incurs a Disability, as defined in Section 1.07(a)(2), notwithstanding any other provision of the Plan to the contrary, all Accounts of such Participant shall be 100% vested.

**7.08. Directors.** Notwithstanding any other provision of the Plan to the contrary, all Accounts of a Participant who is a Director shall be 100% vested at all times, including Accounts attributable to the Participant's service as an Employee, if any.

**Article 8. Distribution of Benefits.**

**8.01 Events Triggering, and Form of, Distributions.**

(a) Events triggering the distribution of benefits and the form of such distributions are described in Section 1.07(a), pursuant to the Employer's election and/or the Participant's election, as applicable.

(1) With respect to the form and time of distribution of amounts attributable to a Deferral Contribution, a Participant election must be made no later than the time by which the Participant must elect to make a Deferral Contribution, as described in Section 4.01.

(2) With respect to the form and time of distribution of amounts attributable to Matching or Employer Contributions, a Participant election must be made no later than the time by which a Participant would be required to make a Deferral Contribution as described in Section 4.01 with respect to the calendar year for which the Matching and/or Employer Contributions are credited. For purposes of applying Section 4.01(d) "Active Participant" shall have the meaning assigned in Section 2.01(a)(2)(B).

(3) Notwithstanding anything herein to the contrary, an election choosing a distribution trigger and payment method pursuant to Section 1.07(a)(1) will only be effective with respect to amounts attributable to contributions credited to the Participant's Account for the calendar year (or other deferral period described in 4.01(a) or (b)) to which such election relates. Amounts attributable to contributions credited to a Participant's account prior to the effective date of any new election will not be affected and will be paid in accordance with the otherwise applicable election.

(b) If the Employer elects to permit a distribution election change pursuant to Section 1.07(b), then any such distribution election change must satisfy (1) through (3) below:

(1) Such election may not take effect until at least 12 months after the date on which such election is made.

(2) In the case of an election related to a payment not on account of Disability, death or the occurrence of an Unforeseeable Emergency, the payment with respect to which such election is made must be deferred for a period of not less than five years from the date such payment would otherwise have been paid (or in the case of installment payments, five years from the date the first amount was scheduled to be paid).



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(3) Any election related to a payment at a specified time or pursuant to a fixed schedule may not be made less than 12 months prior to the date the payment is scheduled to be paid (or in the case of installment payments, 12 months prior to the date the first amount was scheduled to be paid).

With respect to any initial distribution election, a Participant shall in no event be permitted to make more than one distribution election change.

(c) A Participant's entitlement to installments will not be treated as an entitlement to a series of separate payments.

(d) If the Plan does not provide for Plan-level payment triggers pursuant to Section 1.07(a)(3), and the Participant does not designate in the manner prescribed by the Administrator the method of distribution, and/or the distribution trigger (if and as required), such method of distribution shall be a lump sum at Separation from Service.

(e) Notwithstanding anything herein to the contrary, with respect to any Specified Employee, if the applicable payment trigger is Separation from Service, then payment shall not commence before the date that is six months after the date of Separation from Service (or, if earlier, the date of death of the Specified Employee, pursuant to Section 7.02). Payments to which a Specified Employee would otherwise be entitled during the first six months following the date of Separation from Service are delayed by six months.

(f) Notwithstanding anything herein to the contrary, the Administrator may, in its discretion, automatically pay out a Participant's vested Account in a lump sum, provided that such payment satisfies the requirements in (1) through (3) below:

(1) Such payment results in the termination and liquidation of the entirety of the Participant's interest under the plan (as defined in 26 CFR section 1.409A-1(c)(2)), including all agreements, methods, programs, or other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under 26 CFR section 1.409A-1(c)(2);

(2) Such payment is not greater than the applicable dollar amount under Code section 402(g)(1)(B); and

(3) Such exercise of Administrator discretion is evidenced in writing no later than the date of such payment.

(g) Notwithstanding anything herein to the contrary, the Administrator may, in its discretion, delay a payment otherwise required hereunder to a date after the designated payment date due to any of the circumstances described in (1) through (4) below, provided that the Administrator treats all payments to similarly situated Participants on a reasonably consistent basis.

(1) In the event the Administrator reasonably anticipates that, if the payment were made as scheduled, the Employer's deduction with respect to such payment would not be permitted due to the application of Code section 162(m), provided the delay complies with the conditions in 26 CFR section 1.409A-2(b)(7)(i).

(2) In the event the Administrator reasonably anticipates that the making of such payment will violate Federal securities laws or other applicable law, provided the delay complies with the conditions in 26 CFR section 1.409A-2(b)(7)(ii).

(3) Upon such other events and conditions as the Commissioner of the Internal Revenue Service may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.



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(4) Upon a change in control event, provided the delay complies with conditions in 26 CFR section 1.409A-3(i)(5)(iv).

(h) Notwithstanding anything herein to the contrary, the Administrator may provide an election to change the time or form of a payment hereunder to satisfy the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended, 38 USC sections 4301 through 4344.

**8.02.** **Notice to Trustee.** The Administrator will provide direction to the Trustee, as provided in the Trust agreement, whenever any Participant or Beneficiary is entitled to receive benefits under the Plan. The Administrator's notice shall indicate the form, amount and frequency of benefits that such Participant or Beneficiary shall receive.

**8.03.** **Unforeseeable Emergency Withdrawals.** Notwithstanding anything herein to the contrary, a Participant may apply to the Administrator to withdraw some or all of his Account if such withdrawal is made on account of an Unforeseeable Emergency as determined by the Administrator in accordance with the requirements of and subject to the limitations provided in 26 CFR section 1.409A-3(i)(3).

**Article 9. Amendment and Termination.**

**9.01** **Amendment by Employer.** The Employer reserves the authority to amend the Plan in its discretion. Any such amendment notwithstanding, no Participant's Account shall be reduced by such amendment below the amount to which the Participant would have been entitled if he had voluntarily left the employ of the Employer immediately prior to the date of the change.

**9.02.** **Termination.** The Employer has no obligation or liability whatsoever to maintain the Plan for any length of time and may terminate the Plan at any time by written notice delivered to the Trustee without any liability hereunder for any such discontinuance or termination. Such termination shall comply with 26 CFR section 1.409A-3(j)(4)(ix) and other applicable guidance.

**Article 10. Miscellaneous.**

**10.01.** **Communication to Participants.** The Plan will be communicated to all Participants by the Employer promptly after the Plan is adopted.

**10.02.** **Limitation of Rights.** Neither the establishment of the Plan and the Trust, nor any amendment thereof, nor the creation of any fund or account, nor the payment of any benefits, will be construed as giving to any Participant or other person any legal or equitable right against the Employer, Administrator or Trustee, except as provided herein; in no event will the terms of employment or service of any individual be modified or in any way affected hereby.

**10.03.** **Nonalienability of Benefits.** The benefits provided hereunder will not be subject to alienation, assignment, garnishment, attachment, execution or levy of any kind, either voluntarily or involuntarily, and any attempt to cause such benefits to be so subjected will not be recognized, except to such extent as may be required by law and as provided pursuant to a domestic relations order (defined in Code section 414(p)(1)(B)), as determined by the Administrator. Pursuant to a domestic relations order, payments may be accelerated to a time sooner, and pursuant to a schedule more rapid, than the time and schedule applicable in the absence of the domestic relations order, provided that such payment pursuant to such order is not made to the Participant and provided further that this provision shall not be construed to provide the Participant discretion regarding whether such payment time or schedule will be accelerated.



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**10.04. Facility of Payment.** In the event the Administrator determines, on the basis of medical reports or other evidence satisfactory to the Administrator, that the recipient of any benefit payments under the Plan is incapable of handling his affairs by reason of minority, illness, infirmity or other incapacity, the Administrator may disburse such payments, or direct the Trustee to disburse such payments, as applicable, to a person or institution designated by a court which has jurisdiction over such recipient or a person or institution otherwise having the legal authority under State law for the care and control of such recipient. The receipt by such person or institution of any such payments shall be complete acquittance therefore, and any such payment to the extent thereof, shall discharge the liability of the Trust for the payment of benefits hereunder to such recipient.

**10.05. Plan Records.** The Administrator shall maintain the records of the Plan on a calendar-year basis.

**10.06. USERRA.** Notwithstanding anything herein to the contrary, the Administrator shall permit any Participant election and make any payments hereunder required by the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended, 38 USC 4301-4334.

**10.07. Governing Law.** The Plan and the accompanying Adoption Agreement will be construed, administered and enforced according to ERISA, and to the extent not preempted thereby, the laws of the State in which the Employer has its principal place of business, without regard to the conflict of laws principles of such State.

**Article 11. Plan Administration.**

**11.01. Powers and Responsibilities of the Administrator.** The Administrator has the full power and the full responsibility to administer the Plan in all of its details, subject, however, to the applicable requirements of ERISA. The Administrator's powers and responsibilities include, but are not limited to, the following:

(a) To make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;

(b) To interpret the Plan, its interpretation thereof in good faith to be final and conclusive on all persons claiming benefits under the Plan;

(c) To decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;

(d) To administer the claims and review procedures specified in Section 11.02;

(e) To compute the amount of benefits which will be payable to any Participant, former Participant or Beneficiary in accordance with the provisions of the Plan;

(f) To determine the person or persons to whom such benefits will be paid;

(g) To authorize the payment of benefits;

(h) To appoint such agents, counsel, accountants, and consultants as may be required to assist in administering the Plan; and

(i) By written instrument, to allocate and delegate its responsibilities, including the formation of an administrative committee to administer the Plan.



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**11.02. Claims and Review Procedures.**

(a) Claims Procedure. If any person believes he is being denied any rights or benefits under the Plan, such person may file a claim in writing with the Administrator. If any such claim is wholly or partially denied, the Administrator will notify such person of its decision in writing. Such notification will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the person wishes to submit a request for review, including a statement of the such person's right to bring a civil action under ERISA section 502(a) following as adverse determination upon review. Such notification will be given within 90 days after the claim is received by the Administrator (or within 180 days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial 90-day period).

If the claim concerns disability benefits under the Plan, the Plan Administrator must notify the claimant in writing within 45 days after the claim has been filed in order to deny it. If special circumstances require an extension of time to process the claim, the Plan Administrator must notify the claimant before the end of the 45-day period that the claim may take up to 30 days longer to process. If special circumstances still prevent the resolution of the claim, the Plan Administrator may then only take up to another 30 days after giving the claimant notice before the end of the original 30-day extension. If the Plan Administrator gives the claimant notice that the claimant needs to provide additional information regarding the claim, the claimant must do so within 45 days of that notice.

(b) Review Procedure. Within 60 days after the date on which a person receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred), such person (or his duly authorized representative) may (i) file a written request with the Administrator for a review of his denied claim and of pertinent documents and (ii) submit written issues and comments to the Administrator. This written request may include comments, documents, records, and other information relating to the claim for benefits. The claimant shall be provided, upon the claimant's request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits. The review will take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Administrator will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within 60 days after the request for review is received by the Administrator (or within 120 days, if special circumstances require an extension of time for processing the request, such as an election by the Administrator to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period). The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the determination on review.

If the initial claim was for disability benefits under the Plan and has been denied by the Plan Administrator, the claimant will have 180 days from the date the claimant received notice of the claim's denial in which to appeal that decision. The review will be handled completely independently of the findings and decision made regarding the initial claim and will be processed by an individual who is not a subordinate of the individual who denied the initial claim. If the claim requires medical judgment, the individual handling the appeal will consult with a medical professional whom was not consulted regarding the initial claim and who is not a subordinate of anyone consulted regarding the initial claim and identify that medical professional to the claimant.



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The Plan Administrator shall provide the claimant with written notification of a plan's benefit determination on review. In the case of an adverse benefit determination, the notification shall set forth, in a manner calculated to be understood by the claimant – the specific reason or reasons for the adverse determinations, reference to the specific plan provisions on which the benefit determination is based, a statement that the claimant is entitled to receive, upon the claimant's request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits.



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# The CORPORATE*plan for Retirement*[SM]
# EXECUTIVE PLAN

**Adoption Agreement**

**IMPORTANT NOTE**

**This document has not been approved by the Department of Labor, the Internal Revenue Service or any other governmental entity. An Adopting Employer must determine whether the plan is subject to the Federal securities laws and the securities laws of the various states. An Adopting Employer may not rely on this document to ensure any particular tax consequences or to ensure that the Plan is "unfunded and maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees" under the Employee Retirement Income Security Act with respect to the Employer's particular situation. Fidelity Management Trust Company, its affiliates and employees cannot provide you with legal advice in connection with the execution of this document. This document should be reviewed by the Employer's attorney prior to execution.**

111604

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## ADOPTION AGREEMENT
## ARTICLE 1

### 1.01 PLAN INFORMATION

*(a)* ***Name of Plan:***

This is the Ruth's Chris Steak House Deferred Compensation Plan (the "Plan").

*(b)* ***Name of Plan Administrator, if not the Employer:***

Address: Administrative Committee, Attn. Dione Heusel
3321 Hessmer Ave.
Metairie, LA 70002

Phone Number: 504-454-9025

The Plan Administrator is the agent for service of legal process for the Plan.

*(c)* ***Plan Year End*** is December 31.

*(d)* ***Plan Status*** (check one):

(1) ☑ Effective Date of new Plan: 11/15/2005

(2) ☐ Amendment Effective Date: ____________

The original effective date of the Plan: ____________

### 1.02 EMPLOYER

*(a)* ***The Employer is:*** Ruth's Chris Steak House, Inc.

Address: 3321 Hessmer Ave.
Metairie, LA 70002
Contact's Name: Dione M. Heusel
Telephone Number: 504-454-9025

(1) Employer's Tax Identification Number: 72-1060618
(2) Business form of Employer (check one):

(A) ☑ Corporation (Other than a Subchapter S corporation)
(B) ☐ Other (e.g., Subchapter S corporation, partnership, sole proprietor)

(3) Employer's fiscal year end: last Sunday of the year

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*(b)* ***The term "Employer" includes the following Related Employer(s)*** (as defined in Section 2.01(a)(24)):

RCSH Management Inc. and all Related Employers

## 1.03 COVERAGE

*(a)* ***The following Employees are eligible to participate in the Plan:***

(1) ☐ Only those Employees listed in Attachment A will be eligible to participate in the Plan.

(2) ☑ Only those Employees in the eligible class described below will be eligible to participate in the Plan:
Regional Vice President, Vice President, Senior Vice President, Executive Vice President, President. Employment title is determined upon the date of hire or, if by promotion, as of the effective date stated in the Employee's Personnel Action Request. Each individual with the above-named employment titles must have received or, pursuant to a salary increase or bonus, expects to be paid annual compensation equal to or in excess of the definition of highly-compensated employee under Code Section 414(q)(1)(B) and each individual must be eligible for a company bonus. However, if the Administrator should determine that the foregoing eligibility provision is such that the Plan would not be deemed maintained "primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees", i.e. a "top-hat plan" for purposes of ERISA, the Plan Administrator shall narrow the eligibility to the extent necessary in the Plan Administrator's judgment in order to maintain the Plan's status as a top-hat plan. If an Employee fails to meet the eligibility requirements in the immediately preceding year such Employee will cease to be eligible to participate in the Plan.

(3) ☐ Only those Employees described in the Board of Directors Resolutions attached hereto and hereby made a part hereof will be eligible to participate in the Plan.

*(b)* ***The Entry Date(s) shall be*** (check one):

(1) ☐ each January 1.

(2) ☐ each January 1 and each July 1.

(3) ☑ each January 1 and each April 1, July 1 and October 1.

(4) ☐ the first day of each month.

(5) ☐ immediate upon meeting the eligibility requirements specified in Subsection 1.03(a).

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## 1.04 COMPENSATION

***For purposes of determining Contributions under the Plan, Compensation shall be as defined (check (a) or (b) below, as appropriate):***

*(a)* ☑ ***in Section 2.01(a)(8),*** (check (1) or (2) below, if and as appropriate)):

(1) ☐ but excluding (check the appropriate box(es)):

**(A)** ☐ Overtime Pay.

**(B)** ☐ Bonuses.

**(C)** ☐ Commissions.

**(D)** ☐ The value of a qualified or a non-qualified stock option granted to an Employee by the Employer to the extent such value is includable in the Employee's taxable income.

**(E)** ☐ The following: ________________________________________

(2) ☐ except as otherwise provided below: ________________________________________

*(b)* ☐ ***in the ____________ Plan maintained by the Employer to the extent it is in excess of the limit imposed under Code Section 401(a)(17).***

## 1.05 CONTRIBUTIONS

***(a) Employee contributions (Complete all that apply)***

*(1)* ☑ Deferral Contributions. The Employer shall make a Deferral Contribution in accordance with, and subject to, Section 4.01 on behalf of each Participant who has an executed salary reduction agreement in effect with the Employer for the calendar year (or portion of the calendar year) in question, not to exceed 100 % of Compensation, exclusive of any Bonus.

*(2)* ☑ Bonus Contributions. The Employer requires Participants to enter into a special salary reduction agreement to make Deferral Contributions of any percentage of Employer paid cash Bonuses, up to 100% of such Bonuses. (The Compensation definition elected by the Employer in Section 1.04 must include Bonuses if Bonus contributions are permitted.)

*(b)* ☐ ***Matching Contributions (Choose (1) or (2) below, and (3) below, as applicable.)***

*(1)* ☐ The Employer shall make a Matching Contribution on behalf of each Participant in an amount equal to the following percentage of a Participant's Deferral Contributions during the Plan Year (check one):

**(A)** ☐ 50%
**(B)** ☐ 100%
**(C)** ☐ _____%
**(D)** ☐ (Tiered Match) _______ % of the first _______ % of the Participant's Compensation contributed to the Plan.





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(E) ☐ The percentage declared for the year, if any, by a Board of Directors' resolution.

(F) ☐ Other: _____

*(2)* ☐ Matching Contribution Offset. For each Participant who has made 401(k) Deferrals at least equal to the maximum under Code Section 402(g) or, if less, the maximum permitted under the Qualified Plan, the Employer shall make a Matching Contribution for the calendar year equal to (A) minus (B) below:

(A) The 401(m) Match that the Participant would have received under the Qualified Plan for such calendar year on the sum of the Participant's Deferral Contributions and the Participant's 401(k) Deferrals if no limits otherwise imposed by tax law applied to 401(m) Match and deeming the Participant's Deferral Contributions to be 401(k) Deferrals.

(B) The 401(m) Match actually allocated to such Participant under the Qualified Plan for the calendar year.

For purposes of this Section 1.05(b): "Qualified Plan" means the Plan; "401(k) Deferrals" means contributions under the Qualified Plan's cash or deferred arrangement as defined in Code Section 401(k); and "401(m) Match" means a matching contribution as defined in Code Section 401(m).

*(3)* ☐ Matching Contribution Limits (check the appropriate box(es)):

(A) ☐ Deferral Contributions in excess of _____ % of the Participant's Compensation for the period in question shall not be considered for Matching Contributions.

Note: If the Employer elects a percentage limit in (A) above and requests the Trustee to account separately for matched and unmatched Deferral Contributions, the Matching Contributions allocated to each Participant must be computed, and the percentage limit applied, based upon each period.

(B) ☐ Matching Contributions for each Participant for each Plan Year shall be limited to $._____

*(4)* Eligibility Requirement(s) for Matching Contributions. A Participant who makes Deferral Contributions during the Plan Year under Section 1.05(a) shall be entitled to Matching Contributions for that Plan Year if the Participant satisfies the following requirement(s) (Check the appropriate box(es). Options (B) and (C) may not be elected together):

(A) ☐ Is employed by the Employer on the last day of the Plan Year.

(B) ☐ Earns at least 500 Hours of Service during the Plan Year.

(C) ☐ Earns at least 1,000 Hours of Service during the Plan Year.

(D) ☐ Other: _____



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(E) ☐ No requirements.

**Note:** If option (A), (B) or (C) above is selected, then Matching Contributions can only be **made** by the Employer **after** the Plan Year ends. Any Matching Contribution made before Plan Year end shall not be subject to the eligibility requirements of this Section 1.05(b)(3)).

*(c)* ***Employer Contributions***

*(1)* ☐ Fixed Employer Contributions. The Employer shall make an Employer Contribution on behalf of each Participant in an amount determined as described below (check at least one):

**(A)** ☐ In an amount equal to _____ % of each Participant's Compensation each Plan Year.

**(B)** ☐ In an amount determined and allocated as described below:

____________________

**(C)** ☐ In an amount equal to (check at least one):

(i.) ☐ Any profit sharing contribution that the Employer would have made on behalf of the Participant under the following qualified defined contribution plan but for the limitations imposed by Code Section 401(a)(17):

____________________

(ii.) ☐ Any contribution described in Code Section 401(m) that the Employer would have made on behalf of the Participant under the following qualified defined contribution plan but for the limitations imposed by Code Section 401(a)(17):

____________________

*(2)* ☐ Discretionary Employer Contributions. The Employer may make Employer Contributions to the accounts of Participants in any amount, as determined by the Employer in its sole discretion from time to time, which amount may be zero.

*(3)* Eligibility Requirement(s) for Employer Contributions. A Participant shall only be entitled to Employer Contributions under Section 1.05(c)(1) for a Plan Year if the Participant satisfies the following requirement(s) (Check the appropriate box(es). Options (B) and (C) may not be elected together):

**(A)** ☐ Is employed by the Employer on the last day of the Plan Year.

**(B)** ☐ Earns at least 500 Hours of Service during the Plan Year.

**(C)** ☐ Earns at least 1,000 Hours of Service during the Plan Year.

**(D)** ☐ Other: ____________________



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(E) ☐ No requirements.

## 1.06 DISTRIBUTION DATES

Distribution from a Participant's Account pursuant to Section 8.02 shall begin upon the following date(s) (check either (a) or (b); check (c), if desired):

***(a)*** ☐ ***Non-Class Year Accounting (complete (1) and (2)).***

***(1)*** The earliest of termination of employment with the Employer (see Plan Section 7.03) and the following event(s) (check appropriate box(es); if none selected, all distributions will be upon termination of employment):

***(A)*** ☐ Attainment of Normal Retirement Age (as defined in Section 1.07(f)).

***(B)*** ☐ Attainment of Early Retirement Age (as defined in Section 1.07(g)).

***(C)*** ☐ The date on which the Participant becomes disabled (as defined in Section 1.07(h)).

***(2)*** Timing of distribution (check either (A) or (B)).

***(A)*** ☐ The distribution of the Participant's Account will be begin in the month following the event described in (a)(1) above, however, if the event is termination of employment, then such distribution will begin as soon as practicable on or after the 1st day of the seventh calendar month following such separation if the Participant was a Key Employee.

***(B)*** ☐ The distribution of the Participant's Account will begin as soon as administratively feasible in the calendar year following distribution event described in (a)(1) above, provided however, that if the event is termination of employment, in no event will such distribution begin earlier than the 1st day of the seventh calendar month following such separation if the Participant was a Key Employee.

***(b)*** ☑ ***Class Year Accounting (complete (1) and (2)).***

***(1)*** Upon (check at least one; (A) must be selected if plan has contributions pursuant to section 1.05(b) or (c)):

***(A)*** ☑ Termination of employment with the Employer (see Plan Section 7.03); provided however, that if the event is termination of employment, in no event will such distribution begin earlier than the 1st day of the seventh calendar month following such separation if the Participant was a Key Employee.

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*(B)* ☑ The date elected by the Participant, pursuant to Plan Section 8.02, and subject to the restrictions imposed in Plan Section 8.02 with respect to future Deferral Contributions, in which event such date of distribution must be at least one year after the date such Deferral Contribution would have been paid to the Participant in cash in the absence of the election to make the Deferral Contribution.

(3) Timing of distribution subject to Subsection (b)(1)(A) above (check either (A) or (B)). **See Amendment**

*(A)* ☑ The Distribution of the Participant's Account will begin ____ (specify month and day) following the event described in (b)(1) above.

*(B)* ☐ The Distribution of the Participant's Account will begin _____ (specify month and day) of the calendar year following the event described in (b)(1) above.

*(c)* ☑ ***Upon a Change of Control in accordance with Plan Section 7.08.*** **See Amendment**

Note: Internal Revenue Code Section 280G could impose certain, adverse tax consequences on both Participants and the Employer as a result of the application of this Section 1.06(c). The Employer should consult with its attorney prior to electing to apply Section 1. 06(c).

## 1.07 VESTING SCHEDULE

***(a) The Participant's vested percentage in Matching Contributions elected in Section 1.05(b) shall be based upon the schedule(s) selected below.***

**(1)** ☑ N/A - No Matching Contributions

**(2)** ☐ 100% Vesting immediately

**(3)** ☐ 3 year cliff (see **C** below)

**(4)** ☐ 5 year cliff (see **D** below)

**(5)** ☐ 6 year graduated (see **E** below)

**(6)** ☐ 7 year graduated (see **F** below)

**(7)** ☐ **G** below

**(8)** ☐ Other (Attachment "B")



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| Years of Service for Vesting | Vesting Schedule C | D | E | F | G |
|---|---|---|---|---|---|
| 0 | 0% | 0% | 0% | 0% | |
| 1 | 0% | 0% | 0% | 0% | |
| 2 | 0% | 0% | 20% | 0% | |
| 3 | 100% | 0% | 40% | 20% | |
| 4 | 100% | 0% | 60% | 40% | |
| 5 | 100% | 100% | 80% | 60% | |
| 6 | 100% | 100% | 100% | 80% | |
| 7 | 100% | 100% | 100% | 100% | 100% |

***(b) The Participant's vested percentage in Employer Contributions elected in Section 1.05(c) shall be based upon the schedule(s) selected below.***

(1) ☑ N/A - No Employer Contributions

(2) ☐ 100% Vesting immediately

(3) ☐ 3 year cliff (see **C** below)

(4) ☐ 5 year cliff (see **D** below)

(5) ☐ 6 year graduated (see **E** below)

(6) ☐ 7 year graduated (see **F** below)

(7) ☐ **G** below

(8) ☐ Other (Attachment "B")

| Years of Service for Vesting | Vesting Schedule C | D | E | F | G |
|---|---|---|---|---|---|
| 0 | 0% | 0% | 0% | 0% | |
| 1 | 0% | 0% | 0% | 0% | |
| 2 | 0% | 0% | 20% | 0% | |
| 3 | 100% | 0% | 40% | 20% | |
| 4 | 100% | 0% | 60% | 40% | |
| 5 | 100% | 100% | 80% | 60% | |
| 6 | 100% | 100% | 100% | 80% | |
| 7 | 100% | 100% | 100% | 100% | 100% |

***(c)*** ☐ ***Years of Service for Vesting shall exclude*** (check one):

(1) ☐ for new plans, service prior to the Effective Date as defined in Section 1.01(d)(1).

(2) ☐ for existing plans converting from another plan document, service prior to the original Effective Date as defined in Section 1.01(d)(2).



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***(d)*** ☐ ***A Participant will forfeit his Matching Contributions and Employer Contributions upon the occurrence of the following event (s):***

______________________________

***(e)*** ***A Participant will be 100% vested in his Matching Contributions and Employer Contributions upon (check the appropriate box(es), if any; if 1.06(c) is selected, Participants will automatically vest upon Change of Control as defined in Section 1.12):***

(1) ☐ Normal Retirement Age (as defined in Section 1.07(f)).

(2) ☐ Early Retirement Age (as defined in Section 1.07(g)).

(3) ☐ Death.

(4) ☐ The date on which the Participant becomes disabled, as determined under Section 1.07(h) of the Plan.

***(f)*** ***Normal Retirement Age under the Plan is*** (check one):

(1) ☑ age 65.

(2) ☐ age __ (specify from 55 through 64).

(3) ☐ the later of age _____ (cannot exceed 65) or the fifth anniversary of the Participant's Commencement Date.

If no box is checked in this Section 1.07(f), then Normal Retirement Age is 65.

***(g)*** ☐ ***Early Retirement Age is the first day of the month after the Participant attains age _ (specify 55 or greater) and completes _____ Years of Service for Vesting.***

***(h)*** ☐ ***A Participant is considered disabled when that Participant (check one):***

(1) ☐ is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(2) ☐ is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Employer.

21.48-011868-111005.081 111005 190SE5T

## 1.08 PREDECESSOR EMPLOYER SERVICE

☐ ***Service for purposes of vesting in Section 1.07(a) and (b) shall include service with the following employer(s):***

## 1.09 UNFORESEEABLE EMERGENCY WITHDRAWALS

***Participant withdrawals for unforeseeable emergency prior to termination of employment (check one):***

***(a)*** ☑ ***will be allowed in accordance with Section 7.07, subject to a $*** 25,000 ***minimum amount. (Must be at least $1,000)***

***(b)*** ☐ ***will not be allowed.***

## 1.10 DISTRIBUTIONS

***Subject to Articles 7 and 8 distributions under the Plan are always available as a lump sum. Check below to allow distributions in installment payments:***

☑ ***under a systematic withdrawal plan (installments) not to exceed 10 years which (check one if box for this Section is selected):***

***(a)*** ☐ ***will not be accelerated, regardless of the Participant's Account balance.***

***(b)*** ☑ ***will be accelerated to a lump sum distribution in accordance with Section 8.03.***

## 1.11 INVESTMENT DECISIONS

**(a)** ***Investment Directions***
Investments in which the Accounts of Participants shall be treated as invested and reinvested shall be directed (check one):

(1) ☐ by the Employer among the options listed in (b) below.

(2) ☑ by each Participant among the options listed in (b) below.

(3) ☐ in accordance with investment directions provided by each Participant for all contribution sources in a Participant's Account except the following sources shall be invested as directed by the Employer (check (A) and/or (B)):

**(A)** ☐ Nonelective Employer Contributions

**(B)** ☐ Matching Employer Contributions

The Employer must direct the applicable sources among the same investment options made available for Participant directed sources listed in the Service Agreement.



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*(b)* ***Plan Investment Options***

Participant Accounts will be treated as invested among the Investment Funds listed in the Service Agreement from time to time pursuant to Participant and/or Employer directions, as applicable.

**Note:** The method and frequency for change of investments will be determined under the rules applicable to the selected funds. Information will be provided regarding expenses, if any, for changes in investment options.

## 1.12 RELIANCE ON PLAN

An adopting Employer may not rely solely on this Plan to ensure that the Plan is "unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" with respect to the Employer's particular situation. This Agreement must be reviewed by the Employer's attorney before it is executed.

This Adoption Agreement may be used only in conjunction with the CORPORATEplan for Retirement Executive Plan Basic Plan Document.

21.48-011868-111005.C03 111005 1905EST

**EXECUTION PAGE**
**(Fidelity's Copy)**

IN WITNESS WHEREOF, the Employer has caused this Adoption Agreement to be executed this 1st day of October, 2005.

Employer Ruth's Chris Steak House Inc

By [signature]

Title Vice President, Human Resources

IN WITNESS WHEREOF, the Employer has caused this Adoption Agreement to be executed this 1st day of October, 2005.

Employer Ruth's Chris Steak House, Inc

By [signature]

Title CFO



21.48-011868-111005.034 111005 1905EST

**EXECUTION PAGE**
**(Employer's Copy)**

Copy

IN WITNESS WHEREOF, the Employer has caused this Adoption Agreement to be executed this 1 day of October, 2005.

Employer Ruth's Chris Steak House Inc

By Nadine Heuer

Title Vice President, Human Resources

IN WITNESS WHEREOF, the Employer has caused this Adoption Agreement to be executed this 18 day of October, 2005.

Employer Ruth's Chris Steak House, Inc

By [signature]

Title CFO/EVP



111604

21.48-011868-111005.085 111005 1905EST

**Attachment A**

**Pursuant to Section 1.03(a), the following are the Employees who are eligible to participate in the Plan:**

**Employer** ______________________________

**By** ______________________________

**Title** ______________________________

**Date** ______________________________

**Note:** The Employer must revise Attachment A to add Employees as they become eligible or delete Employees who are no longer eligible. Attachment A should be signed and dated every time a change is made.

21.48-011368-111005.089 111005 1905557

### Attachment B

*(a)* ☐ ***The Participant's vested percentage in Matching Contributions elected in Section 1.05(b) shall be based upon the following schedule:***

______________________________________________

*(b)* ☐ ***The Participant's vested percentage in Employer Contributions elected in Section 1.05(c) shall be based upon the following schedule:***

______________________________________________

21.48-011868-111005.087 111005 1905EST

**AMENDMENT NUMBER ONE**
**TO THE**
**RUTH'S CHRIS STEAK HOUSE**
**DEFERRED COMPENSATION PLAN**

**WHEREAS**, the Ruth's Chris Steak House Deferred Compensation Plan (the "Plan") is adopted, effective November 15, 2005, in the form of a Fidelity prototype identified as "The CORPORATE*plan for Retirement* Executive Plan" Adoption Agreement and Basic Plan document;

**WHEREAS**, Section 9.01 of the Plan permits amendment by Ruth's Chris Steak House, Inc. (the "Employer");

**WHEREAS**, the purpose of this amendment is to permit bonus compensation that does not meet the Plan's definition of performance-based bonus compensation to be deferred, to provide the date when distribution will be made or commence following termination of employment for the Participant who is not a Key Employee, define Change of Control, permit distribution pursuant to a Domestic Relations Order, clarify investment provisions, provide for distribution to a beneficiary in a lump sum payment, revise the "de minims" distribution rule, reference Section 409A of the Internal Revenue Code as governing law, and make other revisions for clarification purposes;

**NOW, THEREFORE,** the Plan is hereby amended as follows:

**I.**

Section 1.04(a)(2) of the Adoption Agreement is amended to read as follows:

(2) ☒ except as otherwise provided below:

other bonus compensation that is not performance-based bonus Compensation will be included in the definition of Compensation for purposes of Deferrals Contributions if the Participant makes a separate election to defer such Compensation.

**II.**

A new Paragraph (3) is added to Section 1.05(a) of the Adoption Agreement to read as follows:

(3) ☒ Other Bonus Contributions. The Employer requires Participants to enter into a special salary reduction agreement to make Deferral Contributions of any percentage of Employer paid cash bonus Compensation that does not meet the definition of Bonus, up to 100% of such Compensation .



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## III.

Subparagraph (A) of Section 1.06(b)(2) of the Adoption Agreement:

(A) ☒ The Distribution of the Participant's Account will be made or commence on the 60th day following the event described in (b)(1) above.

## IV.

Paragraph (c) to Section 1.06 of the Adoption Agreement is amended and restated to read as follows:

(c) ***Change of Control***. Upon the occurrence of one or more of the following Change of Control events, distribution will be made of all of the Participant's vested benefit in accordance with Plan Section 7.08.

☐ a change in the ownership of the Employer

☐ a change in the effective control of the Employer

☐ a change in the ownership of a substantial portion of the assets of the Employer

☒ all of the above.

## V.

A new Paragraph (d) is added to Section 1.06 of the Adoption Agreement to read as follows:

(d) ☒ Pursuant to a Domestic Relations Order in accordance with Plan Section 7.09.

## VI.

The first sentence of Section 1.11(b) of the Adoption Agreement is amended and restated to read as follows:

Participant Accounts will be treated as invested among the Investment Funds listed in the Service Agreement from time to time pursuant to Participant's or Beneficiary's deemed investment selection and/or Employer directions, as applicable.

## VII.

The following is added to the end of Section 6.01, **Manner of Investment** of the Basic Plan document, to read as follows:



21.48-011868-111005.089 111005 1905EST

Any investment selection made by the Participant or Beneficiary is a deemed investment for the Employer's benefit. A Participant shall have no right to compel investment for any amount credited to his Account.

VIII.

Section 7.08, **Change of Control Distributions** of the Basic Plan document, is amended and restated to read as follows:

If the Employer has elected to apply Section 1.06(c), then, upon a Change in Control certified by the Plan Administrator, notwithstanding any other provision of the Plan to the contrary, all Participants shall have a nonforfeitable right to receive the entire amount of their account balances under the Plan. All distributions due to a Change of Control shall be paid out to Participants as soon as administratively practicable, except that any such distribution to a Key Employee who has terminated employment pursuant to Section 7.03 shall not be earlier than the 1st day of the seventh month following that Key Employee's termination of employment.

To qualify as a Change in Control, the occurrence of the event must be objectively determinable and any requirement that the Plan Administrator certify the occurrence of a Change in Control must be strictly ministerial and not involve any discretionary authority.

To constitute a Change in Control as to the Participant, the Change in Control must relate to (i) the corporation for whom the Participant is performing services at the time of the Change in Control, (ii) the corporation that is liable for the payment of the deferred compensation (or all corporations liable for the payment if more than one corporation is liable), or (iii) a corporation that is a majority shareholder of a corporation identified in (i) or (ii), or any corporation in a chain of corporations in which each corporation is a majority shareholder of another corporation in the chain, ending in a corporation identified in (i) or (ii).

IX.

A new Section 7.09, **Domestic Relations Order** of the Basic Plan document, is added to read as follows:

If the Employer has elected to apply Section 1.06(d), the Plan may accelerate the time and schedule of payment of Participant's vested benefit to an individual other than the Participant as may be necessary to fulfill a domestic relations order (as defined in Code Section 414(p)(1)(B)).

X.

The last two sentences of Section 8.02(b) of the Basic Plan document are amended and restated to read as follows:



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Notwithstanding the above, if the Participant dies before his or her benefit has been fully distributed, the Participant's benefit shall be paid to the Participant's Beneficiary in a lump sum distribution.

## XI.

The introductory paragraph of Section 8.03, **Determination of Method of Distribution**, of the Basic Plan document is amended and restated to read as follows:

The Participant will determine the method of distribution of benefits to himself, subject to the provisions of Section 8.02. Such determination will be made at the time the Participant makes a deferral election. A Participant's election cannot be altered, except, if elected by the Employer in Section 1.10(b) if the Participant's or Beneficiary's balance is a "de minimus" amount as described in Internal Revenue Service guidance regarding Code Section 409A. A "de minimus" amount will be payable in lump sum, provided that (i) the payment accompanies the termination of the entirety of the participant's interest in the plan; (ii) the payment is made on or before the later of (A) December 31 of the calendar year in which occurs the participant's separation from service from the service recipient or (B) the date 2 ½ months after the participant's separation from service from the service recipient; and (iii) the payment is not greater than $10,000.

## XII.

The following is added to the end of Section 9.01, **Amendment by Employer** of the Basic Plan document, to read as follows:

The Plan cannot be amended to accelerate the payment of a benefit unless the amendment is not a violation of Code Section 409A. No amendment (otherwise limited under the previous sentence) shall be made that would accelerate the inclusion of a Participant's Account in the Participant's taxable income unless the Employer intentionally effects such a result. An acceleration of payment that is not authorized by the Plan will result in the taxation of the vested amount of the deferral, as if it had been included in taxable income in the first year of deferral, plus interest. Also, an additional penalty tax of 20% of the vested deferral is imposed.

## XIII.

Section 10.07, **Governing Law** of the Basic Plan document is amended and restated to read as follows:

10.07. **Governing Law**. The Plan and the accompanying Adoption Agreement will be construed, administered and enforced according to Internal Revenue Code Section 409A and related Internal Revenue Service guidance, ERISA, and to the extent not preempted thereby, the laws of the Commonwealth of Massachusetts, without regard to its conflicts of law principles.



21.48-011868-111005.091 111005 1905EST

**IN WITNESS WHEREOF,** the Employer has caused this amendment to be executed, the 16 day of SEPT, 2005.

**WITNESSES:**

**RUTH'S CHRIS STEAK HOUSE, INC.**

By:

{N1329349.4}



21.48-011868-111005.092 111005 1905EST

**The CORPORATE*plan for Retirement*[SM]**
**EXECUTIVE PLAN**

Adoption Agreement

***IMPORTANT NOTE***

***This document has not been approved by the Department of Labor, the Internal Revenue Service or any other governmental entity. An Employer must determine whether the plan is subject to the Federal securities laws and the securities laws of the various states. An Employer may not rely on this document to ensure any particular tax consequences or to ensure that the Plan is "unfunded and maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees" under the Employee Retirement Income Security Act with respect to the Employer's particular situation. Fidelity Management Trust Company, its affiliates and employees cannot and do not provide legal or tax advice or opinions in connection with this document. This document does not constitute legal or tax advice or opinions and is not intended or written to be used, and it cannot be used by any taxpayer, for the purposes of avoiding penalties that may be imposed on the taxpayer. This document <u>must</u> be reviewed by the Employer's attorney prior to adoption.***



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# ADOPTION AGREEMENT
# ARTICLE 1

## 1.01 PLAN INFORMATION

(a) Name of Plan:

This is the Ruth's Hospitality Group Deferred Compensation Plan (the "Plan").

(b) Plan Status *(Check one.)*:

(1) Adoption Agreement effective date: 01/01/2008.

(2) The Adoption Agreement effective date is *(Check (A) or check and complete (B))*:

(A) ☐ A new Plan effective date.

(B) ☑ An amendment and restatement of the Plan. The original effective date of the Plan was: 11/15/2005.

(c) Name of Administrator, if not the Employer:

Administrative Committee, Attn. Sarah Jackson

## 1.02 EMPLOYER

(a) Employer Name: Ruth's Hospitality Group, Inc.

(b) The term "Employer" includes the following Related Employer(s) (as defined in Section 2.01(a)(25)) participating in the Plan:

RCSH Management, Inc. and all Related Employers


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## 1.03 COVERAGE

*(Check (a) and/or (b).)*

(a) ☑ The following Employees are eligible to participate in the Plan *(Check (1) or (2))*:

(1) ☐ Only those Employees designated in writing by the Employer, which writing is hereby incorporated herein.

(2) ☑ Only those Employees in the eligible class described below:

Regional Vice President, Vice President, Senior Vice President, Executive Vice President, President. Employment title is determined upon the date of hire or, if by promotion, as of the effective date stated in the Employee's Personnel Action Request. Each individual with the above-named employment titles must have received or, pursuant to a salary increase or bonus, expects to be paid annual compensation equal to or in excess of the definition of highly-compensated employee under Code Section 414(q)(1)(B) and each individual must be eligible for a company bonus. However, if the Administrator should determine that the foregoing eligibility provision is such that the Plan would not be deemed maintained "primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees", i.e. a "top-hat plan" for purposes of ERISA, the Plan Administrator shall narrow the eligibility to the extent necessary in the Plan Administrator's judgment in order to maintain the Plan's status as a top-hat plan.

(b) ☐ The following Directors are eligible to participate in the Plan *(Check (1) or (2))*:

(1) ☐ Only those Directors designated in writing by the Employer, which writing is hereby incorporated herein.

(2) ☐ All Directors, effective as of the later of the date in 1.01(b) or the date the Director becomes a Director.

(Note: A designation in Section 1.03(a)(1) or Section 1.03(b)(1) or a description in Section 1.03(a)(2) must include the effective date of such participation.)


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## 1.04 COMPENSATION

*(If Section 1.03(a) is selected, select (a) or (b). If Section 1.03(b) is selected, complete (c))*

For purposes of determining all contributions under the Plan:

(a) ☐ Compensation shall be as defined, with respect to Employees, in the ______________________ Plan maintained by the Employer:

(1) ☐ to the extent it is in excess of the limit imposed under Code section 401(a)(17).

(2) ☐ notwithstanding the limit imposed under Code section 401(a)(17).

(b) ☑ Compensation shall be as defined in Section 2.01(a)(9) with respect to Employees *(Check (1), and/or (2) below, if, and as, appropriate)*:

(1) ☐ but excluding the following:

____________________________________________

(2) ☑ but excluding bonuses, except those bonuses listed in the table in Section 1.05(a)(2).

(c) ☐ Compensation shall be as defined in Section 2.01(a)(9)(c) with respect to Directors, but excluding the following:

____________________________________________

## 1.05 CONTRIBUTIONS ON BEHALF OF EMPLOYEES

(a) Deferral Contributions *(Complete all that apply)*:

(1) ☑ Deferral Contributions. Subject to any minimum or maximum deferral amount provided below, the Employer shall make a Deferral Contribution in accordance with, and subject to, Section 4.01 on behalf of each Participant who has an executed salary reduction agreement in effect with the Employer for the applicable calendar year (or portion of the applicable calendar year).


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| Deferral Contributions Type of Compensation | Dollar Amount | | % Amount | |
|---|---|---|---|---|
| | Min | Max | Min | Max |
| Non-Bonus Compensation | | | 0 | 100 |

(Note: With respect to each type of Compensation, list the minimum and maximum dollar amounts or percentages as whole dollar amounts or whole number percentages.)

(2) ☑ Deferral Contributions with respect to Bonus Compensation only. The Employer requires Participants to enter into a special salary reduction agreement to make Deferral Contributions with respect to one or more Bonuses, subject to minimum and maximum deferral limitations, as provided in the table below.

| Deferral Contributions Type of Bonus | Treated As | | Dollar Amount | | % Amount | |
|---|---|---|---|---|---|---|
| | Performance Based | Non-Performance Based | Min | Max | Min | Max |
| Performance Based Bonus | Yes | | | | 0 | 100 |
| Non-Performance Based Bonus | | Yes | | | 0 | 100 |

(Note: With respect to each type of Bonus, list the minimum and maximum dollar amounts or percentages as whole dollar amounts or whole number percentages. In the event a bonus identified as a Performance-based Bonus above does not constitute a Performance-based Bonus with respect to any Participant, such Bonus will be treated as a Non-Performance-based Bonus with respect to such Participant.)

(b) Matching Contributions *(Choose (1) or (2) below, and (3) below, as applicable):*

(1) ☐ The Employer shall make a Matching Contribution on behalf of each Employee Participant in an amount described below:

(A) ☐ __% of the Employee Participant's Deferral Contributions for the calendar year.

(B) ☐ The amount, if any, declared by the Employer in writing, which writing is hereby incorporated herein.

(C) ☐Other: ______________________________

(2) ☐ Matching Contribution Offset. For each Employee Participant who has made elective contributions (as defined in 26 CFR section 1.401(k)-6 ("QP Deferrals")) of the maximum permitted under Code section 402(g), or the maximum permitted under the terms of the ______________________


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Plan (the "QP"), to the QP, the Employer shall make a Matching Contribution in an amount equal to (A) minus (B) below:

(A) The matching contributions (as defined in 26 CFR section 1.401(m)-1(a)(2) ("QP Match")) that the Employee Participant would have received under the QP on the sum of the Deferral Contributions and the Participant's QP Deferrals, determined as though—

- no limits otherwise imposed by the tax law applied to such QP match; and
- the Employee Participant's Deferral Contributions had been made to the QP.

(B) The QP Match actually made to such Employee Participant under the QP for the applicable calendar year.

Provided, however, that the Matching Contributions made on behalf of any Employee Participant pursuant to this Section 1.05(b)(2) shall be limited as provided in Section 4.02 hereof.

(3) ☐ Matching Contribution Limits *(Check the appropriate box (es))*:

(A) ☐ Deferral Contributions in excess of __% of the Employee Participant's Compensation for the calendar year shall not be considered for Matching Contributions.

(B) ☐ Matching Contributions for each Employee Participant for each calendar year shall be limited to $_______.

(c) Employer Contributions

(1) ☐ Fixed Employer Contributions. The Employer shall make an Employer Contribution on behalf of each Employee Participant in an amount determined as described below:

_______________________________________________

_______________________________________________

(2) ☐ Discretionary Employer Contributions. The Employer may make Employer Contributions to the accounts of Employee Participants in any amount (which amount may be zero), as determined by the Employer in its sole discretion from time to time in a writing, which is hereby incorporated herein.

1.06 <u>CONTRIBUTIONS ON BEHALF OF DIRECTORS</u>

(a) ☐ Director Deferral Contributions


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The Employer shall make a Deferral Contribution in accordance with, and subject to, Section 4.01 on behalf of each Director Participant who has an executed deferral agreement in effect with the Employer for the applicable calendar year (or portion of the applicable calendar year), which deferral agreement shall be subject to any minimum and/or maximum deferral amounts provided in the table below.

| Deferral Contributions Type of Compensation | Dollar Amount | | % Amount | |
|---|---|---|---|---|
| | Min | Max | Min | Max |
| | | | | |
| | | | | |
| | | | | |

(Note: With respect to each type of Compensation, list the minimum and maximum dollar amounts or percentages as whole dollar amounts or whole number percentages.)

(b) Matching and Employer Contributions:

(1) ☐ Matching Contributions. The Employer shall make a Matching Contribution on behalf of each Director Participant in an amount determined as described below:

________________________________________

________________________________________

(2) ☐ Fixed Employer Contributions. The Employer shall make an Employer Contribution on behalf of each Director Participant in an amount determined as described below:

________________________________________

________________________________________

(3) ☐ Discretionary Employer Contributions. The Employer may make Employer Contributions to the accounts of Director Participants in any amount (which amount may be zero), as determined by the Employer in its sole discretion from time to time, in a writing, which is hereby incorporated herein.

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1.07 DISTRIBUTIONS

The form and timing of distributions from the Participant's vested Account shall be made consistent with the elections in this Section 1.07.

(a) (1) Distribution options to be provided to Participants

| | (A) Specified Date | (B) Specified Age | (C) Separation From Service | (D) Earlier of Separation or Age | (E) Earlier of Separation or Specified Date | (F) Disability | (G) Change in Control | (H) Death |
|---|---|---|---|---|---|---|---|---|
| Deferral Contribution | ☑ Lump Sum<br>☑ Installments | ☐ Lump Sum<br>☐ Installments | ☑ Lump Sum<br>☑ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum | ☐ Lump Sum<br>☐ Installments |
| Matching Contributions | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum | ☐ Lump Sum<br>☐ Installments |
| Employer Contributions | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum | ☐ Lump Sum<br>☐ Installments |

(Note: If the Employer elects (F), (G), or (H) above, the Employer must also elect (A), (B), (C), (D), or (E) above, and the Participant must also elect (A), (B), (C), (D), or (E) above. In the event the Employer elects only a single payment trigger and/or payment method above, then such single payment trigger and/or payment method shall automatically apply to the Participant. If the employer elects to provide for payment upon a specified date or age, and the employer applies a vesting schedule to amounts that may be subject to such payment trigger(s), the employer must apply a minimum deferral period, the number of years of which must be greater than the number of years required for 100% vesting in any such amounts. If the employer elects to provide for payment upon disability and/or death, and the employer applies a vesting schedule to amounts that may be subject to such payment trigger, the employer must also elect to apply 100% vesting in any such amounts upon disability and/or death.)

(2) ☐ A Participant incurs a Disability when the Participant *(Check at least one if Section 1.07(a)(1)(F) or if Section 1.08(e)(3) is elected)*:

(A) ☐ is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(B) ☐ is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a


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continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Employer.

(C) ☐ is determined to be totally disabled by the Social Security Administration or the Railroad Retirement Board.

(D) ☐ is determined to be disabled pursuant to the following disability insurance program: _______ the definition of disability under which complies with the requirements in regulations under Code section 409A.

(Note: If more than one box above is checked, then the Participant will have a Disability if he satisfies at least one of the descriptions corresponding to one of such checked boxes.)

(3) ☐ Regardless of any payment trigger and, as applicable, payment method, to which the Participant would otherwise be subject pursuant to (1) above, the first to occur of the following Plan-level payment triggers will cause payment to the Participant commencing pursuant to Section 1.07(c)(1) below in a lump sum, provided such Plan-level payment trigger occurs prior to the payment trigger to which the Participant would otherwise be subject.

Payment Trigger

(A) ☐ Separation from Service prior to: ____________

(B) ☐ Separation from Service
(C) ☐ Death
(D) ☐ Change in Control

(b) Distribution Election Change

A Participant

(1) ☐ shall
(2) ☑ shall not

be permitted to modify a scheduled distribution election in accordance with Section 8.01(b) hereof.


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(c) Commencement of Distributions

(1) Each lump sum distribution and the first distribution in a series of installment payments (if applicable) shall commence as elected in (A), (B) or (C) below:

| | |
|---|---|
| (A) ☑ | Monthly on the 1st day of the month which day next follows the applicable triggering event described in 1.07(a). |
| (B) ☐ | Quarterly on the _____ day of the following months ___________, ____________, ____________, or___________ (list one month in each calendar quarter) which day next follows the applicable triggering event described in 1.07(a). |
| (C) ☐ | Annually on the _____ day of ___________ (month) which day next follows the applicable triggering event described in 1.07(a). |

(Note: Notwithstanding the above: a six-month delay shall be imposed with respect to certain distributions to Specified Employees; a Participant who chooses payment on a Specified Date will choose a month, year or quarter (as applicable) only, and payment will be made on the applicable date elected in (A), (B) or (C) above that falls within such month, year or quarter elected by the Participant.)

(2) The commencement of distributions pursuant to the events elected in Section 1.07(a)(1) and Section 1.07(a)(3) shall be modified by application of the following:

(A) ☐ Separation from Service Event Delay – Separation from Service will be treated as not having occurred for _____ months after the date of such event.

(B) ☐ Plan Level Delay – all distribution events (other than those based on Specified Date or Specified Age) will be treated as not having occurred for _____ days (insert number of days but not more than 30).

(d) Installment Frequency and Duration

If installments are available under the Plan pursuant to Section 1.07(a), a Participant shall be permitted to elect that the installments will be paid *(Complete 1 and 2 below):*

(1) at the following intervals:

(A) ☐ Monthly commencing on the day elected in Section 1.07(c)(1).

(B) ☐ Quarterly commencing on the day elected in Section1.07(c)(1) (with payments made at three-month intervals thereafter).

(C) ☑ Annually commencing on the day elected in Section 1.07(c)(1).


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(2) over the following term(s) *(Complete either (A) or (B))*:

(A) ☑ Any term of whole years between 2 (minimum of 1) and 10 (maximum of 30).

(B) ☐ Any of the whole year terms selected below.

| ☐ 1 | ☐ 2 | ☐ 3 | ☐ 4 | ☐ 5 | ☐ 6 |
|---|---|---|---|---|---|
| ☐ 7 | ☐ 8 | ☐ 9 | ☐ 10 | ☐ 11 | ☐ 12 |
| ☐ 13 | ☐ 14 | ☐ 15 | ☐ 16 | ☐ 17 | ☐ 18 |
| ☐ 19 | ☐ 20 | ☐ 21 | ☐ 22 | ☐ 23 | ☐ 24 |
| ☐ 25 | ☐ 26 | ☐ 27 | ☐ 28 | ☐ 29 | ☐ 30 |

(Note: Only elect a term of one year if Section 1.07(d)(1)(A) and/or Section 1.07(d)(1)(B) is elected above.)

(e) Conversion to Lump Sum

☐ Notwithstanding anything herein to the contrary , if the Participant's vested Account at the time such Account becomes payable to him hereunder does not exceed $ __ distribution of the Participant's vested Account shall automatically be made in the form of a single lump sum at the time prescribed in Section 1.07(c)(1).

(f) Distribution Rules Applicable to Pre-effective Date Accruals

☐ Benefits accrued under the Plan (subject to Code section 409A) prior to the date in Section 1.01(b)(1) above are subject to distribution rules not described in Section 1.07(a) through (e), and such rules are described in Attachment A Re: PRE EFFECTIVE DATE ACCRUAL DISTRIBUTION RULES.

1.08 VESTING SCHEDULE

(a) (1) The Participant's vested percentage in Matching Contributions elected in Section 1.05(b) shall be based upon the following schedule and unless Section 1.08(a)(2) is checked below will be based on the elapsed time method as described in Section 7.03(b).

(2) ☐ Vesting shall be based on the class year method as described in Section 7.03(c).

(b) (1) The Participant's vested percentage in Employer Contributions elected in Section 1.05(c) shall be based upon the following schedule and unless Section 1.08(b)(2) is checked below will be based on the elapsed time method as described in Section 7.03(b).


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(2) ☐ Vesting shall be based on the class year method as described in Section 7.03(c).

(c) ☐ Years of Service shall exclude *(Check one.)*:

(1) ☐ for new plans, service prior to the Effective Date as defined in Section 1.01(b)(2)(A).

(2) ☐ for existing plans converting from another plan document, service prior to the original Effective Date as defined in Section 1.01(b)(2)(B).

(Note: Do not elect to apply this Section 1.08(c) if vesting is based only on the class year method.)

(d) ☐ Notwithstanding anything to the contrary herein, a Participant will forfeit his Matching Contributions and Employer Contributions (regardless of whether vested) upon the occurrence of the following event(s):

______________________________________________

______________________________________________

(Note: Contributions with respect to Directors, which are 100% vested at all times, are subject to the rule in this subsection (d).)

(e) A Participant will be 100% vested in his Matching Contributions and Employer Contributions upon *(Check the appropriate box(es))*:

(1) ☐ Retirement eligibility is the date the Participant attains age __ and completes __ Years of Service, as defined in Section 7.03(b).

(2) ☐ Death.

(3) ☐ The date on which the Participant becomes disabled, as determined under Section 1.07(a)(2).

(Note: Participants will automatically vest upon Change in Control if Section 1.07(a)(1)(G) is elected.)

(f) ☐ Years of Service in Section 1.08 (a)(1) and Section 1.08 (b)(1) shall include service with the following employers:


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## 1.09 INVESTMENT DECISIONS

A Participant's Account shall be treated as invested in the Permissible Investments as directed by the Participant unless otherwise provided below:

________________________________________

________________________________________

## 1.10 ADDITIONAL PROVISIONS

The Employer may elect Option below and complete the Superseding Provisions Addendum to describe overriding provisions that are not otherwise reflected in this Adoption Agreement.

☑ The Employer has completed the Superseding Provisions Addendum to reflect the provisions of the Plan that supersede provisions of this Adoption Agreement and/or the Basic Plan Document.

19.48-017997-032609.211 032609 1801EDT


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EXECUTION PAGE
(Fidelity's Copy)

IN WITNESS WHEREOF, the Employer has caused this Adoption Agreement to be executed this 23rd day of October, 20 08.

Employer Ruth's Hospitality Group, Inc.

By [signature]

Title SVP, Human Resources

19.48-017997-032609.212 032609 1801EDT

Plan Number: 44333
(07/2007)

ECM NQ 2007 AA
10/10/2008


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EXECUTION PAGE
(Employer's Copy)

IN WITNESS WHEREOF, the Employer has caused this Adoption Agreement to be executed this 23rd day of October, 20 08.

Employer Ruth's Hospitality Group, Inc.

By [signature]

Title SVP, HUMAN RESOURCES

19.48-017997-032609.213 032609 1801EDT

Plan Number: 44333
(07/2007)

ECM NQ 2007 AA
10/10/2008


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## AMENDMENT EXECUTION PAGE
(Fidelity's Copy)

Plan Name: Ruth's Hospitality Group Deferred Compensation Plan (the "Plan")

Employer: Ruth's Hospitality Group, Inc.

(Note: These execution pages are to be completed in the event the Employer modifies any prior election(s) or makes a new election(s) in this Adoption Agreement. Attach the amended page(s) of the Adoption Agreement to these execution pages.)

The following section(s) of the Plan are hereby amended effective as of the date(s) set forth below:

| Section Amended | Effective Date |
|---|---|
| | |
| | |
| | |
| | |

IN WITNESS WHEREOF, the Employer has caused this Amendment to be executed on the date below.

Employer: ____________________

By: ____________________

Title: ____________________

Date: ____________________


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19.48-017997-032609.214 032609 1801EDT

AMENDMENT EXECUTION PAGE
(Employer's Copy)

Plan Name: Ruth's Hospitality Group Deferred Compensation Plan (the "Plan")

Employer: Ruth's Hospitality Group, Inc.

(Note: These execution pages are to be completed in the event the Employer modifies any prior election(s) or makes a new election(s) in this Adoption Agreement. Attach the amended page(s) of the Adoption Agreement to these execution pages.)

| Section Amended | Effective Date |
| --- | --- |
| | |
| | |
| | |
| | |

IN WITNESS WHEREOF, the Employer has caused this Amendment to be executed on the date below.

Employer: ____________________

By: ____________________

Title: ____________________

Date: ____________________


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ATTACHMENT A

Re: PRE EFFECTIVE DATE ACCRUAL DISTRIBUTION RULES

Plan Name: Ruth's Hospitality Group Deferred Compensation Plan (the "Plan")


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## ATTACHMENT B

Re: SUPERSEDING PROVISIONS
for

Plan Name: Ruth's Hospitality Group Deferred Compensation Plan (the "Plan")

(a) Superseding Provision(s) – The following provisions supersede other provisions of this Adoption Agreement and/or the Basic Plan Document as described below:

I. Notwithstanding any provision to the contrary, if the Participant dies before his or her benefit has been fully distributed, the Participant's benefit shall be paid to the Participant's Beneficiary in a lump sum. The payment will be treated as made upon the date of death if made by the later of the first date it is administratively practical following the Participant's death or December 31 of the year in which the death occurs, but in any event no later than March 15 of the year following the year in which the death occurred. The Beneficiary may not direct when payment will be made.

II. Notwithstanding any provision to the contrary, upon a Change of Control, certified by the Plan Administrator, each Participant's benefit will be accelerated and paid in a lump sum. The Plan Administrator's certification is strictly ministerial and does not involve any discretionary authority. The payment will be treated as made upon a Change of Control if made by the later of the first date it is administratively practical following the Change of Control or December 31 of the year in which the Change of Control occurs, but in any event no later than March 15 of the year following the year in which the Change of Control occurred. The Participant may not direct when payment will be made.

III. Notwithstanding any provision to the contrary, a payment is treated as made upon the date specified under this Plan, if payment is made at such date or a later date within the same taxable year of the Participant or, if later, by the 15th day of the third calendar month following the date specified under this Plan. The Participant may not direct when payment will be made.


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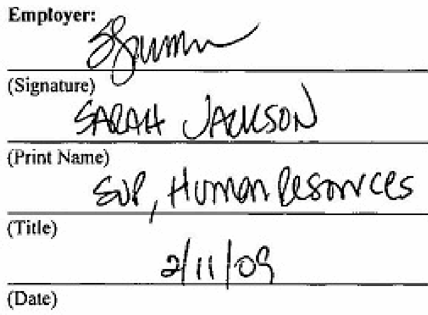
## Execution Page (Fidelity's Copy)

This Agreement shall be effective upon execution by both parties. By executing this Agreement, the parties agree to terms and conditions contained in the Agreement and the following attached Appendices:

| Service Agreement | Original/Restated Effective Date | Revision Date(s) |
|---|---|---|
| Articles I (Basic Services and Fees) | 11/01/2008 | |
| Article II (Terms and Conditions) | 11/01/2008 | |
| Specimen Signatures | 11/01/2008 | |
| Investment Schedule and Services Appendix | 11/01/2008 | |
| Enrollment and Education Services Appendix | 11/01/2008 | 03/02/2009 |
| Distribution Processing Appendix | 11/01/2008 | |
| Contribution Processing Appendix | 11/01/2008 | |
| Accounting Appendix | 11/01/2008 | 03/02/2009 |
| Miscellaneous Appendix | 11/01/2008 | 03/02/2009 |

In witness whereof, the parties hereto have caused this Agreement to be executed by their duly authorized officers.

**Employer:**



(Signature)

SARAH JACKSON

(Print Name)

SVP, Human Resources

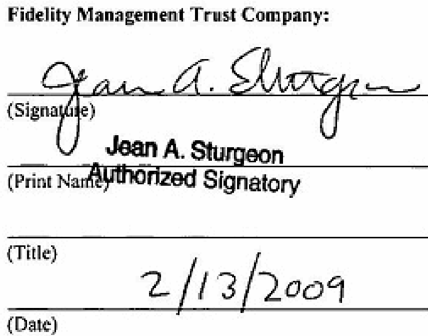
(Title)

2/11/09

(Date)

Note: Only one authorized signature is required to execute this Agreement unless the Employer's corporate policy mandates multiple authorized signatures.

**Fidelity Management Trust Company:**



(Signature)

Jean A. Sturgeon

Authorized Signatory

(Print Name)

(Title)

2/13/2009

(Date)

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19.48-017598-032609.072 032609 1744EDT

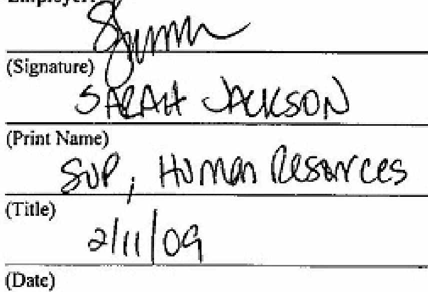
## Execution Page (Client's Copy)

This Agreement shall be effective upon execution by both parties. By executing this Agreement, the parties agree to terms and conditions contained in the Agreement and the following attached Appendices:

| Service Agreement | Original/Restated Effective Date | Revision Date(s) |
|---|---|---|
| Articles I (Basic Services and Fees) | 11/01/2008 | |
| Article II (Terms and Conditions) | 11/01/2008 | |
| Specimen Signatures | 11/01/2008 | |
| Investment Schedule and Services Appendix | 11/01/2008 | |
| Enrollment and Education Services Appendix | 11/01/2008 | 03/02/2009 |
| Distribution Processing Appendix | 11/01/2008 | |
| Contribution Processing Appendix | 11/01/2008 | |
| Accounting Appendix | 11/01/2008 | 03/02/2009 |
| Miscellaneous Appendix | 11/01/2008 | 03/02/2009 |

In witness whereof, the parties hereto have caused this Agreement to be executed by their duly authorized officers.

**Employer:**



(Signature)

SARAH JACKSON

(Print Name)

SVP, Human Resources

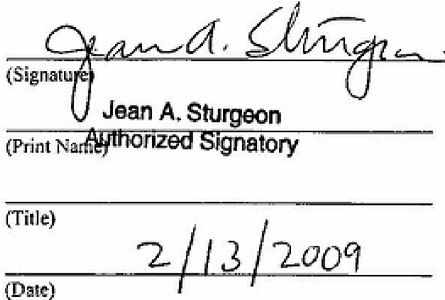
(Title)

2/11/09

(Date)

Note: Only one authorized signature is required to execute this Agreement unless the Employer's corporate policy mandates multiple authorized signatures.

**Fidelity Management Trust Company:**



(Signature)

Jean A. Sturgeon

(Print Name) Authorized Signatory

(Title)

2/13/2009

(Date)

Plan Number: 44333
(07/2007)

ECM NQ 2007 SA
01/30/2009



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## ENROLLMENT AND EDUCATION SERVICES APPENDIX

Fidelity shall provide Enrollment and Education Services as provided in Article I and as outlined in this Appendix.

### 1. Educational Services

a. Fidelity may from time to time produce communication materials and/or forms that the Employer may use regarding the Plan. The Employer is responsible for reviewing such materials and forms and ensuring that such materials and forms as provided by Fidelity are complete and accurate descriptions of the terms and provisions of the Employer's Plan. To the extent such materials and forms are incomplete or inaccurate, the Employer will be responsible for revising the materials or forms as needed or directing Fidelity to make specific revisions. The Employer acknowledges that it is responsible for any such communication materials and/or forms, or modifications thereof, that the Employer ultimately distributes, or otherwise uses, in connection with the Plan.

b. Participants will receive account statements in the following manner:

Fidelity will mail Participant statements directly to Participants' homes except for individual Participants who have indicated through Automated Channels (Fidelity Automated Retirement Benefits Line, NetBenefits[SM] World Wide Web Internet service, or any other service subsequently employed by Fidelity to facilitate electronic plan administration) that they desire to receive statements only through Automated Channels.

Notwithstanding any of the above, a Participant will always have the ability to request a written statement at least as frequently as legally required.

c. Notwithstanding anything to the contrary in this Agreement, Fidelity may require a Participant to provide certain Participant contact information that would facilitate communication to the Participant, including but not limited to the Participant's email address, in order to access Fidelity's service delivery channels, including NetBenefits[SM].

d. The Employer hereby agrees that Fidelity may provide Plan participants with information about goal-based planning services, tools and products offered by Fidelity or its affiliates, including but not limited to multi-goal savings and investment planning, guidance and retirement income management.

Such contact may include print communication material, web-based materials, email and/or outbound calls, as well as workshops, seminars, and one-on-one meetings, which may be supported by one or more Fidelity Investments companies including Fidelity Brokerage Services LLC (FBSLLC).

Program communications may be targeted from time to time as appropriate to Participant populations based on potential Participant needs, taking into account age and/or other factors.

For purposes of both facilitating these communications and providing goal-based planning services, tools and products to Plan participants, the Employer authorizes Fidelity to provide FBSLLC, and/or other affiliates or agents of Fidelity, with access to the Plan's participant and Plan-level information. The Employer recognizes that, as part of this program, Participants may consent to have services provided to them by FBSLLC and/or other Fidelity affiliates.



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e. Fidelity will provide plan participants access to Model Portfolio-Education, an internet-based educational service for participants that generates target asset allocations and recommended model portfolios customized to investment options in the Plan based on methodology provided by Strategic Advisors, Inc., an affiliate of Fidelity. The Employer authorizes Fidelity to obtain participant information needed to determine portfolios for particular participants via the telephone or during in-person meetings with employees of Fidelity affiliates, including, but not limited to, Fidelity Brokerage Services LLC, and that any such affiliates and employees are hereby authorized to access all participant information necessary to perform such portfolio determination.

2. **Enrollment Services**

a. Fidelity will provide an electronic system for Participant enrollment and annual re-enrollments based upon data supplied to Fidelity from the Employer in the manner requested by Fidelity. Participants will enroll through the NetBenefits[SM] website or any other application subsequently utilized by Fidelity for that purpose ("NetBenefits[SM]"). Any eligible employee scheduled to begin participation for a deferral period less than 30 days before the end of the scheduled enrollment window for that deferral period must have his or her election taken by the Employer and transmitted to Fidelity in the manner requested by Fidelity. Enrollment periods for all other employees are described in the Accounting Appendix. Fidelity will make the results of this enrollment available to the Employer. The Employer is responsible for updating its payroll system appropriately to provide for any Deferral Contributions indicated during Participant enrollment. Participants shall establish their elections for Permissible Investments on Participant-directed sources through NetBenefits[SM]. Participants shall make elections regarding distributions of deferred amounts through NetBenefits[SM].

b. Fidelity hereby agrees to track specific contribution years (Class-Year Accounting) in which contributions paid to the Trust will be distributed to the Participants, as provided in the Distribution Processing Appendix, and the distribution elections made by Participants at the time the deferral election has been made. Participants will only be able to make one distribution election per contribution type per year. The minimum deferral period for a specified date or age distribution will be one year.

c. Unless the Employer directs otherwise in writing, Fidelity will process address changes for Plan participants who have separated from service with the Employer, beneficiaries of deceased participants, and alternate payees of participants as indicated by the appropriate system status code, and requested by such individuals through Fidelity's Automated Channels. The Employer is responsible for updating the status codes, applicable dates, and other appropriate information for such individuals via PSW[SM], or other agreed upon transmission. Fidelity agrees to send a confirmation statement listing the individual's previous and current addresses to both such addresses for such individuals upon changing address through Fidelity's Automated Channels. The Employer understands that they may request a report from PSW[SM] showing the most recent address of every account holder for the Plan.



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## ACCOUNTING APPENDIX

The following table identifies the sources which will be utilized for this plan.

| Source Number | Type of Compensation (Type of Contribution) | FPRS Source Name | Class-Year Accounting Y/N | Type of money (ER/EE) | Subject to 409A Y/N | Frozen Y/N* |
|---|---|---|---|---|---|---|
| 1 | Non-Bonus Compensation | Employee Deferral | Yes | EE | Yes | No |
| 2 | Performance Based Bonus | Performance Based Bonus | Yes | EE | Yes | No |
| 3 | Non-Performance Based Bonus | Other Bonus Deferral | Yes | EE | Yes | No |

***Frozen – No further contributions are permitted.**

The following additional Class Year Accounting information is associated with the sources indicated above utilizing Class Year Accounting:

Sources Applicable for Table 1 (All using calendar year):

| | |
|---|---|
| 1 | Employee Deferral |
| 2 | Performance Based Bonus |
| 3 | Other Bonus Deferral |

Table 1.

| Class Year Indicator (Buckets) | Class Year Begin Date and End Date |
|---|---|
| 002 | 01/01/2005 – 12/31/2005 |
| 003 | 01/01/2006 – 12/31/2006 |
| 004 | 01/01/2007 – 12/31/2007 |
| 005 | 01/01/2008 – 12/31/2008 |
| 006 | 01/01/2009 – 12/31/2009 |
| 007 | 01/01/2010 – 12/31/2010 |
| 008 | 01/01/2011 – 12/31/2011 |
| 009 | 01/01/2012 – 12/31/2012 |

The deferral/distribution election period end date will be the day before the Class Year Begin Date for each Bucket. For recordkeeping purposes when sending contribution information to Fidelity, PSW will show the year for the contribution as only the end date as listed above. If not using PSW, please indicate to Fidelity the appropriate year end date or class year indicator.



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Enrollment Window details:

| Window Start Date | Window End Date | Sources involved | Participant Groups Eligible | Effective Calendar Year |
|---|---|---|---|---|
| 11/15 | 12/15 | 01, 02, 03 | Eligible Employees | Next Calendar Year |
| 1/1 | 10/31 | 01, 02, 03 | Newly Eligible Employees | Current Calendar Year |
| | | | | |
| | | | | |

*(Please Note: Windows cannot overlap between a plan enrollment window and an enrollment window for newly eligible employees.)*



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# MISCELLANEOUS APPENDIX

The following provision(s) of this Appendix shall supersede the referenced provision(s) of this Agreement, subject to the terms and conditions contained herein:

**Title:** Beneficiary Tracking Service
**Description:** An electronic beneficiary tracking system will be made available in accordance with the following:

- The Employer directs Fidelity to make available electronic system (currently through Fidelity's NetBenefits system and hereinafter NetBenefits) for its Participants to indicate beneficiary designations on-line:
- Fidelity can make available to the Employer information regarding the NetBenefits designation made by any Participant or reports of designation of all Participants made via NetBenefits:
- Upon the death of the Participant, the beneficiary should contact the Employer as Fidelity will not supply the beneficiary with any information or instructions;
- The Employer may direct Fidelity to provide the Employer with the original beneficiary designation of any Participant for which Fidelity has received and stored such a form, but agrees that, after Fidelity has sent that original beneficiary designation for such a Participant to the Employer, Fidelity has no further responsibility for maintaining any beneficiary for that Participant;
- The Employer may need to review information it maintains as well as information maintained by Fidelity in making its determination regarding a Participant's beneficiaries: and,
- Fidelity shall have no responsibility for any beneficiary designations made prior to the time that this electronic beneficiary service was implemented or for beneficiary designations not submitted to Fidelity as required by the service.



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19.48-017598-032609.078 032609 1744EDT

AMENDMENT EXECUTION PAGE
(Fidelity's Copy)

| | |
|---|---|
| Plan Name: | Ruth's Hospitality Group Deferred Compensation Plan (the "Plan") |
| Employer: | Ruth's Hospitality Group, Inc. |

(Note: These execution pages are to be completed in the event the Employer modifies any prior election(s) or makes a new election(s) in this Adoption Agreement. Attach the amended page(s) of the Adoption Agreement to these execution pages.)

The following section(s) of the Plan are hereby amended effective as of the date(s) set forth below:

| Section Amended | Effective Date |
|---|---|
| Attachment B | 03/02/2009 |
| | |
| | |
| | |

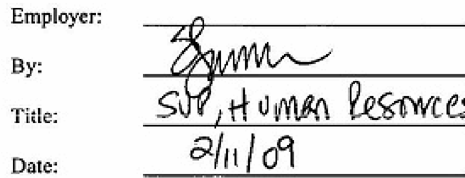
IN WITNESS WHEREOF, the Employer has caused this Amendment to be executed on the date below.

Employer:

By:

Title:

Date:



Plan Number: 44333
(07/2007)

ECM NQ 2007 AA
02/06/2009

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19.48-017598-032609.082 032609 1744EDT

AMENDMENT EXECUTION PAGE
(Employer's Copy)

| | |
|---|---|
| Plan Name: | Ruth's Hospitality Group Deferred Compensation Plan (the "Plan") |
| Employer: | Ruth's Hospitality Group, Inc. |

(Note: These execution pages are to be completed in the event the Employer modifies any prior election(s) or makes a new election(s) in this Adoption Agreement. Attach the amended page(s) of the Adoption Agreement to these execution pages.)

| Section Amended | Effective Date |
|---|---|
| Attachment B | 03/02/2009 |
| | |
| | |
| | |

IN WITNESS WHEREOF, the Employer has caused this Amendment to be executed on the date below.

Employer: ____________________

By: [signature]

Title: SVP, Human Resources

Date: 2/11/09

19.48-017598-032609.083 032609 1744EDT



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ATTACHMENT B

Re: SUPERSEDING PROVISIONS
for

| Plan Name: | Ruth's Hospitality Group Deferred Compensation Plan (the "Plan") |
|---|---|

(a) Superseding Provision(s) – The following provisions supersede other provisions of this Adoption Agreement and/or the Basic Plan Document as described below:

I. Notwithstanding any provision to the contrary, if the Participant dies before his or her benefit has been fully distributed, the Participant's benefit shall be paid to the Participant's Beneficiary in a lump sum. The payment will be treated as made upon the date of death if made by the later of the first date it is administratively practical following the Participant's death or December 31 of the year in which the death occurs, but in any event no later than March 15 of the year following the year in which the death occurred. The Beneficiary may not direct when payment will be made.

II. Notwithstanding any provision to the contrary, upon a Change of Control, certified by the Plan Administrator, each Participant's benefit will be accelerated and paid in a lump sum. The Plan Administrator's certification is strictly ministerial and does not involve any discretionary authority. The payment will be treated as made upon a Change of Control if made by the later of the first date it is administratively practical following the Change of Control or December 31 of the year in which the Change of Control occurs, but in any event no later than March 15 of the year following the year in which the Change of Control occurred. The Participant may not direct when payment will be made.

III. Notwithstanding any provision to the contrary, a payment is treated as made upon the date specified under this Plan, if payment is made at such date or a later date within the same taxable year of the Participant or, if later, by the 15th day of the third calendar month following the date specified under this Plan. The Participant may not direct when payment will be made.

Effective March 2. 2009, the RHG Management Inc. Deferred Compensation Plan is merged into the Ruth's Hospitality Group Deferred Compensation Plan, which shall survive the merger, and 100% of the accounts in the RHG Management Inc. Deferred Compensation Plan are transferred to the Ruth's Hospitality Group Deferred Compensation Plan. To the extent assets were originally contributed to the RHG Management Inc. Deferred Compensation Plan, the salary deferral elections applicable to such assets will continue to be legally binding. As required by IRS 409A Treasury Regulations, with respect to a deferral election, the RHG Management Inc. Deferred Compensation Plan specified the conditions under which such election could be made and the payment triggering events that would result in a payment of the amount deferred prior to the time by which that election was required to be irrevocable. These terms were at all times identical to such terms in the Ruth's Hospitality Group Deferred Compensation Plan. Therefore, the salary deferral elections that were made by participants in the RHG Management Inc. Deferred Compensation Plan for services to be performed in the 2009 calendar year will continue to apply to deferrals made in 2009 under this Plan. Except as stated herein, the separate existence of the RHG Management Inc. Deferred Compensation Plan shall cease.



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19.48-017598-032609.084 032609 1744EDT

**The CORPORATE*plan for Retirement*℠**
**EXECUTIVE PLAN**

Adoption Agreement

***IMPORTANT NOTE***

***This document has not been approved by the Department of Labor, the Internal Revenue Service or any other governmental entity. An Employer must determine whether the plan is subject to the Federal securities laws and the securities laws of the various states. An Employer may not rely on this document to ensure any particular tax consequences or to ensure that the Plan is "unfunded and maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees" under the Employee Retirement Income Security Act with respect to the Employer's particular situation. Fidelity Management Trust Company, its affiliates and employees cannot and do not provide legal or tax advice or opinions in connection with this document. This document does not constitute legal or tax advice or opinions and is not intended or written to be used, and it cannot be used by any taxpayer, for the purposes of avoiding penalties that may be imposed on the taxpayer. This document <u>must</u> be reviewed by the Employer's attorney prior to adoption.***



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# ADOPTION AGREEMENT
# ARTICLE 1

## 1.01 PLAN INFORMATION

(a) Name of Plan:

This is the Ruth's Hospitality Group Deferred Compensation Plan (the "Plan").

## 1.07 DISTRIBUTIONS

The form and timing of distributions from the Participant's vested Account shall be made consistent with the elections in this Section 1.07.

(a) (1) Distribution options to be provided to Participants

| | (A) Specified Date | (B) Specified Age | (C) Separation From Service | (D) Earlier of Separation or Age | (E) Earlier of Separation or Specified Date | (F) Disability | (G) Change in Control | (H) Death |
|---|---|---|---|---|---|---|---|---|
| Deferral Contribution | ☑ Lump Sum<br>☑ Installments | ☐ Lump Sum<br>☐ Installments | ☑ Lump Sum<br>☑ Installments | ☐ Lump Sum<br>☐ Installments | ☑ Lump Sum<br>☑ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum | ☐ Lump Sum<br>☐ Installments |
| Matching Contributions | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum | ☐ Lump Sum<br>☐ Installments |
| Employer Contributions | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum<br>☐ Installments | ☐ Lump Sum | ☐ Lump Sum<br>☐ Installments |

(Note: If the Employer elects (F), (G), or (H) above, the Employer must also elect (A), (B), (C), (D), or (E) above, and the Participant must also elect (A), (B), (C), (D), or (E) above. In the event the Employer elects only a single payment trigger and/or payment method above, then such single payment trigger and/or payment method shall automatically apply to the Participant. If the employer elects to provide for payment upon a specified date or age, and the employer applies a vesting schedule to amounts that may be subject to such payment trigger(s), the employer must apply a minimum deferral period, the number of years of which must be greater than the number of years required for 100% vesting in any such amounts. If the employer elects to provide for payment upon disability and/or death, and the employer applies a


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vesting schedule to amounts that may be subject to such payment trigger, the employer must also elect to apply 100% vesting in any such amounts upon disability and/or death.)


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AMENDMENT EXECUTION PAGE
(Fidelity's Copy)

Plan Name: Ruth's Hospitality Group Deferred Compensation Plan (the "Plan")

Employer: Ruth's Hospitality Group, Inc.

(Note: These execution pages are to be completed in the event the Employer modifies any prior election(s) or makes a new election(s) in this Adoption Agreement. Attach the amended page(s) of the Adoption Agreement to these execution pages.)

The following section(s) of the Plan are hereby amended effective as of the date(s) set forth below:

| Section Amended | Effective Date |
|---|---|
| 1.07(a)(1) | 10/15/2014 |
| | |
| | |
| | |

IN WITNESS WHEREOF, the Employer has caused this Amendment to be executed on the date below.

Employer: RHGI

By: [signature]

Title: Chief Accounting Officer

Date: 11/19/14

Plan Number: 44333
(07/2007)

ECM NQ 2007 AA
10/8/2014


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**Exhibit 21.1**

**Subsidiaries of the Company**

| Entity | Jurisdiction |
| --- | --- |
| Ruth’s Chris Steak House Franchise, LLC | Louisiana |
| R.F., LLC | Louisiana |
| RCSH Management, Inc. | Louisiana |
| RCSH Millwork, LLC | Florida |
| RCSH Operations, LLC | Louisiana |
| RCSH Operations, Inc. | California |
| Ruth’s Chris Steak House Boston, LLC | Louisiana |
| RHG Kingfish, LLC | Florida |
| RHG Fish Market, Inc. | Florida |
| MFM Winter Park, LLC | Florida |

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors
Ruth's Hospitality Group, Inc.:

We consent to the incorporation by reference in the registration statements on Forms S-3 (No. 333-171485 and 333-160231) and Forms S-8 (No. 333-127681, 333-182845 and 333-196836) of Ruth's Hospitality Group, Inc. of our reports dated March 4, 2016 with respect to the consolidated balance sheets of Ruth's Hospitality Group, Inc. and subsidiaries as of December 27, 2015 and December 28, 2014, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 27, 2015, and the effectiveness of internal control over financial reporting as of December 27, 2015, which reports appear in the December 27, 2015 annual report on Form 10-K of Ruth's Hospitality Group, Inc.

Our report refers to a change in the method of accounting for the recognition of gift card breakage income.

/s/ KPMG LLP

Orlando, Florida
March 4, 2016
Certified Public Accountants

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael P. O'Donnell, certify that:

1. I have reviewed this annual report on Form 10-K of Ruth's Hospitality Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2016

By: /S/ MICHAEL P. O'DONNELL

**Michael P. O'Donnell**
**President and Chief Executive Officer**
**of Ruth's Hospitality Group, Inc.**

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO SECTION 302 OF**
**THE SARBANES-OXLEY ACT OF 2002**

I, Arne G. Haak, certify that:

1. I have reviewed this annual report on Form 10-K of Ruth's Hospitality Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2016

By /s/ ARNE G. HAAK

**Arne G. Haak**
**Executive Vice President and Chief Financial Officer**
**of Ruth's Hospitality Group, Inc.**

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of Ruth's Hospitality Group, Inc. (the "Company") for the year ended December 27, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the President and Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 4, 2016

By: /S/ MICHAEL P. O'DONNELL

**Michael P. O'Donnell**
**President and Chief Executive Officer of Ruth's Hospitality Group, Inc.**

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of Ruth's Hospitality Group, Inc. (the "Company") for the year ended December 27, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Executive Vice President and Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 4, 2016

/s/ ARNE G. HAAK

**Arne G. Haak**
**Executive Vice President and Chief Financial Officer of Ruth's Hospitality Group, Inc.**