

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 28, 2021

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

**1030 W. Canton Avenue, Suite 100,  
Winter Park, FL**  
(Address of principal executive offices)

**72-1060618**  
(I.R.S. Employer  
Identification No.)

**32789**  
(Zip code)

**(407) 333-7440**

Registrant's telephone number, including area code

**None**

Former name, former address and former fiscal year, if changed since last report

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	RUTH	Nasdaq

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of the registrant's common stock as of April 30, 2021 was 34,990,319, which includes 623,139 shares of unvested restricted stock.

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**PART I – FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

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

	March 28, 2021	December 27, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 112,318	\$ 95,402
Accounts receivable, less allowance for doubtful accounts 2021 - \$266; 2020 - \$322	16,296	24,309
Inventory	7,188	6,930
Prepaid expenses and other	2,860	3,653
Total current assets	138,662	130,294
Property and equipment, net of accumulated depreciation 2021 - \$181,747; 2020 - \$177,277	115,745	119,887
Operating lease right of use assets	185,789	188,386
Goodwill	45,549	45,549
Franchise rights, net of accumulated amortization 2021 - \$7,095; 2020 - \$6,534	43,923	44,484
Other intangibles, net of accumulated amortization 2021 - \$1,601; 2020 - \$1,569	4,082	4,114
Deferred income taxes	8,009	8,616
Other assets	1,355	1,344
Total assets	\$ 543,114	\$ 542,674
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 6,262	4,101
Accrued payroll	12,740	15,344
Accrued expenses	6,220	6,449
Deferred revenue	54,569	59,030
Current operating lease liabilities	20,022	20,854
Other current liabilities	3,338	2,543
Total current liabilities	103,151	108,321
Long-term debt	115,000	115,000
Operating lease liabilities	206,434	209,654
Unearned franchise fees	2,128	2,186
Other liabilities	69	69
Total liabilities	426,782	435,230
Commitments and contingencies (Note 11)	—	—
Shareholders' equity:		
Common stock, par value \$.01 per share; 100,000,000 shares authorized, 34,384,707 shares issued and outstanding at March 28, 2021, 34,256,921 shares issued and outstanding at December 27, 2020	344	343
Additional paid-in capital	83,186	83,424
Retained earnings	32,802	23,677
Treasury stock, at cost; 71,950 shares at March 28, 2021 and December 27, 2020	—	—
Total shareholders' equity	116,332	107,444
Total liabilities and shareholders' equity	\$ 543,114	\$ 542,674

See accompanying notes to condensed consolidated financial statements.

**RUTH'S HOSPITALITY GROUP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations—Unaudited**  
(Amounts in thousands, except share and per share data)

	13 Weeks Ended	
	March 28, 2021	March 29, 2020
<b>Revenues:</b>		
Restaurant sales	\$ 81,636	\$ 103,040
Franchise income	3,792	3,626
Other operating income	1,855	1,870
<b>Total revenues</b>	<b>87,283</b>	<b>108,536</b>
<b>Costs and expenses:</b>		
Food and beverage costs	22,921	30,626
Restaurant operating expenses	37,583	55,554
Marketing and advertising	1,993	3,438
General and administrative costs	7,196	8,031
Depreciation and amortization expenses	5,063	5,822
Pre-opening costs	445	477
Loss on impairment	—	8,697
<b>Total costs and expenses</b>	<b>75,201</b>	<b>112,645</b>
<b>Operating income (loss)</b>	<b>12,082</b>	<b>(4,109)</b>
<b>Other income (expense):</b>		
Interest expense, net	(1,303)	(628)
Other	44	33
<b>Income (loss) before income taxes</b>	<b>10,823</b>	<b>(4,704)</b>
Income tax expense (benefit)	1,698	(886)
<b>Net income (loss)</b>	<b>\$ 9,125</b>	<b>\$ (3,818)</b>
<b>Basic earnings (loss) per common share</b>	<b>\$ 0.27</b>	<b>\$ (0.13)</b>
<b>Diluted earnings (loss) per common share</b>	<b>\$ 0.26</b>	<b>\$ (0.13)</b>
<b>Shares used in computing earnings (loss) per common share:</b>		
Basic	34,282,733	28,287,261
Diluted	34,599,764	28,287,261
<b>Cash dividends declared per common share</b>	<b>\$ —</b>	<b>\$ 0.15</b>

See accompanying notes to condensed consolidated financial statements.

**RUTH'S HOSPITALITY GROUP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Shareholders' Equity—Unaudited**  
(Amounts in thousands, except per share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Shareholders' Equity
	Shares	Value			Shares	Value	
Balance at December 27, 2020	34,257	\$ 343	\$ 83,424	\$ 23,677	72	\$ —	\$ 107,444
Net income	—	—	—	9,125	—	—	9,125
Shares issued under stock compensation plan net of shares withheld for tax effects	128	1	(1,802)	—	—	—	(1,801)
Stock-based compensation	—	—	1,564	—	—	—	1,564
Balance at March 28, 2021	34,385	\$ 344	\$ 83,186	\$ 32,802	72	\$ —	\$ 116,332

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Shareholders' Equity
	Shares	Value			Shares	Value	
Balance at December 29, 2019	28,419	\$ 284	\$ 40,462	\$ 53,399	72	\$ —	\$ 94,145
Net loss	—	—	—	(3,818)	—	—	(3,818)
Cash dividends, \$0.15 per common share	—	—	—	(4,428)	—	—	(4,428)
Repurchase of common stock	(902)	(9)	(13,217)	—	—	—	(13,226)
Shares issued under stock compensation plan net of shares withheld for tax effects	100	1	(659)	—	—	—	(658)
Stock-based compensation	—	—	2,065	—	—	—	2,065
Balance at March 29, 2020	27,617	\$ 276	\$ 28,652	\$ 45,153	72	\$ —	\$ 74,081

See accompanying notes to condensed consolidated financial statements.

**RUTH'S HOSPITALITY GROUP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows—Unaudited**  
(Amounts in thousands)

	13 Weeks Ended	
	March 28, 2021	March 29, 2020
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 9,125	\$ (3,818)
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>		
Depreciation and amortization	5,063	5,822
Deferred income taxes	607	(1,973)
Non-cash interest expense	108	24
Loss on impairment	—	8,697
Stock-based compensation expense	1,564	2,065
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	8,013	17,076
Inventories	(258)	1,174
Prepaid expenses and other	794	139
Other assets	11	—
Accounts payable and accrued expenses	(430)	(21,333)
Deferred revenue	(4,461)	(5,453)
Operating lease liabilities and assets	(1,454)	3,119
Other liabilities	526	1,026
Net cash provided by operating activities	<u>19,208</u>	<u>6,565</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(359)	(3,928)
Net cash used in investing activities	<u>(359)</u>	<u>(3,928)</u>
<b>Cash flows from financing activities:</b>		
Principal borrowings on long-term debt	—	85,000
Principal repayments on long-term debt	—	(4,000)
Repurchase of common stock	—	(13,226)
Cash dividend payments	—	(4,428)
Tax payments from the vesting of restricted stock and option exercises	(1,801)	(658)
Deferred financing costs	(132)	(100)
Net cash (used in) provided by financing activities	<u>(1,933)</u>	<u>62,588</u>
Net increase in cash and cash equivalents	16,916	65,225
Cash and cash equivalents at beginning of period	95,402	5,567
Cash and cash equivalents at end of period	<u>\$ 112,318</u>	<u>\$ 70,792</u>
<b>Supplemental disclosures of cash flow information:</b>		
<b>Cash paid during the period for:</b>		
Interest, net of capitalized interest	\$ 1,345	\$ 554
Income taxes	\$ 39	\$ 75
<b>Noncash investing and financing activities:</b>		
Accrued acquisition of property and equipment	\$ 46	\$ 4,190

See accompanying notes to condensed consolidated financial statements.

**RUTH'S HOSPITALITY GROUP, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements—Unaudited**

**(1) The Company and Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of Ruth's Hospitality Group, Inc. and its subsidiaries (collectively, the Company) as of March 28, 2021 and December 27, 2020 and for the thirteen week periods ended March 28, 2021 and March 29, 2020 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The condensed consolidated financial statements include the financial statements of Ruth's Hospitality Group, Inc. and its wholly owned subsidiaries. All inter-company balances and transactions have been eliminated in consolidation.

Ruth's Hospitality Group, Inc. is a restaurant company focused on the upscale dining segment. Ruth's Hospitality Group, Inc. operates Company-owned Ruth's Chris Steak House restaurants and sells 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. As of March 28, 2021, there were 149 Ruth's Chris Steak House restaurants, including 74 Company-owned restaurants, three restaurants operating under contractual agreements and 72 franchisee-owned restaurants, including 21 international franchisee-owned restaurants in Aruba, Canada, China, Hong Kong, Indonesia, Japan, Mexico, Singapore and Taiwan. All Company-owned restaurants are located in the United States. Subsequent to the end of the quarter, the Ruth's Chris Steak House located in Bellevue, WA permanently closed.

The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments), which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. The interim results of operations for the periods ended March 28, 2021 and March 29, 2020 are not necessarily indicative of the results that may be achieved for the full year. Certain information and footnote disclosures normally presented in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to the SEC's rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 2020.

The Company operates on a 52- or 53-week fiscal year ending on the last Sunday in December. The fiscal quarters ended March 28, 2021 and March 29, 2020 each contained thirteen weeks and are referred to herein as the first quarter of fiscal year 2021 and the first quarter of fiscal year 2020, respectively. Fiscal years 2021 and 2020 are both 52-week years.

***COVID-19 Impact***

In March 2020 the World Health Organization declared the novel coronavirus 2019 (COVID-19) a pandemic and the United States declared it a National Public Health Emergency, which has resulted in a significant reduction in revenue at the Company's restaurants due to mandatory restaurant closures, capacity limitations, social distancing guidelines or other restrictions mandated by governments across the world, including federal, state and local governments in the United States. As a result of these developments, the Company has experienced a significant negative impact on its revenues, results of operations and cash flows compared to periods prior to the onset of the pandemic. During the first quarter of fiscal year 2021, many jurisdictions began lifting operating restrictions, and by the end of the quarter, most of the Company's restaurants were operating with open dining rooms. As of March 28, 2021, 75 of the 77 Company-owned and -managed restaurants were open, which included 74 restaurants offering limited capacity dining service and one restaurant offering to-go and delivery service only. This is an unprecedented event in the Company's history, and it is uncertain how the conditions surrounding COVID-19 will continue to change.

## Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reporting of revenue and expenses during the periods presented to prepare these condensed consolidated financial statements in conformity with GAAP. Significant items subject to such estimates and assumptions include the carrying amounts of property and equipment, goodwill, franchise rights, operating lease right of use assets and obligations related to gift cards, income taxes, operating lease liabilities, incentive compensation, workers' compensation and medical insurance. Actual results could differ from those estimates.

## Recent Accounting Pronouncements

In December 2019 the FASB issued ASU 2019-12, Income Taxes (Topic 740). This update modifies Topic 740 to simplify the accounting for income taxes. The Company adopted this new standard on December 28, 2020. The adoption of ASU 2019-12 did not have a significant impact on the Company's financial reporting.

## (2) Fair Value Measurements

The carrying amounts of cash and cash equivalents, receivables, prepaid expenses, accounts payable and accrued expenses and other current liabilities are reasonable estimates of their fair values due to their short duration. Borrowings classified as long-term debt as of March 28, 2021 and December 27, 2020 have variable interest rates that reflect currently available terms and conditions for similar debt. The carrying value, plus unpaid interest and deferred financing costs of \$844 thousand at March 28, 2021, represents a reasonable estimate of FV (Level 2).

The Company did not have any non-financial assets measured at fair value on a non-recurring basis as of March 28, 2021. The Company's non-financial assets measured at fair value on a non-recurring basis as of December 27, 2020 were as follows (in thousands):

	Fair Value as of December 27, 2020	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses on Impairment
Long-lived assets	\$ 1,708	\$ 1,708	\$ —	\$ 12,736
Territory rights	\$ —	\$ —	\$ —	\$ 3,101

## (3) Leases

The Company leases restaurant facilities and equipment. The Company determines whether an arrangement is or contains a lease at contract inception. The Company's leases are all classified as operating leases, which are included as ROU assets and operating lease liabilities in the Company's condensed consolidated balance sheet. Operating lease liabilities are recognized based on the present value of future minimum lease payments over the expected lease term at commencement date. ROU assets are measured based on the operating lease liabilities adjusted for lease incentives, initial indirect costs and impairments of operating lease assets. Minimum lease payments include only the fixed lease components of the agreements, as well as any variable rate payments that depend on an index, which are measured initially using the index at the lease commencement dates. To determine the present value of future minimum lease payments, the Company estimates incremental borrowing rates based on the information available at the lease commencement dates, or amendment date for contract modifications. The Company estimates its incremental borrowing rates by determining the synthetic credit rating of the Company using quantitative and qualitative analysis and then adjusting the synthetic credit rating to a collateralized credit rating. A spread curve is then developed using the U.S. corporate bond yield curve of the same credit rating and the U.S. Treasury curve to determine the rate for different terms. The expected lease terms include options to extend when it is reasonably certain the Company will exercise the options up to a total term of 20 years. Total lease cost is expensed on a straight-line basis over the life of a lease. Additionally, incentives received from landlords used to fund leasehold improvements reduce the ROU assets related to those leases and are amortized as reductions to lease expense over the lives of the leases. Variable lease payments that do not depend on a rate or index, payments associated with non-lease components and short-term rentals (leases with terms less than 12 months) are expensed as incurred.

On April 10, 2020, the FASB issued a staff Q&A (the "Staff Q&A") to provide guidance on its remarks at the April 8, 2020 Board meeting about accounting for rent concessions resulting from the COVID-19 pandemic. The Staff Q&A affirmed the discussion at the April 8, 2020 meeting by allowing entities to forgo performing the lease-by-lease legal analysis to determine whether contractual provisions in an existing lease agreement provide enforceable rights and obligations related to lease concessions as long as the concessions are related to COVID-19 and the changes to the lease do not result in a substantial increase in the rights of the lessor or

the obligations of the lessee. In addition, the Staff Q&A affirmed that entities may make an election to account for eligible concessions, regardless of their form, either by (1) applying the modification framework for these concessions in accordance with Topic 842 or (2) accounting for the concessions as if they were made under the enforceable rights included in the original agreement.

Due to the impacts of the COVID-19 pandemic, the Company initiated negotiations with its landlords to modify its restaurant lease agreements. During the first quarter of 2021, the Company amended 13 leases. Where applicable, the Company has elected to account for eligible lease concessions as if they were made under the enforceable rights included in the original agreement pursuant to the Staff Q&A.

As of March 28, 2021, all of the Company-owned Ruth's Chris Steak House restaurants operated in leased premises, with the exception of the restaurant in Ft. Lauderdale, FL, which is an owned property, 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 with scheduled minimum rent payment increases during the terms of the leases. Certain leases also provide for rent deferral during the initial term, lease incentives in the form of tenant allowances to fund leasehold improvements, and/or contingent rent provisions based on the sales at the underlying restaurants. Most of the Company's restaurant leases have remaining lease terms of 1 year to 20 years, some of which include options to extend the leases for 5 years or more. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of March 28, 2021, the weighted average remaining lease term and discount rate for operating leases is 13.1 years and 5.2%, respectively.

The components of lease expense are as follows (in thousands):

	Classification	13 Weeks Ended March 28, 2021	13 Weeks Ended March 29, 2020
Operating lease cost	Restaurant operating expenses and general and administrative costs	\$ 6,509	\$ 7,152
Variable lease cost	Restaurant operating expenses and general and administrative costs	2,945	2,726
Total lease cost		<u>\$ 9,454</u>	<u>\$ 9,878</u>

As of March 28, 2021, maturities of lease liabilities are summarized as follows (in thousands):

	Operating Leases
2021, excluding first thirteen weeks ended March 28, 2021	\$ 23,877
2022	26,895
2023	24,834
2024	24,380
2025	22,951
Thereafter	192,755
Total future minimum rental commitments	<u>315,692</u>
Imputed interest	(89,236)
	<u>\$ 226,456</u>

Supplemental cash flow information related to leases was as follows (in thousands):

	13 Weeks Ended March 28, 2021	13 Weeks Ended March 29, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 6,580	\$ 6,507
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 1,092	\$ 3,820

Additionally, as of March 28, 2021, the Company has executed two leases for new Ruth's Chris Steak House Restaurant locations with undiscounted fixed payments over the initial term of \$12.1 million. These leases will commence when the landlords make the properties available to the Company. These leases are expected to commence during the next 18 months. Both signed leases are expected to have an economic lease term of 20 years. The Company will assess the reasonably certain lease term at the lease commencement date.

#### (4) Revenue

In the following tables, the Company's revenue is disaggregated by major component for each category on the consolidated statements of operations (in thousands).

13 Weeks Ended March 28, 2021:	Domestic	International	Total Revenue
Restaurant sales	\$ 81,636	\$ —	\$ 81,636
Franchise income	3,328	464	3,792
Other operating income	1,855	—	1,855
Total revenue	<u>\$ 86,819</u>	<u>\$ 464</u>	<u>\$ 87,283</u>

13 Weeks Ended March 29, 2020:	Domestic	International	Total Revenue
Restaurant sales	\$ 103,040	\$ —	\$ 103,040
Franchise income	3,059	567	3,626
Other operating income	1,870	—	1,870
Total revenue	<u>\$ 107,969</u>	<u>\$ 567</u>	<u>\$ 108,536</u>

The following table provides information about receivables and deferred revenue liabilities from contracts with customers (in thousands).

	March 28, 2021	December 27, 2020
Accounts receivable, less allowance for doubtful accounts 2021 - \$266; 2020 - \$322	<u>\$ 10,208</u>	<u>\$ 16,578</u>
Deferred revenue	<u>\$ 54,569</u>	<u>\$ 59,030</u>
Unearned franchise fees	<u>\$ 2,128</u>	<u>\$ 2,186</u>

Significant changes in the deferred revenue balance and the unearned franchise fees balance during the first thirteen weeks of fiscal year 2021 are presented in the following table (in thousands).

	Deferred Revenue	Unearned Franchise Fees
Balance at December 27, 2020	\$ 59,030	\$ 2,186
Decreases in the beginning balance from gift card redemptions	(10,668)	—
Increases due to proceeds received, excluding amounts recognized during the period	6,200	—
Decreases due to recognition of franchise development and opening fees	—	(58)
Increases due to proceeds received for franchise development and opening fees	—	—
Other	7	—
Balance at March 28, 2021	<u>\$ 54,569</u>	<u>\$ 2,128</u>

Significant changes in the deferred revenue balance and the unearned franchise fees balance during the first thirteen weeks of fiscal year 2020 are presented in the following table (in thousands).

	Deferred Revenue	Unearned Franchise Fees
Balance at December 29, 2019	\$ 52,856	\$ 2,489
Decreases in the beginning balance from gift card redemptions	(11,522)	—
Increases due to proceeds received, excluding amounts recognized during the period	6,115	—
Decreases due to recognition of franchise development and opening fees	—	(59)
Increases due to proceeds received for franchise development and opening fees	—	—
Other	(46)	—
Balance at March 29, 2020	<u>\$ 47,403</u>	<u>\$ 2,430</u>

## (5) Long-term Debt

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

	March 28, 2021	December 27, 2020
<b>Senior Credit Facility:</b>		
Revolving credit facility	\$ 115,000	\$ 115,000
Less current maturities	—	—
	<u>\$ 115,000</u>	<u>\$ 115,000</u>

As of March 28, 2021, the Company had \$115.0 million of outstanding indebtedness under its senior credit facility with approximately \$330 thousand of borrowings available, net of outstanding letters of credit of approximately \$4.7 million. As of March 28, 2021, the weighted average interest rate on the Company's outstanding debt was 4.0% and the weighted average interest rate on its outstanding letters of credit was 3.1%. In addition, the fee on the Company's unused senior credit facility was 0.4%.

On February 2, 2017, the Company entered into a senior credit facility pursuant to a credit agreement with Wells Fargo Bank, National Association as administrative agent, and certain other lenders (as amended, as of the end of the fiscal year 2020, the "Credit Agreement"). The Credit Agreement provides for a revolving credit facility of \$120.0 million with a \$5.0 million subfacility of letters of credit and a \$5.0 million subfacility for swingline loans. The Credit Agreement has a maturity date of February 2, 2023.

On January 28, 2021 the Company entered into a Sixth Amendment to Credit Agreement ("Sixth Amendment" and the Credit Agreement as amended by the Sixth Amendment, the "Amended Credit Agreement"), which makes certain amendments to the Credit Agreement. The Sixth Amendment provides for a \$10.0 million commitment reduction from the \$120.0 million available under the Credit Agreement, so that the Amended Credit Agreement provides for a \$110.0 revolving credit facility. The commitment reduction was effective as of March 29, 2021, the first day of the Company's second quarter of fiscal year 2021. Like the Credit Agreement, the Amended Credit Agreement has a \$5.0 million subfacility of letters of credit and a \$5.0 million subfacility for swingline loans.

The Amended Credit Agreement contains customary representations and affirmative and negative covenants (including limitations on indebtedness and liens) as well as financial covenants, as described below, requiring a minimum fixed coverage charge ratio as defined in the Amended Credit Agreement ("Fixed Charge Coverage Ratio") limiting the Company's actual leverage ratio as defined in the Amended Credit Agreement ("Consolidated Leverage Ratio") and requiring the Company to hold a certain specified amount of cash. The Amended Credit Agreement also contains events of default customary for credit facilities of this type (with customary grace periods, as applicable), including nonpayment of principal or interest when due; material incorrectness of representations and warranties when made; breach of covenants; bankruptcy and insolvency; unsatisfied ERISA obligations; unstayed material judgment beyond specified periods; default under other material indebtedness; and certain changes of control of the Company. If any event of default occurs and is not cured within the applicable grace period or waived, the outstanding loans may be accelerated by lenders holding a majority of the commitments and the lenders' commitments may be terminated. The obligations under the Amended Credit Agreement are guaranteed by certain of the Company's subsidiaries and are secured by a lien on substantially all of the Company's personal property assets other than any equity interest in current and future subsidiaries of the Company.

From January 28, 2021 until the Calculation Date for the fiscal quarter ending December 26, 2021, interest rates on loans under the Amended Credit Agreement are 3.00% and 2.00% above the LIBOR Rate and Base Rate, respectively, and the fee for the daily unused availability under the revolving credit facility is 0.40%. Prior to January 28, 2021, interest rates on loans under the Credit Agreement during the first quarter of fiscal year 2021 were 2.75% and 1.75% above the LIBOR Rate and Base Rate, respectively, and the fee for the daily unused availability under the revolving credit facility is 0.40%. The term "Calculation Date" means the date five (5) business days after the day on which the Company provides a compliance certificate required for its most recently ended fiscal quarter. Thereafter, and in accordance with the Amended Credit Agreement, interest rate margins and the fee for the unused commitment will be calculated based on the Consolidated Leverage Ratio, and at the Company's option, revolving loans may bear interest at either:

- (i) LIBOR, plus an applicable margin, or
- (ii) the highest of (a) the rate publicly announced by Wells Fargo as its prime rate, (b) the average published federal funds rate in effect on such day plus 0.50% and (c) one month LIBOR plus 1.00%, plus an applicable margin (the rate described in this clause (ii) prior to adding the applicable margin, the "Base Rate").

The applicable margin is based on the Company's Consolidated Leverage Ratio, ranging (a) from 1.50% to 2.50% above the applicable LIBOR rate or (b) 0.50% to 1.50% above the applicable Base Rate.

Among the covenant obligations with which the Company must comply, the Amended Credit Agreement requires the Company to comply with the following:

- Minimum aggregate cash holding requirements through June 2021 in an amount equal to the following amount for each month set forth below:

January 2021	\$50,000,000
February 2021	\$50,000,000
March 2021	\$50,000,000
April 2021	\$40,000,000
May 2021	\$40,000,000
June 2021	\$40,000,000

- Commencing with the fiscal quarter ending June 27, 2021, a Fixed Charge Coverage Ratio of not less than 1.25 to 1.00 on an annualized basis, which will exclude the impact of fiscal year 2020 and first fiscal quarter of 2021, through the end of fiscal year 2021, and on an actual basis thereafter.
- Commencing with the second fiscal quarter ending June 27, 2021, a Consolidated Leverage Ratio not to exceed the following thresholds for the periods indicated:

Period	Maximum Ratio
The last day of the second Fiscal Quarter of the 2021 Fiscal Year	5.00 to 1.00
The last day of the third Fiscal Quarter of the 2021 Fiscal Year	4.50 to 1.00
The last day of the fourth Fiscal Quarter of the 2021 Fiscal Year	4.00 to 1.00
The last day of the first Fiscal Quarter of the 2022 Fiscal Year and thereafter	3.00 to 1.00

For purposes of calculating required compliance with the maximum ratio, the Consolidated Leverage Ratio will be calculated on an annualized basis, which will exclude the impact of fiscal year 2020 and first fiscal quarter of 2021, through the end of fiscal year 2021, and on an actual basis thereafter.

Under the Amended Credit Agreement, the Fixed Charge Coverage Ratio and Consolidated Leverage Ratio requirements remain in effect through maturity of the loan on February 2, 2023, but the minimum cash holding requirement ends in June 2021. The Sixth Amendment limits non-maintenance capital expenditures by the Company and its subsidiaries to no more than \$5.0 million during fiscal year 2021. The Company and its subsidiaries may fund such non-maintenance capital expenditures during fiscal year 2021 with (i) 75% of consolidated EBITDA earned during a fiscal quarter in excess of \$7.5 million (“Capital Expenditure Basket Amount”) and/or (ii) net cash proceeds from the sale-leaseback of a real property located in Florida. If the Company and its subsidiaries do not use the entire Capital Expenditure Basket Amount in any fiscal quarter, such unutilized amount may be carried forward to increase the aggregate amount of consolidated capital expenditures permitted to be made until the Company can demonstrate that the Consolidated Leverage Ratio is less than 2.50 to 1.00 for the period of four fiscal quarters most recently ended.

Beginning in fiscal year 2022, the Amended Credit Agreement provides that the Company and its subsidiaries may make capital expenditures in any fiscal year in an amount equal to 75% of consolidated EBITDA for the immediately preceding fiscal year when the Consolidated Leverage Ratio is equal to or greater than 1.50 to 1.0, but less than 2.50 to 1.0. When the Consolidated Leverage Ratio is less than 1.50 to 1.0, the Company and its subsidiaries may make capital expenditures in an unlimited amount. For purposes of determining to what extent capital expenditures may be made, the Consolidated Leverage Ratio will be calculated on an actual basis rather than on an annualized basis.

The Company currently is prohibited from paying any dividends or repurchasing any shares of its common stock if the Company cannot demonstrate that its Consolidated Leverage Ratio is less than 2.50 to 1.00 (both before and after giving effect to the proposed repurchase or dividend).

Subsequent to the end of the first fiscal quarter 2021, the Company entered into a Seventh Amendment to Credit Agreement (“Seventh Amendment”), which amends its existing \$110.0 million Amended Credit Agreement. The Seventh Amendment increases the permitted growth-related capital expenditures from \$5.0 million to \$20.0 million in fiscal year 2021. Beginning in fiscal year 2022, requirements for growth capital expenditures revert back to the terms in the Amended Credit Agreement when the Consolidated Leverage Ratio is less than 2.50 to 1.00, and growth capital expenditures will not be permitted if the Consolidated Leverage Ratio is greater than 2.50 to 1.00. The Seventh Amendment requires that the Consolidated Leverage Ratio not exceed the following thresholds for the periods indicated:

Period	Maximum Ratio
The last day of the second Fiscal Quarter of the 2021 Fiscal Year	4.00 to 1.00
The last day of the third Fiscal Quarter of the 2021 Fiscal Year	3.50 to 1.00
The last day of the fourth Fiscal Quarter of the 2021 Fiscal Year and thereafter	3.00 to 1.00

Under the Seventh Amendment, the Fixed Charge Coverage Ratio thresholds remain the same as required under the Amended Credit Agreement. Both the Consolidated Leverage Ratio and the Fixed Charge Coverage Ratio will be calculated under the Seventh Amendment by including the results from the first quarter of fiscal year 2021.

From May 4, 2021 until the Calculation Date for the fiscal quarter ending June 27, 2021, interest rates on loans under the Seventh Amendment are 2.50% and 1.50% above the LIBOR Rate and Base Rate, respectively, and the fee for the daily unused availability under the revolving credit facility is 0.40%. Thereafter, interest rate margins and the fee for the unused commitment will be calculated based on the Consolidated Leverage Ratio in accordance with the Credit Agreement.

#### (6) Shareholders' Equity

In October 2019, the Company's Board of Directors approved a new share repurchase program under which the Company is authorized to repurchase up to \$60 million of outstanding common stock from time to time. The new share repurchase program replaces the previous share repurchase program announced in October 2017, which has been terminated. As of March 28, 2021, \$41.6 million remained available for future purchases under the share new repurchase program.

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 2020				
February 21, 2020	\$ 0.15	March 6, 2020	\$ 4,428	March 20, 2020

As a result of the impacts to our business arising from the COVID-19 pandemic, the Company has suspended its share repurchase program and dividend payments. Amendments to the Company's Credit Agreement currently prohibit the payment of dividends and share repurchases until our Consolidated Leverage Ratio (as defined in the Credit Agreement) is less than 2.50:1.00 times Bank Adjusted EBITDA. Outstanding unvested restricted stock is not included in common stock outstanding amounts. Restricted stock awards outstanding as of March 28, 2021 totaled 518,385 shares. Restricted stock units outstanding as of March 28, 2021 totaled 78,294 shares. Performance stock awards (in the form of market stock units) outstanding as of March 28, 2021 totaled 31,108 shares.

#### (7) Segment Information

The Company has two reportable segments – the Company-owned steakhouse segment and the franchise operations segment. 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 March 28, 2021, (i) the Company-owned steakhouse restaurant segment included 74 Ruth's Chris Steak House restaurants and three Ruth's Chris Steak House restaurants operating under contractual agreements and (ii) the franchise operations segment included 72 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 Company-owned steakhouse segment 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 (in thousands):

	13 Weeks Ended	
	March 28, 2021	March 29, 2020
<b>Revenues:</b>		
Company-owned steakhouse restaurants	\$ 82,693	\$ 103,971
Franchise operations	3,792	3,626
Unallocated other revenue and revenue discounts	798	939
<b>Total revenues</b>	<b>\$ 87,283</b>	<b>\$ 108,536</b>
<b>Segment profits:</b>		
Company-owned steakhouse restaurants	\$ 22,189	\$ 17,791
Franchise operations	3,792	3,626
<b>Total segment profit</b>	<b>25,981</b>	<b>21,417</b>
Unallocated operating income	798	939
Marketing and advertising expenses	(1,993)	(3,438)
General and administrative costs	(7,196)	(8,031)
Depreciation and amortization expenses	(5,063)	(5,822)
Pre-opening costs	(445)	(477)
Loss on impairment	—	(8,697)
Interest expense, net	(1,303)	(628)
Other income	44	33
<b>Income (loss) before income tax expense</b>	<b>\$ 10,823</b>	<b>\$ (4,704)</b>
<b>Capital expenditures:</b>		
Company-owned steakhouse restaurants	\$ 359	\$ 3,767
Corporate assets	—	161
<b>Total capital expenditures</b>	<b>\$ 359</b>	<b>\$ 3,928</b>

	March 28, 2021	December 27, 2020
<b>Total assets:</b>		
Company-owned steakhouse restaurants	\$ 411,667	\$ 420,245
Franchise operations	1,415	1,705
Corporate assets - unallocated	122,023	112,108
Deferred income taxes - unallocated	8,009	8,616
<b>Total assets</b>	<b>\$ 543,114</b>	<b>\$ 542,674</b>

## (8) Stock-Based Employee Compensation

On May 15, 2018, the Company's stockholders approved a new 2018 Omnibus Incentive Plan (2018 Plan) which replaced the Amended and Restated 2005 Equity Incentive Plan (2005 Plan), which expired on May 30, 2018. The 2018 Plan authorizes 2.5 million shares reserved for future grants. Awards that were previously awarded under the 2005 Plan that are forfeited or cancelled in the future will be made available for grant or issuance under the 2018 Plan. The 1,649,394 shares that were authorized but unissued under the 2005 Plan as of May 15, 2018 were cancelled. As of March 28, 2021, there were no shares of common stock issuable upon exercise of currently outstanding options, and 109,984 currently outstanding unvested restricted stock awards under the 2005 Plan. As of March 28, 2021, there were 517,803 currently outstanding unvested restricted stock awards, restricted stock units, and performance stock awards under the 2018 Plan. As of March 28, 2021, the 2018 Plan has 2,207,410 shares available for future grants. During the first thirteen weeks of fiscal year 2021, the Company issued 86,676 restricted stock awards and units to directors, officers and other employees of the Company. Of the 86,676 restricted stock awards and units issued during the first thirteen weeks of fiscal year 2021, 28,881 shares will vest in fiscal year 2022, 28,881 shares will vest in fiscal year 2023, and 28,914 shares will vest in fiscal year 2024. Additionally, 2,470 shares of restricted stock granted during fiscal year 2019 and 7,802 shares of restricted stock granted during fiscal year 2020 were also fully vested in the first fiscal quarter of 2021 in accordance with the termination of an employment agreement. Total stock compensation expense recognized during the first thirteen weeks of fiscal years 2021 and 2020 was \$1.6 million and \$2.0 million, respectively.

## (9) Income Taxes

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:

	13 Weeks Ended	
	March 28, 2021	March 29, 2020
Income tax expense (benefit) at statutory rates	21.0%	21.0%
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal benefit	4.3%	3.1%
Federal employment tax credits	(10.0%)	(4.2%)
Non-deductible executive compensation	1.6%	0.9%
Stock-based compensation	(1.1%)	(6.2%)
Other	(0.1%)	4.2%
Effective tax rate	15.7%	18.8%

The effective tax rate of 15.7% for the quarter ended March 28, 2021 represents income tax expense of \$1.7 million, while the effective tax rate of 18.8% for the quarter ended March 29, 2020 represents an income tax benefit of \$886 thousand.

The federal employment-related tax credits are comprised mainly of federal FICA tip credits which the Company utilizes to reduce its periodic federal income tax expense. A restaurant company employer may claim a credit against its federal income taxes for FICA taxes paid on certain 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.

Reflected in the Other line in the effective tax rate schedule above for the quarter ended March 29, 2020 is a tax benefit of \$1.8 million related to the carryback of federal NOLs under the CARES Act, and a tax expense of \$1.7 million related to changes in valuation allowances against deferred tax assets for certain state NOL carryforwards.

## (10) Earnings Per Share

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

	13 Weeks Ended	
	March 28, 2021	March 29, 2020
Net income (loss)	\$ 9,125	\$ (3,818)
Shares:		
Weighted average number of common shares outstanding - basic	34,282,733	28,287,261
Weighted average number of common shares outstanding - diluted	34,599,764	28,287,261
Basic earnings (loss) per common share	\$ 0.27	\$ (0.13)
Diluted earnings (loss) per common share	\$ 0.26	\$ (0.13)

Diluted earnings per share for the first quarter of fiscal years 2021 and 2020 excludes restricted shares of 4,005 and 341,451, respectively, which were outstanding during the period but were anti-dilutive and had no exercise price.

## (11) Commitments and Contingencies

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.

On February 26, 2018, a former restaurant hourly employee filed a class action lawsuit in the Superior Court of the State of California for the County of Riverside, alleging that the Company violated the California Labor Code and California Business and Professions Code, by failing to pay minimum wages, pay overtime wages, permit required meal and rest breaks, and provide accurate wage statements, among other claims. On September 2, 2020, the class action lawsuit was amended to include two additional proposed class representatives. This lawsuit seeks unspecified penalties under the California's Private Attorney's General Act in addition to other monetary payments (Quiroz Guerrero, et al. v. Ruth's Hospitality Group, Inc., et al.; Case No RIC1804127). The parties are currently engaged in discovery and the court has set a briefing schedule on class certification for mid-2022. Although the ultimate outcome of this matter, including any possible loss, cannot be predicted or reasonably estimated at this time, we have vigorously defended this matter and intend to continue doing 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.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Cautionary Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains "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," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "future," "intend," "likely result," "may," "might," "plan," "potential," "predict," "project," "seek", "should," "target," "will be," "will continue," "will likely result," "would" and other similar words and phrases. Similarly, statements herein that describe the Company's objectives, plans or goals, including with respect to restaurant openings/re-openings and acquisitions or closures, capital expenditures, strategy, financial outlook, cash flows, our effective tax rate, and the impact of recent accounting pronouncements, also 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: the negative impact the COVID-19 pandemic has had and will continue to have on our business, financial condition and results of operations; 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; political conditions, civil unrest or other developments and risks in the markets where the Company's restaurants are located; harmful actions taken by the Company's franchisees; the inability to successfully integrate franchisee acquisitions into the Company's business operations; economic, regulatory and other limitations on the Company's ability to pursue new restaurant openings and other organic growth opportunities; a material failure, interruption or security breach of the Company's information technology network; the Company's indemnification obligations in connection with its sale of the Mitchell's Restaurants; the Company's ability to protect its name and logo and other proprietary information; an impairment in the financial statement carrying value of our goodwill, other intangible assets or property; gains or losses on lease modifications; the impact of litigation; the restrictions imposed by the Company's credit agreement; changes in, or the suspension or discontinuation of, the Company's quarterly cash dividend payments or share repurchase program; and the inability to secure additional financing on terms acceptable to the Company. 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, see "Risk Factors" in Part II Item 1A of this Form 10-Q and the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 2020, which is available on the SEC's website at [www.sec.gov](http://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 Quarterly Report on Form 10-Q to reflect events or circumstances after the date hereof. You should not assume that material events subsequent to the date of this Quarterly Report on Form 10-Q have not occurred.

## Overview

Ruth's Hospitality Group, Inc. is a restaurant company focused on the upscale dining segment. Ruth's Hospitality Group, Inc. operates Company-owned Ruth's Chris Steak House restaurants and sells 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. As of March 28, 2021, there were 149 Ruth's Chris Steak House restaurants, including 74 Company-owned restaurants, three restaurants operating under contractual agreements and 72 franchisee-owned restaurants.

The Ruth's Chris menu features a broad selection of USDA Prime- and other high quality 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 over 50 years committed 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.

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 21 international franchisee-owned restaurants in Aruba, Canada, China, Hong Kong, Indonesia, Japan, Mexico, Singapore and Taiwan.

In March 2020 the World Health Organization declared the novel coronavirus 2019 (COVID-19) a pandemic and the United States declared it a National Public Health Emergency, which has resulted in a significant reduction in revenue at the Company's restaurants due to mandatory restaurant closures, capacity limitations, social distancing guidelines or other restrictions mandated by governments across the world, including federal, state and local governments in the United States. As a result of these developments, the Company has experienced a significant negative impact on its revenues, results of operations and cash flows compared to periods prior to the onset of the pandemic. During the first quarter of fiscal year 2021, many jurisdictions began lifting operating restrictions, and by the end of the quarter, most of the Company's restaurants were operating with open dining rooms. As of April 30, 2021, all 76 Company-owned and -managed restaurants were offering limited capacity dining service, 70 franchisee-owned restaurants were offering limited capacity dining service and 2 franchisee-owned restaurants were offering to-go and delivery service only. Subsequent to the end of the quarter, the Company permanently closed one restaurant in Bellevue, WA.

Our business is subject to seasonal fluctuations. Historically, our first and fourth quarters have tended to be the strongest revenue quarters due largely to the year-end holiday season and the popularity of dining out during the fall and winter months. Due to the impacts of COVID-19, it is uncertain whether future quarters will be stronger or weaker than the first fiscal quarter of 2021. Consequently, 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.

Our Annual Report on Form 10-K for the fiscal year ended December 27, 2020 provides additional information about our business, operations and financial condition.

## Results of Operations

The table below sets forth certain operating data expressed as a percentage of total revenues for the periods indicated, except as otherwise noted. Our historical results are not necessarily indicative of the operating results that may be expected in the future.

	13 Weeks Ended	
	March 28, 2021	March 29, 2020
<b>Revenues:</b>		
Restaurant sales	93.5%	94.9%
Franchise income	4.3%	3.3%
Other operating income	2.2%	1.8%
<b>Total revenues</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Costs and expenses:</b>		
Food and beverage costs (percentage of restaurant sales)	28.1%	29.7%
Restaurant operating expenses (percentage of restaurant sales)	46.0%	53.9%
Marketing and advertising	2.3%	3.2%
General and administrative costs	8.2%	7.4%
Depreciation and amortization expenses	5.8%	5.4%
Pre-opening costs	0.5%	0.4%
Loss on impairment	-	8.0%
<b>Total costs and expenses</b>	<b>86.2%</b>	<b>103.8%</b>
<b>Operating income (loss)</b>	<b>13.8%</b>	<b>(3.8%)</b>
<b>Other income (expense):</b>		
Interest expense, net	(1.5%)	(0.5%)
Other	0.1%	0.0%
<b>Income (loss) before income taxes</b>	<b>12.4%</b>	<b>(4.3%)</b>
<b>Income tax expense (benefit)</b>	<b>1.9%</b>	<b>(0.8%)</b>
<b>Net income (loss)</b>	<b>10.5%</b>	<b>(3.5%)</b>

### First Quarter Ended March 28, 2021 (13 Weeks) Compared to First Quarter Ended March 29, 2020 (13 Weeks)

**Overview.** Operating income (loss) increased by \$16.2 million to \$12.1 million for the first quarter of fiscal year 2021 from the loss reported for the first quarter of fiscal year 2020. Operating income for the first quarter of fiscal year 2021 was favorably impacted by an \$18.0 million decrease in operating expenses, an \$8.7 million decrease in loss on impairment, a \$7.7 million decrease in food and beverage costs, and a \$1.4 million decrease in marketing and advertising, which was partially offset by a \$21.4 million decrease in restaurant sales. Net income (loss) increased from the first quarter of fiscal year 2020 by \$12.9 million to \$9.1 million.

**Segment Profits.** Segment profitability information is presented in Note 7 in the notes to the condensed consolidated financial statements included in Item 1. "Financial Statements". Segment profit for the first quarter of fiscal year 2021 for the Company-owned steakhouse restaurant segment increased by \$4.4 million to a \$22.2 million profit compared to the first quarter of fiscal year 2020. The increase was driven primarily by an \$18.0 million decrease in restaurant operating expenses and a \$7.7 million decrease in food and beverage costs, offset by a \$21.3 million decrease in restaurant sales. Franchise income increased \$166 thousand in the first quarter of fiscal year 2021 compared to the first quarter of fiscal year 2020.

**Restaurant Sales.** Restaurant sales decreased by \$21.4 million, or 20.8%, to \$81.6 million in the first quarter of fiscal year 2021 from the first quarter of fiscal year 2020. Company-owned comparable restaurant sales decreased by 14.8%, which consisted of a 15.8% decrease in traffic partially offset by a 1.2% increase in average check. At the end of the first quarter, 72 Company-owned Ruth's Chris Steak House restaurants were in operation offering limited capacity dining room service, and two Company-owned restaurants were temporarily closed.

**Franchise Income.** Franchise income in the first quarter of fiscal year 2021 increased by \$166 thousand, or 4.6%, to \$3.8 million in the first quarter of fiscal year 2021 compared to the first quarter of fiscal year 2020. The increase in franchise income was due to an increase in franchisee-owned restaurant sales.

*Other Operating Income.* Other operating income decreased by \$15 thousand in the first quarter of fiscal year 2021 compared to the first quarter of fiscal year 2020. The decrease in other operating income was primarily due to a decrease in restaurant traffic.

*Food and Beverage Costs.* Food and beverage costs decreased by \$7.7 million, or 25.2%, to \$22.9 million in the first quarter of fiscal year 2021 compared to the first quarter of fiscal year 2020 primarily due to decreased restaurant sales. As a percentage of restaurant sales, food and beverage costs decreased to 28.1% in the first quarter of fiscal year 2021 from 29.7% in the first quarter of fiscal year 2020, primarily driven by a 1.5% decrease in beef costs.

*Restaurant Operating Expenses.* Restaurant operating expenses decreased by \$18.0 million, or 32.3%, to \$37.6 million in the first quarter of fiscal year 2021 from the first quarter of fiscal year 2020. Restaurant operating expenses, as a percentage of restaurant sales, decreased to 46.0% in the first quarter of fiscal year 2021 from 53.9% in the first quarter of fiscal year 2020. The decrease in restaurant operating expenses as a percentage of restaurant sales was primarily due to labor efficiencies.

*Marketing and Advertising.* Marketing and advertising expenses decreased by \$1.4 million, or 42.0%, to \$2.0 million in the first quarter of fiscal year 2021 from the first quarter of fiscal year 2020. The decrease in marketing and advertising expenses in the first quarter of fiscal year 2021 was attributable to a reduction in spending in response to the COVID-19 pandemic in an effort to align promotional spending with the anticipated level of operations.

*General and Administrative Costs.* General and administrative costs decreased by \$835 thousand, or 10.4%, to \$7.2 million in the first quarter of fiscal year 2021 from the first quarter of fiscal year 2020. The decrease in general and administrative costs was primarily attributable to a \$696 thousand decrease in compensation related expenses. As a percentage of revenue, general and administrative costs increased from 7.8% in the first quarter of fiscal year 2020 to 8.8% in the first quarter of fiscal year 2021 primarily due to sales deleveraging as a result of dining restrictions caused by COVID-19.

*Depreciation and Amortization Expenses.* Depreciation and amortization expense decreased by \$759 thousand to \$5.1 million in the first quarter of fiscal year 2021 from the first quarter of fiscal year 2020, primarily due to the permanent closure of nine Ruth's Chris Steak House restaurants during fiscal year 2020.

*Pre-opening Costs.* Pre-opening costs were \$445 thousand in the first quarter of fiscal year 2021, primarily due to the recognition of rent expense at four unopened Ruth's Chris Steak House restaurants where the Company took possession of the facilities. Pre-opening costs were \$477 thousand in the first quarter of 2020, primarily due to the opening of the relocated Ruth's Chris Steak House restaurant in Washington D.C., and the planned opening of the Ruth's Chris Steak House restaurant in Short Hills, NJ.

*Loss on Impairment.* During the first quarter of fiscal year 2020, the Company recorded a \$5.6 million impairment loss related to long-lived assets and a \$3.1 million impairment loss related to territory rights as described further in Note 2 in the notes to the condensed consolidated financial statements included in Item 1. "Financial Statements".

*Interest Expense.* Interest expense increased \$675 thousand to \$1.3 million in the first quarter of fiscal year 2021 compared to \$628 thousand in the first quarter of fiscal year 2020. The increase primarily relates to a higher average debt balance during the first quarter of fiscal year 2021 compared to the first quarter of fiscal year 2020.

*Other Income and Expense.* During the first quarter of fiscal year 2021, we recognized other income of \$44 thousand. During the first quarter of fiscal year 2020, we recognized other income of \$33 thousand.

*Income Tax Expense (Benefit).* During the first quarter of fiscal year 2021, we recognized income tax expense of \$1.7 million. During the first quarter of fiscal year 2020, we recognized an income tax benefit of \$886 thousand. The effective tax rate, including the impact of discrete items, decreased to a 15.7% expense for the first quarter of fiscal year 2021 compared to an 18.8% benefit for the first quarter of fiscal year 2020, primarily due to the generation of pretax income for the first quarter of fiscal year 2021 compared to a pretax loss in the first quarter of fiscal year 2020. Fiscal year 2021 discrete items and other unexpected changes impacting the annual tax expense may cause the effective tax rate for fiscal year 2021 to differ from the effective tax rate for the first quarter of fiscal year 2021.

*Net Income (Loss).* Net income was \$9.1 million in the first quarter of fiscal year 2021, which reflected an increase of \$12.9 million compared to a net loss of \$3.8 million in the first quarter of fiscal year 2020. The increase was attributable to the factors noted above.

## Liquidity and Capital Resources

### Overview

Our principal sources of cash have been historically provided by our operating activities as well as periodic borrowings from our senior credit facility. During the first thirteen weeks of fiscal year 2021, our principal uses of cash flow were tax payments with respect to the vesting of restricted stock, and capital expenditures.

During the fourth quarter of fiscal year 2019, our Board of Directors approved a new share repurchase program authorizing us to repurchase up to \$60 million of outstanding common stock from time to time. As a result of the impacts to our business arising from the COVID-19 pandemic, the Company has suspended its share repurchase program and dividend payments.

### Senior Credit Facility

As of March 28, 2021, we had \$115.0 million of outstanding indebtedness under our senior credit facility and approximately \$4.7 million of outstanding letters of credit, pursuant to a credit agreement entered into with Wells Fargo Bank, National Association as administrative agent, and certain other lenders (as amended, as of the end of the fiscal year 2020, the “Credit Agreement”). As of March 28, 2021, the weighted average interest rate on our outstanding debt was 4.0% and the weighted average interest rate on our outstanding letters of credit was 3.1%. In addition, the fee on the unused portion of our senior credit facility was 0.4%.

On January 28, 2021 the Company entered into a Sixth Amendment to Credit Agreement (“Sixth Amendment” and the Credit Agreement as amended by the Sixth Amendment, the “Amended Credit Agreement”), which makes certain amendments to the Credit Agreement. The Sixth Amendment provides for a \$10.0 million commitment reduction from the \$120.0 million available under the Credit Agreement so that the Amended Credit Agreement will provide for a \$110.0 revolving credit facility. The commitment reduction became effective as of March 29, 2021, the first day of the Company’s second fiscal quarter for 2021, and the Company repaid \$10.0 million of debt under its revolving credit facility. Like the Credit Agreement, the Amended Credit Agreement has a \$5.0 million subfacility of letters of credit and a \$5.0 million subfacility for swingline loans.

Subsequent to the end of the first fiscal quarter 2021, the Company entered into a Seventh Amendment to Credit Agreement (“Seventh Amendment”), which amends its existing \$110.0 million Amended Credit Agreement. The Seventh Amendment increases the permitted growth-related capital expenditures from \$5.0 million to \$20.0 million in fiscal year 2021. Beginning in fiscal year 2022, requirements for growth capital expenditures revert back to the terms in the Amended Credit Agreement when the Consolidated Leverage Ratio is less than 2.50 to 1.00, and growth capital expenditures will not be permitted if the Consolidated Leverage Ratio is greater than 2.50 to 1.00. The Seventh Amendment requires that the Consolidated Leverage Ratio not exceed the following thresholds for the periods indicated:

<b>Period</b>	<b>Maximum Ratio</b>
The last day of the second Fiscal Quarter of the 2021 Fiscal Year	4.00 to 1.00
The last day of the third Fiscal Quarter of the 2021 Fiscal Year	3.50 to 1.00
The last day of the fourth Fiscal Quarter of the 2021 Fiscal Year and thereafter	3.00 to 1.00

Under the Seventh Amendment, the Fixed Charge Coverage Ratio thresholds remain the same as required under the Amended Credit Agreement. Both the Consolidated Leverage Ratio and the Fixed Charge Coverage Ratio will be calculated under the Seventh Amendment by including the results from the first quarter of fiscal year 2021.

Under the Credit Agreement there are a number of customary representations and affirmative and negative covenants (including limitations on indebtedness and liens) as well as financial covenants, as described further in Note 5 in the notes to the condensed consolidated financial statements included in Item 1. “Financial Statements”. The Company currently is prohibited from paying any dividends or repurchasing any shares of its common stock if the Company cannot demonstrate that its Consolidated Leverage Ratio is less than 2.50 to 1.00 (both before and after giving effect to the proposed repurchase or dividend).

## Sources and Uses of Cash

The following table presents a summary of our net cash provided by (used in) operating, investing and financing activities (in thousands):

	13 Weeks Ended	
	March 28, 2021	March 29, 2020
Net cash provided by (used in):		
Operating activities	\$ 19,208	\$ 6,565
Investing activities	(359)	(3,928)
Financing activities	(1,933)	62,588
Net increase (decrease) in cash and cash equivalents	<u>\$ 16,916</u>	<u>\$ 65,225</u>

*Operating Activities.* Operating activities provided cash during the first thirteen weeks of fiscal year 2021 and the first thirteen weeks of fiscal year 2020. Operating cash outflows pertain primarily to expenditures for food and beverages, restaurant operating expenses, marketing and advertising, general and administrative costs and income taxes. Operating activities provided cash flows primarily because operating revenues have exceeded cash-based expenses.

*Investing Activities.* Cash used in investing activities aggregated \$359 thousand in the first thirteen weeks of fiscal year 2021 compared with \$3.9 million used in the first thirteen weeks of fiscal year 2020. Cash used in investing projects during the first thirteen weeks of fiscal year 2021 primarily pertained to capital maintenance projects. The Company was restricted by its Amended Credit Agreement for capital expenditures, resulting in a significant decrease in the first thirteen weeks of fiscal year 2021. Cash used in investing activities during the first thirteen weeks of fiscal year 2020 primarily pertained to \$2.2 million for restaurant remodel and capital replacement projects, and \$1.6 million for new restaurants that opened during 2019 and 2020 or were originally anticipated to open in 2020 or 2021.

*Financing Activities.* Financing activities used cash during the first thirteen weeks of fiscal year 2021 and provided cash during the first thirteen weeks of fiscal year 2020. During the first thirteen weeks of fiscal year 2021, we paid \$1.8 million in employee withholding taxes in connection with the vesting of restricted stock and paid \$132 thousand in deferred financing costs. We paid the \$1.8 million in taxes in connection with the vesting of restricted stock for recipients who elected to satisfy their individual tax withholding obligations by having us withhold a number of vested shares of restricted stock. During the first thirteen weeks of fiscal year 2020, we: increased debt by \$81.0 million to secure additional liquidity in response to COVID-19; used \$13.2 million to repurchase common stock; paid dividends of \$4.4 million; paid \$658 thousand in taxes in connection with the vesting of restricted stock; and paid \$100 thousand in deferred financing costs.

### Off-Balance Sheet Arrangements

As of March 28, 2021, we did not have any off-balance sheet arrangements.

### Critical Accounting Policies and Estimates

The preparation of our financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the periods presented. Our Annual Report on Form 10-K for the fiscal year ended December 27, 2020 includes a summary of the critical accounting policies and estimates that we believe are the most important to aid in the understanding our financial results. There have been no material changes to these critical accounting policies and estimates that impacted our reported amounts of assets, liabilities, revenues or expenses during the first thirteen weeks of fiscal year 2021.

## ITEM 3. 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 March 28, 2021, the Company had \$115.0 million in 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 immediate one percentage point change in interest rates would be expected to have an impact on pre-tax earnings and cash flows for fiscal year 2021 of approximately \$1.2 million.

#### ***Foreign Currency Risk***

The Company believes that fluctuations in foreign exchange rates do not present a material risk to its operations due to the relatively small amount of franchise income it receives from outside the U.S. During the first thirteen weeks of fiscal years 2021 and 2020, franchise income attributable to international locations was approximately \$464 thousand and \$567 thousand, respectively, which is less than 1% of total annual revenue.

#### ***Commodity Price Risk***

The Company is exposed to market price fluctuations in beef and other food product prices, which in the past have been volatile and have impacted 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. 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. Holding other variables constant, a hypothetical 10% fluctuation in beef prices would have an approximate impact on pre-tax earnings between \$3.0 to \$4.0 million for fiscal year 2021.

From time to time, the Company enters into purchase price agreements for other lower-volume food products, including seafood. In the 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 the Company's costs increase, the Company's results of operations could be adversely affected.

#### ***Effects of Healthcare Inflation***

The Company is exposed to market price fluctuations related to the cost of providing healthcare to its employees. Claim trends are predicted to outpace inflation throughout the year. Pharmacy costs are also rising in excess of general and medical cost inflation. If prices increase, or the Company experiences significantly more claims, operating margin could be materially adversely affected. Holding other variables constant, a hypothetical 10% fluctuation in healthcare costs would have an approximate impact on pre-tax earnings of approximately \$1.1 million for fiscal year 2021.

#### ***Effects of Inflation***

The Company believes that general inflation, excluding increases in food, employee wages 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 states where Company-owned restaurants are located. The increased minimum wage rates are expected to increase employee compensation and related taxes by approximately \$1.0 to \$2.0 million in fiscal year 2021 compared to fiscal year 2020. Also, the U.S. government may consider legislation to increase the federal minimum wage rate, which, if enacted, would further increase employee compensation and related taxes.

### **ITEM 4. 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 Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of March 28, 2021. 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 March 28, 2021 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.

#### ***Changes in internal control over financial reporting***

During the fiscal quarter ended March 28, 2021 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. We have transitioned some of our employees, primarily home office support functions to a remote work environment in an effort to mitigate the spread of COVID-19. This has not had a significant impact on the Company’s internal controls over financial reporting and we are prepared to operate in this manner for the foreseeable future, if necessary.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

See Note 11 in the notes to the condensed consolidated financial statements included in Item 1. “Financial Statements” for a summary of legal proceedings.

### ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended December 27, 2020. Circumstances and events described in such risk factors could result in significant adverse effects on our financial position, results of operations and cash flows.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Stock repurchase activity during the first quarter ended March 28, 2021 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 Approximate Dollar Value that May Yet be Purchased under the Program – Amounts in thousands
December 28, 2020 to January 31, 2021	—	—	—	\$ 41,552
February 1, 2021 to February 28, 2021	—	—	—	\$ 41,552
March 1, 2021 to March 28, 2021	—	—	—	\$ 41,552
Totals for the fiscal quarter	—	—	—	\$ 41,552

In October 2019, the Company’s Board of Directors approved a new share repurchase program authorizing us to repurchase up to \$60 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 replaced the Company’s previous share repurchase program announced in November 2017, which has been terminated. We did not repurchase shares during the first quarter of fiscal year 2021. The new share repurchase program does not obligate the Company to repurchase any dollar amount or number of its shares, and the program has no termination date. The Company’s ability to make future stock purchases under the program is currently limited by our Amended Credit Agreement. Under our Amended Credit Agreement, we are limited to \$100.0 million of restricted junior payments, which include cash dividends, repurchases of common stock and prepayments of subordinated indebtedness, if our Consolidated Leverage Ratio is greater than or equal to 2.50:1.00. As of March 28, 2021, \$126.4 million of such payments had been made and our Consolidated Leverage Ratio exceeded the threshold, therefore prohibiting the Company from paying cash dividends, repurchasing common stock and prepaying subordinated indebtedness. As a result of the impacts to our business arising from the COVID-19 pandemic, share repurchases and dividend payments have been indefinitely suspended.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

None.

### ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

- 10.1 [Sixth Amendment, dated as of January 28, 2021, to Credit Agreement, dated as of February 2, 2017, by and among the Company, the Guarantors, the Lenders and Wells Fargo Bank, National Association, as administrative agent and Wells Fargo Securities, LLC, as sole lead arranger and sole bookrunner \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 29, 2021\).](#)
- 10.2 [Seventh Amendment, dated as of May 4, 2021, to Credit Agreement, dated as of February 2, 2017, by and among the Company, the Guarantors, the Lenders and Wells Fargo Bank, National Association, as administrative agent and Wells Fargo Securities, LLC, as sole lead arranger and sole bookrunner \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 7, 2021\).](#)
- 10.3 [Terms of Employment/Letter of Understanding and Salary Continuation Agreement dated March 1, 2021, between the Company and Marcy Norwood Lynch.](#)
- 10.4 [Terms of Employment/Letter of Understanding and Salary Continuation Agreement dated March 1, 2021, between the Company and David Hyatt.](#)
- 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.INS Inline XBRL Instance Document– the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
- 101.SCH Inline XBRL Taxonomy Extension Schema Document.
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF Inline XBRL Taxonomy Definition Linkbase Document.
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibit 101).



**Marcy Norwood Lynch**  
TERMS OF EMPLOYMENT AND SALARY CONTINUATION AGREEMENT (“AGREEMENT”)

Ruth’s Hospitality Group, Inc. (hereafter referred to as “Employer”) and **Marcy Norwood Lynch** (hereinafter referred to as “Employee”) agree upon the following terms of employment of Employee by Employer. This Agreement shall take effect as of March 1, 2021 (the “Effective Date”).

1. **Duties.** Employee shall be employed during the term of this Agreement (as set forth in Section 3) in the position of Senior Vice President, General Counsel and Corporate Secretary. Employee will advance the best interests of Employer at all times during their employment and shall at all such times faithfully, industriously and to the best of their ability, perform all duties as may be required of them by virtue of their title and position and in accordance with the job description for their title and position as established by Employer’s Board of Directors (the “Board”) and/or its designee from time to time. Employer shall provide Employee with a written job description. Employee shall comply with any and all written personnel policies, corporate policies and employment manuals of Employer in the conduct of their duties that are applied on a consistent basis.

2. **Extent of Service.** Employee shall devote their full time and best efforts to the performance of their duties. Employee shall not engage in any business or perform any services in any capacity that would, in the reasonable judgment of Employer, interfere with the full and proper performance by Employee of their duties.

3. **Term/Annual Renewals.** This Agreement shall expire and terminate and be of no further effect (with the exception of terms herein which by their terms survive the termination of

this Agreement) on the close of business of the first anniversary of the Effective Date; provided, however, that this Agreement shall automatically renew and extend for additional one (1) year terms if Employee is not otherwise in default, remains in the employ of Employer, and Employer has not given Employee a minimum of 60 days' notice prior to the expiration of any given term that the Agreement shall terminate upon expiration of the term.

4. **Compensation.**

a. **Salary.** For all duties to be performed by Employee in the capacity referenced hereunder, Employee shall receive an initial base salary at the annualized rate of \$320,000, less all applicable taxes and withholdings, that cannot be reduced and which shall be paid in accordance with Employer's normal payroll practice. Employee's base salary will be subject to annual review by the Compensation Committee of the Board of Directors (the "Compensation Committee").

b. **Annual Bonus.** Following the end of each fiscal year, Employee will be entitled to a discretionary bonus of up to 60% of their then current base salary, based on achievement (as determined by the Compensation Committee) of the budget and performance targets set by the Compensation Committee on an annual basis pursuant to Employer's Bonus Plan ("Plan") and which may be increased or decreased according to the Plan. Any annual bonus shall be paid to Employee after the issuance of Employer's audited financial statements relating to that year, assuming Employee is actively employed by Employer at the end of the fiscal year.

c. **Automobile Allowance.** Employee shall also receive a monthly automobile allowance of \$900.00, less applicable taxes and withholdings, during the term of this Agreement.

5. **Benefits.**

a. Vacation/Leave - Employee shall be entitled to four (4) weeks of paid vacation per calendar year, with normal sick and holiday leave as defined by Employer's policies.

b. Benefit Plans - Employee shall be entitled to participate in the health and welfare plans provided by Employer for its executives, to the extent that Employee is eligible under the plan documents governing those programs. Benefits are subject to change at any time in Employer's sole discretion.

c. Retirement Benefits - Employee will be eligible for all applicable retirement benefits offered by Employer, if any.

d. Reimbursement of Expenses - Employer agrees to reimburse Employee for reasonable and appropriate Employer-related expenses (as determined by Employer) paid by Employee in furtherance of their duties, including, but not limited to, travel expenses, food, lodging, entertainment expenses and automobile expenses, upon submission of proper accounting records for such expenses.

6. **Disability or Incapacity.** If, for a period of ninety (90) consecutive days during the continuing term of this Agreement, Employee is disabled or incapacitated for mental, physical or other cause to the extent that they are unable to perform their duties as herein contemplated during said ninety (90) consecutive days, Employer shall immediately thereafter have the right to terminate this Agreement upon providing ten (10) days' written notice to Employee and shall be obligated to pay Employee compensation up to the effective date of said termination. The right of termination in this section in no way affects or diminishes other rights of termination as stated in this Agreement, the Equity Plan, and/or the Plan.

7. **Termination.** Notwithstanding any other provision hereof, Employee's employment shall be terminated immediately upon: 1) their death; 2) notice after disability or

incapacity as set forth in Section 6; 3) Employee's discharge for Cause; or 4) Employee's resignation.

a. For purposes of this Agreement, "Cause" shall mean (i) Employee's theft or embezzlement, or attempted theft or embezzlement, of money or property of Employer, their perpetuation or attempted perpetuation of fraud, or their participation in a fraud or attempted fraud, on Employer or their unauthorized appropriation of, or their attempt to misappropriate, any tangible or intangible assets or property of Employer, (ii) any act or acts of disloyalty, misconduct or moral turpitude by Employee injurious to the interest, property, operations, business or reputation of Employer or their commission of a crime which results in injury to Employer, or (iii) their willful disregard of lawful directive given by a superior or the Board or a violation of an Employer employment policy injurious to the interest of Employer. Employee may not be terminated for Cause under (ii) or (iii) unless provided prior written notice and the circumstance has not been cured within 10 business days. Cause shall not include termination due to death or disability.

b. Should Employer terminate Employee's employment for Cause, as defined in Section 7.a, then, Employee is entitled to be paid no more than their base salary, unused vacation days, unreimbursed expenses, and car allowance through the date of termination, as well as any bonus earned pursuant to the Plan for the prior fiscal year but not yet paid.

c. Employer reserves the right to terminate Employee's employment without Cause, as defined in Section 7.a, and Employee reserves the right to resign for Good Reason, as defined in Section 7.d. However, in the event either such separation occurs, then: 1) Employee will receive twelve (12) equal monthly payments in the aggregate equal to Employee's prior twelve (12) months' base salary compensation; 2) Employee shall receive a lump sum payment equal to

fifty-percent (50%) of Employee's prior year bonus payment, payable on the Payment Commencement Date (as defined below); 3) Employee will be eligible to receive twelve (12) months continued welfare and retirement benefits, according to the same terms and conditions Employee would have been entitled to had Employee's employment with Employer not been terminated, to the extent permitted by the terms of the applicable plans; 4) if Employee is eligible for and timely elects to continue receiving group health insurance under COBRA, Employer will, for up to twelve (12) months following Employee's date of termination, continue to pay the share of the premium for such coverage that it pays for active and similarly-situated employees who receive the same type of coverage unless, as a result of a change in legal requirements, Employer's provision of payments for COBRA will violate the nondiscrimination requirements of applicable law, in which case this benefit will not apply; 5) Employee will receive twelve (12) monthly payments of the automobile allowance Employee would have been entitled to had Employee's employment with Employer not been terminated, including reimbursement for fuel and routine maintenance costs for one automobile; 6) Employee will receive all unreimbursed expenses through the termination date; and 7) the vesting and exercisability of any equity awards granted to the Employee by the Employer shall be as set forth in the applicable award agreement (1-7 collectively, the "Severance Benefits"). Employer will pay the severance amounts referenced above in accordance with Employer's regular payroll practices, on or commencing on the first payroll period and paid monthly thereafter following the date the Release (as defined below) becomes irrevocable (the "Payment Commencement Date"); provided, however, that if the 60th day following Employee's termination date falls in the calendar year following the year of Employee's termination of employment, the Payment Commencement Date shall be the first payroll period of such later calendar year. The Severance Benefits are contingent on Employee's compliance with Sections 8 and 9, and their entering into a severance and release of claims

agreement in a form to be provided by Employer (which will include, at a minimum, a release of all releasable claims and non-disparagement and cooperation obligations) (the "Release"), which Release must become irrevocable within 60 days following their termination (or such shorter period as Employer may provide).

d. For purposes of this Agreement, "Good Reason" shall mean (i) the assignment by the Board to Employee of any material duties that are clearly inconsistent with and represent a material diminution of Employee's status, title and position as Senior Vice President, General Counsel and Corporate Secretary of Employer; or (ii) a failure by Employer to pay Employee any amounts required to be paid under this Agreement, which failure continues uncured for a period of fifteen (15) days after written notice thereof is given by Employee to the Board; (iii) relocation of Employer requiring Employee to relocate by more than 50 miles, other than in a direction that reduces Employee's daily commuting distance; or (iv) Employer provides Employee notice 60 days before expiration of a given term of its decision not to renew this Agreement on the terms set forth herein. Notwithstanding the occurrence of any of the foregoing events or circumstances, a resignation shall not be deemed to constitute resignation for Good Reason unless (x) Employee gives Employer a written notice of the purported Good Reason no more than 90 days after the initial existence of such event or circumstance, (y) such event or circumstance has not been fully corrected within 30 days following Employer's receipt of such notice, and (z) if Employer does not correct, Employee ends their employment not more than 30 days following the period to correct in (y).

e. Employee understands that should Employee resign their employment without Good Reason, then Employee is entitled to no more than their salary through the date of termination (said termination date to be determined by Employer upon notice of resignation), and

any earned but unused vacation days and unreimbursed business expenses through the date of termination.

f. Any Severance Benefits will begin only upon the date of Employee's "separation from service" (as defined under Section 409A of the Internal Revenue Code). Each installment of the severance payments and benefits will be treated as a separate payment for purposes of Section 409A and no such payment may be accelerated or deferred unless permitted or required by Section 409A. Solely to the extent required to avoid additional taxes under Section 409A, and solely to the extent that Employee is a "specified employee" (as defined under Section 409A) as of the date of their separation from service, any installment of severance payments or benefits that would otherwise be payable within the six month period following such separation from service shall be delayed and paid on the first payroll period of the seventh month following their separation from service, with any remaining installments paid at the time set forth in the Agreement. Employer makes no representation or warranty and shall have no liability to Employee or to any other person if the payments and benefits provided in the Agreement are determined to constitute deferred compensation subject to Section 409A but that do not satisfy an exemption from, or the conditions of, that section.

8. **Disclosure of Information.** Employee agrees that they will not, during employment or any time after termination of employment hereunder, without authorization of Employer, and except as set forth in Section 10 below, disclose to, or make use of for themselves or for any person, corporation or other entity, any files, videos, trade secrets, papers, photographs, presentations, recipes, specifications, drawings, salary structures, sources of income, business plans, minutes of meetings, contractual arrangements, or other confidential information concerning the business, clients, methods, operations, financing or services of Employer. Trade secrets and confidential information shall mean information disclosed to Employee or known by

their as a consequence of their employment by Employer, and not generally known to the restaurant industry.

9. **Scope of Disclosure Restrictions.** Nothing in this Agreement prohibits Employee from communicating with government agencies about possible violations of federal, state, or local laws or otherwise providing information to government agencies, filing a complaint with government agencies, or participating in government agency investigations or proceedings. Employee is not required to notify Employer of any such communications; provided, however, that nothing herein authorizes the disclosure of information Employee obtained through a communication that was subject to the attorney-client privilege. Further, notwithstanding Employee's confidentiality and nondisclosure obligations, Employee is hereby advised as follows pursuant to the Defend Trade Secrets Act: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order."

10. **Surrender of Books and Records.** Employee acknowledges that all files, lists, books, records, photographs, videotapes, slides, specifications, drawings or any other materials used or created by Employee or used or created by Employer in connection with the conduct of

its business, shall at all times remain the property of Employer and that upon termination of employment hereunder, irrespective of the time, manner or cause of said termination, Employee will surrender to Employer all such files, lists, books, records, photographs, videotapes, slides, specifications, drawings or any other materials.

11. **Severability.** If any provision of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement shall, nevertheless, remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances, it shall, nevertheless, remain in full force and effect in all other circumstances.

12. **Notice.** All notices required to be given under the terms expressed hereunder shall be in writing, shall be effective upon receipt, and shall be delivered to the addressee in person or mailed by certified mail, returned receipt requested:  
If to Employer, addressed to:

Ruth's Hospitality Group, Inc.  
1030 West Canton Ave., Suite 100  
Winter Park, FL 32789  
ATTN: General Counsel

If to Employee, addressed to:

**Marcy Norwood Lynch** at the address contained in records of Employer as updated from time to time or such other address as a party shall have designated for notices to be given to their or it by notice given in accordance with this paragraph.

13. **Governing Law and Resolution of Dispute.** Employee's terms of employment shall be governed by and construed in accordance with the laws of or applicable to the State of Florida. Any dispute, controversy or claim arising out of or relating to Employee's terms of employment, or the breach therefore, shall be resolved by arbitration conducted in accordance

with the rules then existing of the American Arbitration Association, applying the substantive law of the State of Florida. The parties further agree that any such arbitration shall be conducted in Orange County, Florida.

14. **Waiver.** No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

[Signatures appear on the following page]

By: \_\_\_\_\_  
Name: Cheryl J. Henry  
Title: President and Chief Executive Officer  
Date: March \_\_\_\_, 2021

**Marcy Norwood Lynch**

By: \_\_\_\_\_  
**Marcy Norwood Lynch**

Date: March 2, 2021

**David Hyatt**

## TERMS OF EMPLOYMENT AND SALARY CONTINUATION AGREEMENT (“AGREEMENT”)

Ruth’s Hospitality Group, Inc. (hereafter referred to as “Employer”) and **David Hyatt** (hereinafter referred to as “Employee”) agree upon the following terms of employment of Employee by Employer. This Agreement shall take effect as of March 1, 2021 (the “Effective Date”).

1. **Duties.** Employee shall be employed during the term of this Agreement (as set forth in Section 3) in the position of Chief People Officer. Employee will advance the best interests of Employer at all times during their employment and shall at all such times faithfully, industriously and to the best of their ability, perform all duties as may be required of them by virtue of their title and position and in accordance with the job description for their title and position as established by Employer’s Board of Directors (the “Board”) and/or its designee from time to time. Employer shall provide Employee with a written job description. Employee shall comply with any and all written personnel policies, corporate policies and employment manuals of Employer in the conduct of their duties that are applied on a consistent basis.

2. **Extent of Service.** Employee shall devote their full time and best efforts to the performance of their duties. Employee shall not engage in any business or perform any services in any capacity that would, in the reasonable judgment of Employer, interfere with the full and proper performance by Employee of their duties.

3. **Term/Annual Renewals.** This Agreement shall expire and terminate and be of no further effect (with the exception of terms herein which by their terms survive the termination of this Agreement) on the close of business of the first anniversary of the Effective Date; provided,

however, that this Agreement shall automatically renew and extend for additional one (1) year terms if Employee is not otherwise in default, remains in the employ of Employer, and Employer has not given Employee a minimum of 60 days' notice prior to the expiration of any given term that the Agreement shall terminate upon expiration of the term.

4. **Compensation.**

a. **Salary.** For all duties to be performed by Employee in the capacity referenced hereunder, Employee shall receive an initial base salary at the annualized rate of \$285,000, less all applicable taxes and withholdings, that cannot be reduced and which shall be paid in accordance with Employer's normal payroll practice. Employee's base salary will be subject to annual review by the Compensation Committee of the Board of Directors (the "Compensation Committee").

b. **Annual Bonus.** Following the end of each fiscal year, Employee will be entitled to a discretionary bonus of up to 50% of their then current base salary, based on achievement (as determined by the Compensation Committee) of the budget and performance targets set by the Compensation Committee on an annual basis pursuant to Employer's Bonus Plan ("Plan") and which may be increased or decreased according to the Plan. Any annual bonus shall be paid to Employee after the issuance of Employer's audited financial statements relating to that year, assuming Employee is actively employed by Employer at the end of the fiscal year.

c. **Automobile Allowance.** Employee shall also receive a monthly automobile allowance of \$700.00, less applicable taxes and withholdings, during the term of this Agreement.

5. **Benefits.**

a. **Vacation/Leave** - Employee shall be entitled to four (4) weeks of paid vacation per calendar year, with normal sick and holiday leave as defined by Employer's policies.

b. **Benefit Plans** - Employee shall be entitled to participate in the health and welfare plans provided by Employer for its executives, to the extent that Employee is eligible under the plan documents governing those programs. Benefits are subject to change at any time in Employer's sole discretion.

c. **Retirement Benefits** - Employee will be eligible for all applicable retirement benefits offered by Employer, if any.

d. **Reimbursement of Expenses** - Employer agrees to reimburse Employee for reasonable and appropriate Employer-related expenses (as determined by Employer) paid by Employee in furtherance of their duties, including, but not limited to, travel expenses, food, lodging, entertainment expenses and automobile expenses, upon submission of proper accounting records for such expenses.

6. **Disability or Incapacity**. If, for a period of ninety (90) consecutive days during the continuing term of this Agreement, Employee is disabled or incapacitated for mental, physical or other cause to the extent that they are unable to perform their duties as herein contemplated during said ninety (90) consecutive days, Employer shall immediately thereafter have the right to terminate this Agreement upon providing ten (10) days' written notice to Employee and shall be obligated to pay Employee compensation up to the effective date of said termination. The right of termination in this section in no way affects or diminishes other rights of termination as stated in this Agreement, the Equity Plan, and/or the Plan.

7. **Termination**. Notwithstanding any other provision hereof, Employee's employment shall be terminated immediately upon: 1) their death; 2) notice after disability or incapacity as set forth in Section 6; 3) Employee's discharge for Cause; or 4) Employee's resignation.

a. For purposes of this Agreement, "Cause" shall mean (i) Employee's theft or embezzlement, or attempted theft or embezzlement, of money or property of Employer, their perpetuation or attempted perpetuation of fraud, or their participation in a fraud or attempted fraud, on Employer or their unauthorized appropriation of, or their attempt to misappropriate, any tangible or intangible assets or property of Employer, (ii) any act or acts of disloyalty, misconduct or moral turpitude by Employee injurious to the interest, property, operations, business or reputation of Employer or their commission of a crime which results in injury to Employer, or (iii) their willful disregard of lawful directive given by a superior or the Board or a violation of an Employer employment policy injurious to the interest of Employer. Employee may not be terminated for Cause under (ii) or (iii) unless provided prior written notice and the circumstance has not been cured within 10 business days. Cause shall not include termination due to death or disability.

b. Should Employer terminate Employee's employment for Cause, as defined in Section 7.a, then, Employee is entitled to be paid no more than their base salary, unused vacation days, unreimbursed expenses, and car allowance through the date of termination, as well as any bonus earned pursuant to the Plan for the prior fiscal year but not yet paid.

c. Employer reserves the right to terminate Employee's employment without Cause, as defined in Section 7.a, and Employee reserves the right to resign for Good Reason, as defined in Section 7.d. However, in the event either such separation occurs, then: 1) Employee will receive twelve (12) equal monthly payments in the aggregate equal to Employee's prior twelve (12) months' base salary compensation; 2) Employee shall receive a lump sum payment equal to fifty-percent (50%) of Employee's prior year bonus payment, payable on the Payment Commencement Date (as defined below); 3) Employee will be eligible to receive twelve (12)

months continued welfare and retirement benefits, according to the same terms and conditions Employee would have been entitled to had Employee's employment with Employer not been terminated, to the extent permitted by the terms of the applicable plans; 4) if Employee is eligible for and timely elects to continue receiving group health insurance under COBRA, Employer will, for up to twelve (12) months following Employee's date of termination, continue to pay the share of the premium for such coverage that it pays for active and similarly-situated employees who receive the same type of coverage unless, as a result of a change in legal requirements, Employer's provision of payments for COBRA will violate the nondiscrimination requirements of applicable law, in which case this benefit will not apply; 5) Employee will receive twelve (12) monthly payments of the automobile allowance Employee would have been entitled to had Employee's employment with Employer not been terminated, including reimbursement for fuel and routine maintenance costs for one automobile; 6) Employee will receive all unreimbursed expenses through the termination date; and 7) the vesting and exercisability of any equity awards granted to the Employee by the Employer shall be as set forth in the applicable award agreement; provided that, with respect to each Restricted Stock Award granted to the Employee on each of June 2, 2019, and February 28, 2020 (together, the "Outstanding RSAs"), a number of Restricted Shares (as defined in the applicable Outstanding RSA Agreement) subject to each such Outstanding RSA shall vest equal to (A) the total number of Restricted Shares subject to such Outstanding RSA multiplied by a fraction (x) the numerator of which is the number of days between the grant date of the Outstanding RSA and the date of the Employee's termination of employment and (y) the denominator of which is the total number of days between the grant date and the final vesting date of such Outstanding RSA, (B) less any previously vested Restricted Shares (1-7 collectively, the "Severance Benefits"). Employer will pay the severance amounts referenced above in accordance with Employer's regular payroll practices, on or commencing on the first payroll period and paid

monthly thereafter following the date the Release (as defined below) becomes irrevocable (the "Payment Commencement Date"); provided, however, that if the 60th day following Employee's termination date falls in the calendar year following the year of Employee's termination of employment, the Payment Commencement Date shall be the first payroll period of such later calendar year. The Severance Benefits are contingent on Employee's compliance with Sections 8 and 9, and their entering into a severance and release of claims agreement in a form to be provided by Employer (which will include, at a minimum, a release of all releasable claims and non-disparagement and cooperation obligations) (the "Release"), which Release must become irrevocable within 60 days following their termination (or such shorter period as Employer may provide).

d. For purposes of this Agreement, "Good Reason" shall mean (i) the assignment by the Board to Employee of any material duties that are clearly inconsistent with and represent a material diminution of Employee's status, title and position as Chief People Officer of Employer; or (ii) a failure by Employer to pay Employee any amounts required to be paid under this Agreement, which failure continues uncured for a period of fifteen (15) days after written notice thereof is given by Employee to the Board; (iii) relocation of Employer requiring Employee to relocate by more than 50 miles, other than in a direction that reduces Employee's daily commuting distance; or (iv) Employer provides Employee notice 60 days before expiration of a given term of its decision not to renew this Agreement on the terms set forth herein. Notwithstanding the occurrence of any of the foregoing events or circumstances, a resignation shall not be deemed to constitute resignation for Good Reason unless (x) Employee gives Employer a written notice of the purported Good Reason no more than 90 days after the initial existence of such event or circumstance, (y) such event or circumstance has not been fully corrected within 30 days following Employer's receipt of such notice, and (z) if Employer does

not correct, Employee ends their employment not more than 30 days following the period to correct in (y).

e. Employee understands that should Employee resign their employment without Good Reason, then Employee is entitled to no more than their salary through the date of termination (said termination date to be determined by Employer upon notice of resignation), and any earned but unused vacation days and unreimbursed business expenses through the date of termination.

f. Any Severance Benefits will begin only upon the date of Employee's "separation from service" (as defined under Section 409A of the Internal Revenue Code). Each installment of the severance payments and benefits will be treated as a separate payment for purposes of Section 409A and no such payment may be accelerated or deferred unless permitted or required by Section 409A. Solely to the extent required to avoid additional taxes under Section 409A, and solely to the extent that Employee is a "specified employee" (as defined under

Section 409A) as of the date of their separation from service, any installment of severance payments or benefits that would otherwise be payable within the six month period following such separation from service shall be delayed and paid on the first payroll period of the seventh month following their separation from service, with any remaining installments paid at the time set forth in the Agreement. Employer makes no representation or warranty and shall have no liability to Employee or to any other person if the payments and benefits provided in the Agreement are determined to constitute deferred compensation subject to Section 409A but that do not satisfy an exemption from, or the conditions of, that section.

8. **Disclosure of Information.** Employee agrees that they will not, during employment or any time after termination of employment hereunder, without authorization of Employer, and except as set forth in Section 10 below, disclose to, or make use of for themselves

or for any person, corporation or other entity, any files, videos, trade secrets, papers, photographs, presentations, recipes, specifications, drawings, salary structures, sources of income, business plans, minutes of meetings, contractual arrangements, or other confidential information concerning the business, clients, methods, operations, financing or services of Employer. Trade secrets and confidential information shall mean information disclosed to Employee or known by their as a consequence of their employment by Employer, and not generally known to the restaurant industry.

9. **Non-Compete.** In further consideration of the compensation to be paid to Employee hereunder, Employee acknowledges that in the course of their employment with Employer and its subsidiaries and affiliates they shall become familiar, and during their employment with Employer they have become familiar, with Employer's trade secrets and with other confidential information concerning Employer and its predecessors and its subsidiaries and affiliates and that their services have been and shall be of special, unique and extraordinary value to Employer. Therefore, Employee agrees that during their employment and for a period of one year following their last day of employment for any reason (hereafter referred to as the "Non-compete Period"), Employee shall not directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, or in any manner engage in any business or enterprise identical to or similar to any such business which is engaged in by Employer, its subsidiaries or affiliates or any of their respective franchises, which shall include any restaurant business that derives more than 25% of its revenues from the sale of steak and steak dishes and which has an average guest check greater than \$65, escalating by five percent (5%) per year, (the "Business"), as of the date of this Agreement and which is located in the United States, which shall for purposes of illustration and not limitation include the following chains and their parent companies, subsidiaries and other affiliates: Morton's Restaurant Group, The Palm, Smith &

Wollensky, Del Frisco's, Sullivan's, The Capital Grille, Mastro's, Fleming's, and Shula's. Nothing herein shall prohibit Employee from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation that is publicly traded, so long as Employee has no active participation in the business of such corporation. This restriction will not apply if Employee is employed as an officer of a business, including, but not limited to, a casino or hotel, that as an ancillary service provides fine dining as defined in this paragraph. The term "ancillary" assumes that less than fifty percent (50%) of the business revenues are derived from its dining facilities.

a. During the Non-compete Period, Employee shall not directly or indirectly through another entity (i) induce or attempt to induce any non-hourly or management employee of Employer or any subsidiary or affiliate to leave the employ of Employer or such subsidiary or affiliate, or in any way interfere with the relationship between Employer or any subsidiary or affiliate and any employee thereof, (ii) hire any person who was an employee of Employer or any subsidiary or affiliate at any time during Employee's employment with Employer, unless such person responded to a general solicitation or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of Employer or any subsidiary or affiliate to cease doing business between any such customer, supplier, licensee or business relation and Employer or any subsidiary or affiliate (including, without limitation, making any negative, derogatory or disparaging statements or communications regarding Employer or its subsidiaries, affiliates, employees or franchisees).

10. **Scope of Disclosure Restrictions.** Nothing in this Agreement prohibits Employee from communicating with government agencies about possible violations of federal, state, or local laws or otherwise providing information to government agencies, filing a complaint with

government agencies, or participating in government agency investigations or proceedings. Employee is not required to notify Employer of any such communications; provided, however, that nothing herein authorizes the disclosure of information Employee obtained through a communication that was subject to the attorney-client privilege. Further, notwithstanding Employee's confidentiality and nondisclosure obligations, Employee is hereby advised as follows pursuant to the Defend Trade Secrets Act: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order."

11. **Surrender of Books and Records.** Employee acknowledges that all files, lists, books, records, photographs, videotapes, slides, specifications, drawings or any other materials used or created by Employee or used or created by Employer in connection with the conduct of its business, shall at all times remain the property of Employer and that upon termination of employment hereunder, irrespective of the time, manner or cause of said termination, Employee will surrender to Employer all such files, lists, books, records, photographs, videotapes, slides, specifications, drawings or any other materials.

12. **Severability.** If any provision of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement shall, nevertheless, remain in full force and effect. If any provision is held invalid or unenforceable with respect to particular circumstances, it shall, nevertheless, remain in full force and effect in all other circumstances.

13. **Notice.** All notices required to be given under the terms expressed hereunder shall be in writing, shall be effective upon receipt, and shall be delivered to the addressee in person or mailed by certified mail, returned receipt requested:  
If to Employer, addressed to:

Ruth's Hospitality Group, Inc.  
1030 West Canton Ave., Suite 100  
Winter Park, FL 32789  
ATTN: General Counsel

If to Employee, addressed to:

**David Hyatt** at the address contained in records of Employer as updated from time to time or such other address as a party shall have designated for notices to be given to their or it by notice given in accordance with this paragraph.

14. **Governing Law and Resolution of Dispute.** Employee's terms of employment shall be governed by and construed in accordance with the laws of or applicable to the State of Florida. Any dispute, controversy or claim arising out of or relating to Employee's terms of employment, or the breach therefore, shall be resolved by arbitration conducted in accordance with the rules then existing of the American Arbitration Association, applying the substantive law of the State of Florida. The parties further agree that any such arbitration shall be conducted in Orange County, Florida.

15. **Waiver.** No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

[Signatures appear on the following page]

By: \_\_\_\_\_  
Name: Cheryl J. Henry  
Title: President and Chief Executive Officer  
Date: March \_\_\_\_, 2021

**David Hyatt**

By: \_\_\_\_\_  
**David Hyatt**  
Date: \_\_\_\_\_







