

Ruths Hospitality Group, Inc.  
Form 10-Q  
August 05, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 28, 2009

OR

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

For the transition period from            to

Commission File Number 000-51485

**Ruth s Hospitality Group, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of

**72-1060618**  
(I.R.S. Employer

incorporation or organization)

Identification No.)

**500 International Parkway, Heathrow, FL**  
(Address of principal executive offices)

**32746**  
(Zip code)

**(407) 333-7440**

Registrant's telephone number, including area code

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

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

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

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

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 August 5, 2009 was 24,165,111.

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**Table of Contents****PART 1 FINANCIAL INFORMATION****ITEM 1 FINANCIAL STATEMENTS****RUTH S HOSPITALITY GROUP, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets****(dollar amounts in thousands, except share and per share data)**

|   | December 28,<br>2008 | June 28,<br>2009<br>(Unaudited) |
|---|----------------------|---------------------------------|
| <b>Assets</b>   |                      |                                 |
| Current assets:   |                      |                                 |
| Cash and cash equivalents   | \$ 3,876             | \$ 1,135                        |
| Accounts receivable, less allowance for doubtful accounts 2008 - \$597; 2009 - \$620 (unaudited)  | 13,367               | 8,096                           |
| Inventory   | 8,630                | 6,951                           |
| Assets held for sale  | 10,500               | 10,600                          |
| Prepaid expenses and other  | 3,426                | 3,503                           |
| Deferred income taxes   | 1,809                | 1,343                           |
| Total current assets  | 41,608               | 31,628                          |
| Property and equipment, net of accumulated depreciation 2008 - \$66,204; 2009 - \$72,157 (unaudited)  | 130,380              | 121,692                         |
| Goodwill  | 24,320               | 24,320                          |
| Franchise rights  | 37,323               | 37,323                          |
| Trademarks  | 13,918               | 13,918                          |
| Other intangibles, net of accumulated amortization 2008 - \$753; 2009 - \$1,014 (unaudited)   | 8,472                | 8,212                           |
| Deferred income taxes   | 34,700               | 35,725                          |
| Other assets  | 2,798                | 4,311                           |
| Total assets  | \$ 293,519           | \$ 277,129                      |
| <b>Liabilities and Shareholders' Equity</b>   |                      |                                 |
| Current liabilities:  |                      |                                 |
| Accounts payable  | \$ 10,079            | \$ 8,180                        |
| Accrued payroll   | 9,524                | 8,830                           |
| Accrued expenses  | 7,784                | 6,776                           |
| Deferred revenue  | 29,421               | 20,304                          |
| Accrued restructuring   | 6,433                | 5,165                           |
| Other current liabilities   | 3,965                | 5,459                           |
| Total current liabilities   | 67,206               | 54,714                          |
| Long-term debt  | 160,250              | 150,000                         |
| Deferred rent   | 21,047               | 21,127                          |
| Other liabilities   | 7,873                | 6,899                           |
| Total liabilities   | 256,376              | 232,740                         |
| Shareholders' equity (deficit):   |                      |                                 |
| Common stock, par value \$.01 per share; 100,000,000 shares authorized, 23,452,986 shares issued and outstanding at December 28, 2008 23,599,161 shares issued and outstanding at June 28, 2009 | 235                  | 236                             |
| Additional paid-in capital  | 171,388              | 172,564                         |
| Accumulated deficit   | (134,480)            | (128,411)                       |

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Treasury stock, at cost; 71,950 shares at December 28, 2008 and June 28, 2009  
Commitments and contingencies (Note 6)

|  |            |            |
|--|------------|------------|
| Total shareholders' equity                 | 37,143     | 44,389     |
| Total liabilities and shareholders' equity | \$ 293,519 | \$ 277,129 |

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****RUTH S HOSPITALITY GROUP, INC AND SUBSIDIARIES****Condensed Consolidated Statements of Income - Unaudited****(dollar amounts in thousands, except share and per share data)**

|  | <b>13 Weeks Ending</b>   |                          | <b>26 Weeks Ending</b>   |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | <b>June 29,<br/>2008</b> | <b>June 28,<br/>2009</b> | <b>June 29,<br/>2008</b> | <b>June 28,<br/>2009</b> |
| <b>Revenues:</b>   |                          |                          |                          |                          |
| Restaurant sales   | \$ 102,315               | \$ 84,019                | \$ 196,395               | \$ 178,160               |
| Franchise income   | 2,966                    | 2,453                    | 6,293                    | 5,157                    |
| Other operating income   | 2,359                    | 1,952                    | 2,619                    | 2,136                    |
| <b>Total revenues</b>  | <b>107,640</b>           | <b>88,424</b>            | <b>205,307</b>           | <b>185,453</b>           |
| <b>Costs and expenses:</b>   |                          |                          |                          |                          |
| Food and beverage costs  | 31,433                   | 23,490                   | 61,526                   | 51,018                   |
| Restaurant operating expenses                                      | 51,168                   | 45,646                   | 96,203                   | 95,897                   |
| Marketing and advertising  | 4,790                    | 3,904                    | 7,360                    | 6,396                    |
| General and administrative costs                                   | 10,010                   | 5,624                    | 16,933                   | 11,234                   |
| Depreciation and amortization expenses                             | 4,291                    | 4,150                    | 7,756                    | 8,245                    |
| Pre-opening costs  | 1,007                    |                          | 1,356                    | 16                       |
| Loss on impairment   |                          | 150                      |                          | 286                      |
| Loss on the disposal of property and equipment, net                |                          | 925                      | 1                        | 933                      |
| <b>Operating income</b>  | <b>4,941</b>             | <b>4,535</b>             | <b>14,172</b>            | <b>11,428</b>            |
| <b>Other income (expense):</b>                                     |                          |                          |                          |                          |
| Interest expense, net  | (1,182)                  | (1,849)                  | (4,390)                  | (4,134)                  |
| Other  | 185                      | 267                      | 522                      | 419                      |
| <b>Income from continuing operations before income tax expense</b> | <b>3,944</b>             | <b>2,953</b>             | <b>10,304</b>            | <b>7,713</b>             |
| Income tax expense   | 1,048                    | 354                      | 2,904                    | 1,316                    |
| <b>Income from continuing operations</b>                           | <b>2,896</b>             | <b>2,599</b>             | <b>7,400</b>             | <b>6,397</b>             |
| Loss on discontinued operations, net of income tax benefit         | 141                      | 275                      | 114                      | 328                      |
| <b>Net income</b>  | <b>\$ 2,755</b>          | <b>\$ 2,324</b>          | <b>\$ 7,286</b>          | <b>\$ 6,069</b>          |
| <b>Basic earnings per share:</b>                                   |                          |                          |                          |                          |
| Continuing operations  | \$ 0.12                  | \$ 0.11                  | \$ 0.32                  | \$ 0.27                  |
| Discontinued operations  |                          | (0.01)                   | (0.01)                   | (0.01)                   |
| <b>Basic earnings per share</b>                                    | <b>\$ 0.12</b>           | <b>\$ 0.10</b>           | <b>\$ 0.31</b>           | <b>\$ 0.26</b>           |
| <b>Diluted earnings per share:</b>                                 |                          |                          |                          |                          |
| Continuing operations  | \$ 0.12                  | \$ 0.11                  | \$ 0.32                  | \$ 0.27                  |
| Discontinued operations  |                          | (0.01)                   | (0.01)                   | (0.01)                   |

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|   |    |            |    |            |    |            |    |            |
|---|----|------------|----|------------|----|------------|----|------------|
| Diluted earnings per share                            | \$ | 0.12       | \$ | 0.10       | \$ | 0.31       | \$ | 0.26       |
| Shares used in computing net income per common share: |    |            |    |            |    |            |    |            |
| Basic   |    | 23,285,705 |    | 23,571,111 |    | 23,255,803 |    | 23,527,655 |
| Diluted   |    | 23,436,922 |    | 23,754,577 |    | 23,414,612 |    | 23,655,973 |

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****RUTH S HOSPITALITY GROUP, INC AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows - Unaudited**

(dollar amounts in thousands)

|   | 26 Weeks Ending  |                  |
|---|------------------|------------------|
|   | June 29,<br>2008 | June 28,<br>2009 |
| Cash flows from operating activities:   |                  |                  |
| Net income  | \$ 7,286         | \$ 6,069         |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                  |                  |
| Depreciation and amortization   | 7,909            | 8,245            |
| Deferred income taxes   | (170)            | (559)            |
| Non-cash interest expense   | 41               | 720              |
| Loss on the disposal of property and equipment, net   | 1                | 933              |
| Loss on impairment  |                  | 286              |
| Amortization of below market lease  |                  | 99               |
| Stock compensation expense  | 1,674            | 1,150            |
| Changes in operating assets and liabilities:  |                  |                  |
| Accounts receivable   | (1,173)          | 5,271            |
| Inventories   | 644              | 1,679            |
| Prepaid expenses and other  | (481)            | (77)             |
| Other assets  | 329              | 99               |
| Accounts payable and accrued expenses   | 12,439           | (2,071)          |
| Deferred revenue  | (7,758)          | (9,117)          |
| Deferred rent   | 2,365            | 80               |
| Other liabilities   | 53               | (974)            |
| Net cash provided by operating activities   | 23,159           | 11,833           |
| Cash flows from investing activities:   |                  |                  |
| Acquisition of property and equipment   | (21,883)         | (2,799)          |
| Proceeds from sale of property and equipment  |                  | 780              |
| Acquisition of Mitchells  | (93,037)         |                  |
| Net cash used in investing activities   | (114,920)        | (2,019)          |
| Cash flows from financing activities:   |                  |                  |
| Principal repayments on long-term debt  | (23,000)         | (10,250)         |
| Proceeds from long-term debt  | 106,000          |                  |
| Income tax benefits credited to equity upon exercise of stock options                       | 86               | 15               |
| Proceeds from exercise of stock options   | 17               | 12               |
| Deferred financing costs  | (954)            | (2,332)          |
| Net cash provided by (used in) financing activities   | 82,149           | (12,555)         |
| Net decrease in cash and cash equivalents   | (9,612)          | (2,741)          |
| Cash and cash equivalents at beginning of period  | 12,311           | 3,876            |



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|  |          |          |
|--|----------|----------|
| Cash and cash equivalents at end of period         | \$ 2,699 | \$ 1,135 |
| Supplemental disclosures of cash flow information: |          |          |
| Cash paid during the period for:                   |          |          |
| Interest   | \$ 4,078 | \$ 4,313 |
| Income taxes                                       | 1,170    | 673      |

See accompanying notes to condensed consolidated financial statements.

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

#### **Notes to Condensed Consolidated Financial Statements**

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

#### **(1) Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of Ruth s Hospitality Group, Inc. and its subsidiaries (together, the Company ) as of June 28, 2009, and December 28, 2008, and for the quarters ended June 28, 2009 and June 29, 2008 have been prepared by the Company, pursuant to the rules and regulations of the SEC.

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 fiscal quarters ended June 28, 2009 and June 29, 2008 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 accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These 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 28, 2008.

The Company operates on a 52 or 53-week fiscal year ending on the last Sunday in December. The fiscal quarters ended June 28, 2009 and June 29, 2008 each contained 13 weeks and are referred to herein as the second quarter of fiscal 2009 and the second quarter of fiscal 2008, respectively.

*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 period to prepare these condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill, franchise rights, trademarks, obligations related to workers compensation and medical insurance, and restructuring accruals. Actual results could differ from those estimates.

*Reclassifications* Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on previously reported net income. Specifically, certain items in other assets were reclassified to other intangibles.

#### **(2) Acquisition of Mitchell s Fish Market and Cameron s Steakhouse**

On February 19, 2008, the Company completed the acquisition of all of the operating assets and intellectual property of Mitchell s Fish Market, operating under the names of Mitchell s Fish Market and Columbus Fish Market, and Cameron s Steakhouse, operating under the names of Cameron s Steakhouse and Mitchell s Steakhouse from Cameron Mitchell Restaurants, LLC ( CMR ). There are 19 operating Mitchell s Fish Markets and three operating Cameron s Steakhouses.

The aggregate purchase price for Mitchell s Fish Market and Cameron s Steakhouse was \$93.0 million, including capitalized transaction costs. Capitalized transaction costs related to the purchase were \$1.0 million and are included in goodwill. The acquisition was funded with cash on hand and borrowings under the Company s credit facility. The total cost of the acquisition has been allocated to the assets acquired in accordance with SFAS No. 141, *Business Combinations*. The below table summarizes the allocation of proceeds paid to the seller as well as acquisition costs.

|                              |          |
|------------------------------|----------|
| Inventory                    | \$ 1,073 |
| Property and equipment       | 40,947   |
| Goodwill (non-amortizable)   | 22,815   |
| Trademarks (non-amortizable) | 25,900   |
| Favorable leases             | 2,306    |
| Non-compete agreement        | 1,030    |

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|                                   |           |
|-----------------------------------|-----------|
| Liquor licenses (non-amortizable) | 1,652     |
| Unfavorable leases                | (2,686)   |
| Total assets acquired             | \$ 93,037 |

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A portion of the acquired lease portfolio represented favorable operating leases, compared with current market conditions, and a portion represented unfavorable operating leases, compared with current market conditions. The fair value of the favorable leases totaling \$2.3 million, is recorded in other intangible assets and, after considering renewal periods, has an estimated weighted average life of approximately 17.8 years. The fair value of the unfavorable leases totaling \$2.7 million, is recorded in other liabilities and has an estimated weighted average life of approximately 17.3 years. Both the favorable and unfavorable leases are amortized to rent expense on the straight-line basis over the terms of the related leases.

Non-compete covenants of \$1.0 million related to the acquisition are also included in other intangibles. These amounts are being amortized over a five year period based on the terms of the asset purchase agreement.

Goodwill and trademarks are not amortized but are reviewed annually for impairment or more frequently if indicators of impairment exist. Due to declining market conditions in the fourth quarter of 2008, the Company revised its forward-looking business projections downward, and as a result, recorded non-cash goodwill impairment charges of \$22.8 million and non-cash trademark impairment charges of \$12.1 million related the acquisition of Mitchell s.

### **(3) Stock-Based Employee Compensation**

As of June 28, 2009, the Company had the following share-based compensation plans:

#### *2000 Stock Option Plan*

The Company established a stock option plan which allows the Company s Board of Directors to grant stock options to directors, officers, key employees and other key individuals performing services for the Company. The 2000 Stock Option Plan authorizes grants of options to purchase up to 1,765,981 shares of authorized but unissued common stock. The 2000 Stock Option Plan provides for granting of options to purchase shares of common stock at an exercise price not less than the fair value of the stock on the date of grant. Options are exercisable at various periods ranging from one to ten years from date of grant. Under the 2000 Stock Option Plan, there are 163,523 shares of common stock issuable upon exercise of currently outstanding options at June 28, 2009 and 647,231 shares available for future grants. No future grants are expected to be made under the 2000 Stock Option Plan.

#### *2004 Restricted Stock Plan*

The Company established a restricted stock plan, which allows the Company s Board of Directors to facilitate the purchase of restricted stock by directors, officers and other key employees. The 2004 Restricted Stock Plan authorized restricted stock purchases of up to 1,167,487 shares of authorized but unissued common stock. Under the Company s 2004 Restricted Stock Plan, there are 1,167,487 shares of common stock issued and no shares available for future grants. In relation to the departure of an executive officer during the second quarter of 2007, the Company reacquired 71,950 shares of restricted common stock for the same price per share as paid by the officer during 2004. The shares have been placed in treasury stock with a cost basis equivalent to the purchase price of less than \$1.

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

In connection with the initial public offering, the Company adopted the 2005 Long-Term Equity Incentive Plan (the 2005 Equity Incentive Plan ), which allows the Company s Board of Directors to grant stock options, restricted stock, restricted stock units, deferred stock units and other equity-based awards to directors, officers, key employees and other key individuals performing services for the Company. The 2005 Equity Incentive Plan provides for granting of options to purchase shares of common stock at an exercise price not less than the fair value of the stock on the date of grant. Effective May 22, 2008, the 2005 Equity Incentive Plan was amended, with stockholder approval, to increase the number of shares authorized for issuance under the plan by 1,500,000 shares to a total of 3,862,500 shares.

During the first quarter of fiscal 2008, the Company issued 1,030,000 shares of restricted shares to certain employees, executive officers and directors. Of these grants, 955,000 shares were issued with a fair market value equal to \$7.22, and 75,000 shares were issued with a fair market value equal to \$6.32. During the second quarter of fiscal 2008, the Company issued 225,000 shares of restricted shares to certain employees, executive officers and directors. Of these grants, 25,000 shares were issued with a fair market value equal to \$6.96, and 200,000 shares were issued with a fair market value equal to \$6.50. The restricted share prices were equal to the closing price of the stock on the dates of the grants. One-fifth of the restricted stock grant vests on each of the five anniversary dates following the grant date.

Under the 2005 Equity Incentive Plan, as amended, there were 2,408,228 shares of common stock issuable upon exercise of currently outstanding options and restricted stock awards at June 28, 2009, and 1,150,777 shares available for future grants. Total stock compensation

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expense recognized for the twenty-six weeks ended June 29, 2008 and June 28, 2009 was \$1,674 and \$1,150, respectively.

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Long-term debt consists of the following:

|                                | December 28,<br>2008 | June 28,<br>2009<br>(unaudited) |
|--------------------------------|----------------------|---------------------------------|
| <b>Senior Credit Facility:</b> |                      |                                 |
| Revolving credit facility      | \$ 160,250           | \$ 150,000                      |
| Less current maturities        |                      |                                 |
|                                | \$ 160,250           | \$ 150,000                      |

On February 19, 2008, the Company amended and restated its existing credit facility to increase the revolving loan commitment to \$250.0 million. The amended and restated credit extended the maturity date of the outstanding principal from March 11, 2010 to February 19, 2013, and changed the maximum Consolidated Leverage Ratio in the financial covenants to 3.50:1.00.

On February 26, 2009, the Company entered into a First Amendment to First Amended and Restated Credit Agreement. The amendment reduced the revolving loan commitment from \$250.0 million to \$175.0 million, with additional reductions scheduled beginning December 31, 2009 through the final maturity date of February 19, 2013. The revolving loan commitment is scheduled to be reduced to \$170.0 million on December 31, 2009. The amendment decreased the Company's Fixed Charge Coverage Ratio and increased its maximum Leverage Ratio, in each case beginning with the fourth quarter of 2008 and continuing through the second quarter of 2010, after which these two covenants reset to their original levels. The amendment also added two new covenants. The first is a minimum EBITDA test and the second places new restrictions on capital expenditures. The amendment also increased the interest rates applicable to borrowings based on the Company's actual leverage ratio, ranging from 2.50% to 4.25% above the applicable LIBOR rate or, at the Company's option, from 1.25% to 3.00% above the applicable base rate. At the time of the amendment, net deferred costs of \$0.4 million related to the Company's credit agreement were written off.

As of June 28, 2009, the Company had an aggregate of \$150.0 million of outstanding indebtedness under its senior credit facility at a weighted average interest rate of 4.34%. Under the amended revolving loan commitment, the Company had approximately \$21.5 million of borrowings available under its revolving credit facility, net of outstanding letters of credit of approximately \$3.5 million. The Company is required to maintain certain financial covenants and is also subject to several restrictive covenants under its borrowings. The restrictive covenants include, but are not limited to, covenants that, subject to exceptions: (1) prohibit the Company and its subsidiaries from incurring additional indebtedness and from guaranteeing obligations of others; (2) prohibit the Company and its subsidiaries from creating, incurring, assuming or permitting to exist any lien on or with respect to any property or asset; (3) limit the Company's ability and its subsidiaries' ability to enter into joint ventures, acquisitions, and other investments; (4) prohibit the Company and its subsidiaries from directly or indirectly creating or becoming liable with respect to any contingent liabilities; and (5) restrict the Company and its subsidiaries from directly or indirectly declaring, ordering, paying, or making any restricted junior payments. The Company's obligations under the senior credit facility are guaranteed by each of its existing and future subsidiaries and are secured by substantially all of its assets and a pledge of the capital stock of its subsidiaries. As of June 28, 2009, the Company was in compliance with all covenants under its senior credit facility.

**(5) Earnings Per Share**

Basic earnings per common share were computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the applicable period. For the thirteen and twenty-six weeks ended June 28, 2009, options to purchase 1,565,459, and 1,664,363 shares, respectively, of the Company's common stock at weighted average exercise prices of \$10.62 and \$10.13 per share, respectively, were not included in the calculation of weighted average shares for diluted earnings per share because their effects were anti-dilutive.

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The following table sets forth the computation of basic and diluted earnings per share:

|  | 13 Weeks Ending        |                  | 26 Weeks Ending        |                  |
|--|------------------------|------------------|------------------------|------------------|
|  | June 29,<br>2008       | June 28,<br>2009 | June 29,<br>2008       | June 28,<br>2009 |
|  | (unaudited)            |                  | (unaudited)            |                  |
| Net Income available to common shareholders                    | \$ 2,755               | \$ 2,324         | \$ 7,286               | \$ 6,069         |
| Shares:  |                        |                  |                        |                  |
| Weighted average number of common shares outstanding - basic   | 23,285,705             | 23,571,111       | 23,255,803             | 23,527,655       |
| Dilutive stock options   | 151,217                | 183,466          | 158,809                | 128,318          |
| Weighted-average number of common shares outstanding - diluted | 23,436,922             | 23,754,577       | 23,414,612             | 23,655,973       |
| Basic earnings per common share:                               |                        |                  |                        |                  |
| Continuing operations  | \$ 0.12 <sup>(1)</sup> | \$ 0.11          | \$ 0.32 <sup>(1)</sup> | \$ 0.27          |
| Discontinued operations  |                        | (0.01)           | (0.01)                 | (0.01)           |
| Basic earnings per common share                                | \$ 0.12                | \$ 0.10          | \$ 0.31                | \$ 0.26          |
| Diluted earnings per common share:                             |                        |                  |                        |                  |
| Continuing operations  | \$ 0.12                | \$ 0.11          | \$ 0.32                | \$ 0.27          |
| Discontinued operations  |                        | (0.01)           | (0.01)                 | (0.01)           |
| Diluted earnings per common share                              | \$ 0.12                | \$ 0.10          | \$ 0.31                | \$ 0.26          |

- (1) The Company has corrected the total weighted-average shares outstanding number in order to include only the shares of restricted stock that had vested by the end of the quarter rather than including all vested and unvested shares. This correction increases the previously reported basic earnings per share from \$0.11 to \$0.12 for the thirteen weeks ended June 29, 2008 and from \$0.30 to \$0.32 for the twenty-six weeks ended June 29, 2008. The Company believes that the correction has no other effect on reported results.

**(6) Commitments and Contingencies**

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

**(7) Discontinued Operations**

The Company accounts for its closed restaurants in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Therefore, when a restaurant is closed, and the restaurant is either held for sale or abandoned, the restaurant's operations are eliminated from continuing operations. Accordingly, the operations of such restaurants, net of applicable income taxes, are presented as discontinued operations and prior period operations of such restaurants, net of applicable income taxes, are reclassified.

During the third quarter of fiscal 2007, the Company was notified that the replacement tenant in the Manhattan-UN, New York, location was placed in default by the landlord and as a result, the Company resumed lease payments with respect to this property during the third quarter of fiscal 2008. Payments will equal \$0.6 million in the aggregate per fiscal year through September 2016. The Company will attempt to sublease the property in order to recover some or all of the amounts paid with respect to the lease. At June 28, 2009, the Company maintained a contingent lease liability of \$0.8 million related to this property. The Company accounted for its exit costs in accordance with the provisions of

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SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ( SFAS 146 ), which required that such costs be expensed in the periods whereby such costs are incurred. All of the losses incurred are included in discontinued operations in the accompanying condensed consolidated income statements.

During May 2009, the Company recorded a contingent lease liability of \$0.4 million related to its decision to close the Ruth's Chris Steak House located in Naples, Florida. Lease payments for this location will equal \$0.2 million in the aggregate per fiscal year through January 2022. The Company will attempt to sublease the property in order to recover some or all of the amounts paid with respect to the lease. The Company accounted for its exit costs in accordance with SFAS 146. All of the losses incurred with respect to this location are included in discontinued operations in the accompanying condensed consolidated income statements.



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Discontinued operations consist of the following:

|   | 13 Weeks Ending<br>June 29,<br>2008<br>(unaudited) |        | 26 Weeks Ending<br>June 29,<br>2008<br>(unaudited) |        |
|---|--|--------|--|--------|
| Revenues  | \$ 478   | \$ 199 | \$ 1,395   | \$ 716 |
| Loss before income tax  | (192)  | (312)  | (158)  | (395)  |
| Loss from operations of discontinued restaurants, net of income tax benefit | (141)  | (275)  | (114)  | (328)  |

**(8) Income Taxes**

The effective income tax rate for the quarter and twenty-six weeks ended June 28, 2009 was 11.7% and 17.0%, respectively, compared to an effective income tax rate of 26.3% and 28.0% for the quarter and twenty-six weeks ended June 29, 2008. The decrease in the estimated annual effective rate for fiscal 2009 is primarily attributable to an increase in the impact of federal tax credits combined with a decrease in income before income tax. The decrease in the effective income tax rate from 20% for the quarter ended March 29, 2009 to 11.7% for the quarter ended June 28, 2009 is attributable to a decrease in the estimated annual effective rate for fiscal 2009.

The Company accounts for unrecognized tax benefits in accordance with the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). The implementation of FIN 48 did not result in any changes to the Company's unrecognized tax benefits for uncertain tax positions. As of December 28, 2008 and June 28, 2009, the Company's gross unrecognized tax benefits totaled approximately \$0.7 million, of which \$0.5 million, if recognized, would impact the effective tax rate. The Company does not anticipate there will be any material changes in the unrecognized tax benefits within the next 12 months. The Company's continuing practice is to recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 28, 2008 and June 28, 2009, the Company had accrued approximately \$0.1 million and \$0.2 million, respectively, for the payment of interest, which is included as a component of the unrecognized tax benefit noted above.

The Company files consolidated and separate income tax returns in the United States Federal jurisdiction, many state jurisdictions and Puerto Rico. With few exceptions, the Company is no longer subject to U.S. Federal income tax examinations for years before 2007 and is no longer subject to state and local or Puerto Rico income tax examinations by tax authorities for years before 2004.

**(9) Restructuring**

As financial markets experienced great volatility in late 2008, management undertook a corporate restructuring to better support the new strategy of little to moderate company-owned restaurant growth.

The details of the restructuring charges are as follows:

|   | One-time<br>termination<br>benefits | Lease<br>Obligations | Total<br>restructuring |
|---|-------------------------------------|----------------------|------------------------|
| Accrued restructuring as of December 28, 2008 | \$ 1,455                            | \$ 4,978             | \$ 6,433               |
| Payments                                      | (946)                               | (322)                | (1,268)                |
| Accrued restructuring as of June 28, 2009     | \$ 509                              | \$ 4,656             | \$ 5,165               |

The Company has accrued lease obligations related to certain locations for which a lease was signed and the Company subsequently decided not to build. The accrual of \$5.0 million is based on management's estimate of the most likely outcome of the lease exit negotiations. However, it is at least reasonably possible that factors could change in the near term that would result in a change in estimate.



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### **(10) Significant Accounting Policies**

#### *Newly Adopted Accounting Pronouncements*

In the second quarter of 2009 we adopted FASB Staff Position FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* ( FSP 107-1 and APB 28-1 ) which require fair value of financial instruments disclosure in interim reporting period, as well as in annual, financial statements. The fair values of accounts receivable and accounts payable approximate their carrying amounts due to their short duration. The disclosure requirements of FSP 107-1 and APB 28-1 are presented in Note 4 Long-Term Debt.

In the first quarter of 2009 we adopted FASB Staff Position 157-2 which had deferred the effective date of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ( SFAS 157 ), as it applies to nonfinancial assets and liabilities that are measured at fair value on a non-recurring basis, until fiscal years and interim periods beginning after November 15, 2008. The deferral provided by FSP 157-2 applied to our measurement of property and equipment, goodwill, trademarks and franchise rights at fair value made in connection with periodic impairment assessments. Our adoption of SFAS 157 in the first quarter of fiscal year 2009, as it relates to our impairment assessment of long-lived and intangible assets, has not had a material impact on our consolidated financial statements.

#### *Recent Accounting Pronouncements For Future Application*

In December 2007, the FASB issued SFAS No.141R, *Business Combinations* ( SFAS 141R ). SFAS 141R provides companies with guidance on how an acquiring company recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree as well as the recognition and measurement of goodwill acquired in a business combination. SFAS 141R also requires certain disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Acquisition costs incurred as a result of the business combination will generally be expensed as incurred. SFAS 141R is effective for business combinations occurring in fiscal years beginning after December 15, 2008. Early adoption of SFAS 141R is not permitted. The Company is currently evaluating the impact that SFAS 141R will have on the consolidated financial statements and expects the adoption of this standard will not have a material impact on its consolidated balance sheet, income statements or cash flows.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* ( SFAS 165 ). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. The Company is currently evaluating the impact that SFAS 165 will have on the consolidated financial statements and expects the adoption of this standard will not have a material impact on its consolidated balance sheet, income statements or cash flows.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets* an amendment of FASB Statement No. 140 ( SFAS 166 ) and SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* ( SFAS 167 ). SFAS 166 will require more information about transfers of financial assets, eliminates the qualifying special purpose entity (QSPE) concept, changes the requirements for derecognizing financial assets and requires additional disclosures. SFAS 167 amends FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities* regarding certain guidance for determining whether an entity is a variable interest entity and modifies the methods allowed for determining the primary beneficiary of a variable interest entity. In addition, SFAS 167 requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and enhanced disclosures related to an enterprise's involvement in a variable interest entity. SFAS 166 and SFAS 167 are effective for annual reporting periods that begin after November 15, 2009. The Company is currently evaluating the impact that SFAS 166 and SFAS 167 will have on the consolidated financial statements and expects the adoption of these standards will not have a material impact on its consolidated balance sheet, income statements or cash flows.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles* a replacement of FASB Statement No. 162 ( SFAS 168 ). SFAS 168 provides for the FASB Accounting Standards Codification TM (the *Codification* ) to become the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles (GAAP). The Codification did not change GAAP but reorganizes the literature. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. The Company is currently evaluating the impact that SFAS 168 will have on the consolidated financial statements and expects the adoption of this standard will not have a material impact on its consolidated balance sheet, income statements or cash flows.

Other accounting standards that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

### **(11) Long-Lived Assets Held for Sale**

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In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company classifies long-lived assets to be disposed of, such as property, plant and equipment and purchased intangibles, separately as assets held for sale in the balance sheet. These assets are reported at the lower of the carrying amount or the fair value less costs to sell and are no longer depreciated. As of June 28, 2009, assets held for sale consisted of \$10.5 million for the corporate office building located in Heathrow, Florida, and \$0.1 million for the company-owned Ruth's Chris Steak House location in San Juan, Puerto Rico.

During the fourth quarter of fiscal 2008, the Company entered into a purchase and sale agreement for \$10.5 million for the corporate office building. Due to declining market conditions, the purchaser was unable to secure financing, and the purchase and sale contract expired. The Company currently intends to sell the corporate office building within the next twelve months.

On February 28, 2009, the company-owned Ruth's Chris Steak House location in San Juan, Puerto Rico, was closed due to lease term expiration in February 2009. The Company elected not to renew the lease and is currently seeking a franchise partner to acquire the remaining assets, which have an estimated fair value of \$0.1 million.

### (12) Marketing and Advertising Expense

During the second half of fiscal 2008, the Company introduced value promotions aimed at improving guest traffic. Of the \$3.9 million in marketing and advertising expense in the second quarter of fiscal 2009, the Company spent \$2.2 million, or 2.5% of its revenues, in total advertising expenditures. This amount included value promotions, such as a three-course dinner offering, which were advertised through local and national radio, print media, sports sponsorships and professional meeting events. These advertising costs were expensed as incurred.

### (13) Franchise Income

The Company currently has 64 Ruth's Chris Steak House franchise locations, including 14 international locations. During the second quarter of fiscal 2009, the Company closed one franchise location, Denver, Colorado. No franchise locations were opened, sold or purchased during the second quarter of fiscal 2009. Franchise income includes opening and development fees and income generated from existing franchise locations. The Company records franchise income separately in the condensed consolidated statements of income.

The following is a summary of franchise income:

|  | 13 Weeks Ending<br>June 29, 2008<br>(unaudited) |          | 26 Weeks Ending<br>June 29, 2009<br>(unaudited) |          |
|--|---|----------|---|----------|
| Franchise activity during the period:    |   |          |   |          |
| Opened                                   | 1   | 0        | 3   | 2        |
| Closed                                   | 0   | 1        | 0   | 2        |
| Franchise income:                        |   |          |   |          |
| Income from existing franchise locations | \$ 2,966  | \$ 2,428 | \$ 6,180  | \$ 5,032 |
| Opening and development fee income       |   | 25       | 113   | 125      |
| Total franchise income:                  | \$ 2,966  | \$ 2,453 | \$ 6,293  | \$ 5,157 |

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### (14) Fair Value Measurements

Fair value is defined under SFAS No. 157 as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. SFAS No.157 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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

Level 1 quoted prices (unadjusted) for an identical asset or liability in an active market.

Level 2 quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.

Level 3 unobservable and significant to the fair value measurement of the asset or liability.

The Company's liability measured at fair value on a recurring basis subject to the disclosure requirements of SFAS No.157 at June 28, 2009 were as follows:

|                              | Quoted Prices in<br>Active<br>Markets<br>for Identical<br>Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Fair Value as of<br>June 28,<br>2009 |
|------------------------------|---|--|--|--------------------------------------|
| Interest rate swap liability | \$  | \$ 1,415   | \$   | \$ 1,415                             |

We believe the carrying amount of our revolving credit facility approximates its fair value because interest rates are adjusted regularly to reflect current market rates.

The following table presents the fair values for those assets and liabilities measured on a non-recurring basis and remaining on our Condensed Consolidated Balance Sheet as of June 28, 2009 and the losses recognized from all such measurements during the quarter and year to date ended June 28, 2009:

|                                 | Quoted Prices<br>in Active<br>Markets<br>for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Fair Value as<br>of June 28,<br>2009 | Total losses |              |
|---------------------------------|--|---|--|--------------------------------------|--------------|--------------|
|                                 |  |   |  |                                      | Quarter      | Year to date |
| Long-lived assets held for sale | \$   | \$ 10,600   | \$   | \$ 10,600                            | \$ (150)     | \$ (300)     |

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

This Quarterly Report on Form 10-Q contains forward-looking statements that reflect, when made, our expectations or beliefs concerning future events that involve risks and uncertainties. Forward-looking statements frequently are identified by the words believe, anticipate, expect, estimate, intend, project, will be, will continue, will likely result or other similar words and phrases. Similarly, statements herein that describe our objectives, plans or goals also are forward-looking statements. Actual results could differ materially from those projected, implied or anticipated by our forward-looking statements. Some of the factors that could cause actual results to differ include: changes in economic conditions and general trends; the loss of key management personnel; the effect of market volatility on our stock price; our ability to integrate the restaurants acquired in the Mitchell's acquisition; our ability to realize the anticipated benefits of acquired restaurants; health concerns about beef or other food products; the effect of competition in the restaurant industry; changes in consumer preferences or discretionary spending; reductions in the availability of, or increases in the cost of, USDA Prime grade beef, fish and other food items; labor shortages or increases in labor costs; the impact of federal, state or local government regulations relating our employees, the sale or preparation of food, the sale of alcoholic beverages and the opening of new restaurants; harmful actions taken by our franchisees; our ability to protect our name and logo and other proprietary information; the impact of litigation; the restrictions imposed by our credit agreement; failure of internal controls over financial reporting; and the portion of voting power controlled by one principal stockholder. 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 this report and in our Annual Report on Form 10-K for the fiscal year ended December 28, 2008 filed by us, as well as our other filings with the Securities and Exchange Commission (the SEC), all of which are 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 we undertake no obligation to revise or update this Quarterly Report on Form 10-Q to reflect events or circumstances after the date hereof.

Unless the context otherwise indicates, all references in this report to the Company, Ruth's, we, us, or our or similar words are to Ruth's Hospitality Group, Inc. and its subsidiaries. Ruth's Hospitality Group, Inc. is a Delaware corporation formerly known as Ruth's Chris Steak House, Inc., and was founded in 1965.

#### **Overview**

We are a leading restaurant company focused on the upscale dining segment. As of June 28, 2009, there were 128 Ruth's Chris Steak House restaurants, of which 64 were company-owned and 64 were franchisee-owned, including 14 international franchisee-owned restaurants in Aruba, Mexico, Hong Kong, Taiwan, Japan, Canada and the United Arab Emirates.

As of June 28, 2009, there were 19 Mitchell's Fish Market locations operating under the names of Mitchell's Fish Market and Columbus Fish Market, and three Cameron's Steakhouses operating under the names of Cameron's Steakhouse and Mitchell's Steakhouse.

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The following table summarizes the changes in the number of Ruth's Chris Steak House, Mitchell's Fish Market and Cameron's Steakhouse company-operated and franchised restaurants during the first half of fiscal 2009:

|                                 | 13 Weeks Ending<br>June 28, 2009 |            |       | 26 Weeks Ending<br>June 28, 2009 |            |       |
|---------------------------------|----------------------------------|------------|-------|----------------------------------|------------|-------|
|                                 | Company                          | Franchised | Total | Company                          | Franchised | Total |
| <b>Ruth's Chris Steak House</b> |                                  |            |       |                                  |            |       |
| Beginning of period             | 65                               | 65         | 130   | 66                               | 64         | 130   |
| New                             |                                  |            |       |                                  | 2          | 2     |
| Closed                          | 1                                | 1          | 2     | 2                                | 2          | 4     |
| End of period                   | 64                               | 64         | 128   | 64                               | 64         | 128   |
| % of system                     | 50%                              | 50%        | 100%  | 50%                              | 50%        | 100%  |
|                                 | Company                          | Franchised | Total | Company                          | Franchised | Total |
| <b>Mitchell's Fish Market</b>   |                                  |            |       |                                  |            |       |
| Beginning of period             | 19                               |            | 19    | 19                               |            | 19    |
| New                             |                                  |            |       |                                  |            |       |
| Closed                          |                                  |            |       |                                  |            |       |
| End of period                   | 19                               |            | 19    | 19                               |            | 19    |
| % of system                     | 100%                             | 0%         | 100%  | 100%                             | 0%         | 100%  |
|                                 | Company                          | Franchised | Total | Company                          | Franchised | Total |
| <b>Cameron's Steakhouse</b>     |                                  |            |       |                                  |            |       |
| Beginning of period             | 3                                |            | 3     | 3                                |            | 3     |
| New                             |                                  |            |       |                                  |            |       |
| Closed                          |                                  |            |       |                                  |            |       |
| End of period                   | 3                                |            | 3     | 3                                |            | 3     |
|                                 | 100%                             | 0%         | 100%  | 100%                             | 0%         | 100%  |
| <b>Consolidated</b>             |                                  |            |       |                                  |            |       |
| Total system                    | 86                               | 64         | 150   | 86                               | 64         | 150   |
| % of system                     | 57%                              | 43%        | 100%  | 57%                              | 43%        | 100%  |

Our Annual Report on Form 10-K for the fiscal year ended December 28, 2008 provides additional information about our business, operations and financial condition.

**Table of Contents****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 Ending  |                  | 26 Weeks Ending  |                  |
|--|------------------|------------------|------------------|------------------|
|  | June 29,<br>2008 | June 28,<br>2009 | June 29,<br>2008 | June 28,<br>2009 |
| Revenues:  |                  |                  |                  |                  |
| Restaurant sales   | 95.1%            | 95.0%            | 95.7%            | 96.1%            |
| Franchise income   | 2.7%             | 2.8%             | 3.0%             | 2.8%             |
| Other operating income   | 2.2%             | 2.2%             | 1.3%             | 1.1%             |
| Total revenues   | 100.0%           | 100.0%           | 100.0%           | 100.0%           |
| Costs and expenses:  |                  |                  |                  |                  |
| Food and beverage costs (percentage of restaurant sales)       | 30.7%            | 28.0%            | 31.3%            | 28.6%            |
| Restaurant operating expenses (percentage of restaurant sales) | 50.0%            | 54.3%            | 49.0%            | 53.8%            |
| Marketing and advertising                                      | 4.5%             | 4.4%             | 3.6%             | 3.4%             |
| General and administrative costs                               | 9.3%             | 6.4%             | 8.2%             | 6.1%             |
| Depreciation and amortization expenses                         | 4.0%             | 4.7%             | 3.8%             | 4.4%             |
| Pre-opening costs  | 0.9%             |                  | 0.7%             |                  |
| Loss on impairment   |                  | 0.2%             |                  | 0.2%             |
| Loss on the disposal of property and equipment, net            |                  | 1.0%             |                  | 0.5%             |
| Operating income   | 4.6%             | 5.1%             | 6.9%             | 6.2%             |
| Other income (expense):  |                  |                  |                  |                  |
| Interest expense, net  | (1.1)%           | (2.1)%           | (2.1)%           | (2.2)%           |
| Other  | 0.2%             | 0.3%             | 0.3%             | 0.2%             |
| Income from continuing operations before income tax expense    | 3.7%             | 3.3%             | 5.1%             | 4.2%             |
| Income tax expense   | 1.0%             | 0.4%             | 1.4%             | 0.7%             |
| Income from continuing operations                              | 2.7%             | 2.9%             | 3.7%             | 3.5%             |
| Discontinued operations, net of income tax benefit             | 0.1%             | 0.3%             | 0.1%             | 0.2%             |
| Net income   | 2.6%             | 2.6%             | 3.6%             | 3.3%             |

**Second quarter Ended June 28, 2009 (13 Weeks) Compared to Second quarter Ended June 29, 2008 (13 Weeks)**

**Restaurant Sales.** Restaurant sales decreased \$18.3 million, or 17.9%, to \$84.0 million in the second quarter of fiscal 2009 from \$102.3 million in the second quarter of fiscal 2008. Company-owned comparable restaurant sales for Ruth's Chris Steak House decreased 23.4%, compared to a 7.1% decrease in 2008. This decrease was primarily due to an entrée reduction of 18.1% and a decrease in average check of 6.5%. Company-owned comparable restaurant sales for Mitchell's Fish Market decreased 9.8%. This decrease was primarily due to an entrée reduction of 6.5% and a decrease in average check of 3.5%.

**Franchise Income.** Franchise income decreased \$0.5 million, or 16.7%, to \$2.5 million in the second quarter of fiscal 2009 from \$3.0 million in the second quarter of fiscal 2008. The decrease was driven primarily by a decline in blended comparable franchise-owned restaurant sales of 24.4%.

**Other Operating Income.** Other operating income decreased \$0.4 million, or 16.7%, to \$2.0 million in the second quarter of fiscal 2009 from \$2.4 million in the second quarter of fiscal 2008. This decrease was due primarily to additional sales incentives associated with gift card sales programs.



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*Food and Beverage Costs.* Food and beverage costs decreased \$7.9 million, or 25.2%, to \$23.5 million in the second quarter of fiscal 2009 from \$31.4 million in the second quarter of fiscal 2008. As a percentage of restaurant sales, food and beverage costs decreased to 28.0% in the second quarter of fiscal 2009 from 30.7% in the second quarter of fiscal 2008. This decrease in food and beverage costs as a percentage of restaurant sales was primarily due to favorable beef costs.

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*Restaurant Operating Expenses.* Restaurant operating expenses decreased \$5.6 million, or 10.9%, to \$45.6 million in the second quarter of fiscal 2009 from \$51.2 million in the second quarter of fiscal 2008. Restaurant operating expenses, as a percentage of restaurant sales, increased to 54.3% in the second quarter of fiscal 2009 from 50.0% in the second quarter of fiscal 2008 due to deleveraging from our lower comparable store sales. Deleveraging, as it pertains to us, occurs when sales decline and a large portion of the associated costs are fixed; therefore the related costs have a larger impact as a percentage of sales.

*Marketing and Advertising.* Marketing and advertising expenses decreased \$0.9 million, or 18.8%, to \$3.9 million in the second quarter of fiscal 2009 from \$4.8 million in the second quarter of fiscal 2008. As a percentage of total revenues, marketing and advertising decreased to 4.4% in the second quarter of fiscal 2009 from 4.5% in the second quarter of fiscal 2008.

*General and Administrative.* General and administrative costs decreased \$4.4 million, or 44.0%, to \$5.6 million in the second quarter of fiscal 2009 from \$10.0 million in the second quarter of fiscal 2008. General and administrative costs as a percentage of total revenues decreased to 6.4% in the second quarter of fiscal 2009 from 9.3% in the second quarter of fiscal 2008. This decrease in general and administrative expenses as a percentage of sales was primarily due to the corporate restructuring in the fourth quarter of 2008. In the second quarter of fiscal 2008, we recorded \$1.4 million of expense associated with the departure of the Company's Chief Executive Officer.

*Depreciation and Amortization.* Depreciation and amortization expense costs decreased \$0.1 million, or 2.3%, to \$4.2 million in the second quarter of fiscal 2009 from \$4.3 million in the second quarter of fiscal 2008. The decrease was due primarily to the fixed assets that were impaired in the fourth quarter of fiscal 2008.

*Pre-opening Costs.* Pre-opening costs were \$0.0 million in the second quarter of fiscal 2009 due to the timing of company-owned restaurant openings. There were no new company-owned restaurant openings in the second quarter of fiscal 2009. The Company opened two new company-owned restaurants in the second quarter of fiscal 2008.

*Loss on impairment.* Loss on impairment was \$0.2 million in the second quarter of fiscal 2009 due to impairment charges related to the closure of the Ruth's Chris Steak House location in San Juan, Puerto Rico, on February 28, 2009, due to an expired lease term in February 2009. We elected not to renew the lease and are currently seeking a franchise partner to acquire the remaining assets, which have an estimated fair value of \$0.1 million.

*Loss on the disposal of property and equipment, net.* Loss on the disposal of property and equipment was \$0.9 million in the second quarter of fiscal 2009 due to the loss on the sale of our former home office land and building in Metairie, Louisiana.

*Interest Expense.* Interest expense increased \$0.6 million, or 50.0%, to \$1.8 million in the second quarter of fiscal 2009 from \$1.2 million in the second quarter of fiscal 2008. Interest expense for the quarter included a gain of \$0.4 million for a mark-to-market non-cash adjustment relating to interest rate swap agreements. During the second quarter of 2008, we recorded a gain of \$1.2 million for a mark-to-market adjustment relating to interest rate swap agreements.

*Income Tax Expense.* Income tax expense decreased \$0.6 million, or 60.0%, to \$0.4 million in the second quarter of fiscal 2009 from a \$1.0 million expense in the second quarter of fiscal 2008. The decrease is due to a decline in the estimated annual effective rate for fiscal 2009 resulting from an increase in the impact of federal tax credits combined with a decrease in income before income tax.

*Income from Continuing Operations.* Income from continuing operations decreased \$0.3 million, or 10.3%, to \$2.6 million in the second quarter of fiscal 2009 from \$2.9 million in the second quarter of fiscal 2008.

*Discontinued Operations, net of Income Tax Benefit.* Losses from discontinued operations, net of income tax benefit, increased \$0.2 million to \$0.3 million in the second quarter of fiscal 2009 compared to \$0.1 million in the second quarter of fiscal 2008. These losses relate to our former operations in New York, New York, and Naples, Florida.

During the third quarter of fiscal 2007, the Company was notified that the replacement tenant in the Manhattan-UN, New York, location was placed in default by the landlord and as a result, the Company resumed lease payments with respect to this property during the third quarter of fiscal 2008. Payments will equal \$0.6 million in the aggregate per fiscal year through September 2016. The Company will attempt to sublease the property in order to recover some or all of the amounts paid with respect to the lease. At June 28, 2009, the Company maintained a contingent lease liability of \$0.8 million related to this property. The Company accounted for its exit costs in accordance with the provisions of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146), which required that such costs be expensed in the periods whereby such costs are incurred. All of the losses incurred are included in discontinued operations in the accompanying condensed consolidated income statements.

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During May 2009, the Company recorded a contingent lease liability of \$0.4 million related to its decision to close the Ruth's Chris Steak House located in Naples, Florida. Lease payments for this location will equal \$0.2 million in the aggregate per fiscal year through January 2027. The Company will attempt to sublease the property in order to recover some or all of the amounts paid with respect to the lease. The Company accounted for its exit costs in accordance with SFAS 146. All of the losses incurred with respect to this location are included in discontinued operations in the accompanying condensed consolidated income statements.

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### ***Twenty-Six Weeks Ended June 28, 2009 Compared to Twenty-Six Weeks Ended June 29, 2008***

**Restaurant Sales.** Restaurant sales decreased \$18.2 million, or 9.3%, to \$178.2 million in the first twenty-six weeks of fiscal 2009 from \$196.4 million in the first twenty-six weeks of fiscal 2008. The Mitchell's acquisition generated \$39.7 million in restaurant sales during the first twenty-six weeks of fiscal 2009, compared to \$33.1 million in restaurant sales from February 19, 2008, the acquisition closing date, through June 29, 2008. Company-owned comparable restaurant sales for Ruth's Chris Steak House decreased 20.9%, compared to a 7.0% decrease in 2008. This decrease was primarily due to an entrée reduction of 16.4% and a decrease in average check of 5.4% offset by changes in product mix.

**Franchise Income.** Franchise income decreased \$1.1 million, or 17.5%, to \$5.2 million in the first twenty-six weeks of fiscal 2009 from \$6.3 million in the first twenty-six weeks of fiscal 2008. The decrease was driven primarily by a decline in blended comparable franchise-owned restaurant sales of 23.6%

**Other Operating Income.** Other operating income decreased \$0.5 million, or 19.2%, to \$2.1 million in the first twenty-six weeks of fiscal 2009 from \$2.6 million in the first twenty-six weeks of fiscal 2008. This decrease was primarily due to additional sales incentives associated with gift card sales programs.

**Food and Beverage Costs.** Food and beverage costs decreased \$10.5 million, or 17.1%, to \$51.0 million in the first twenty-six weeks of fiscal 2009 from \$61.5 million in the first twenty-six weeks of fiscal 2008. As a percentage of restaurant sales, food and beverage costs decreased to 28.6% in the first twenty-six weeks of fiscal 2009 from 31.3% in the first twenty-six weeks of fiscal 2008. This decrease in food and beverage costs as a percentage of restaurant sales was primarily due to favorable beef costs.

**Restaurant Operating Expenses.** Restaurant operating expenses decreased \$0.3 million, or 0.3%, to \$95.9 million in the first twenty-six weeks of fiscal 2009 from \$96.2 million in the first twenty-six weeks of fiscal 2008. Restaurant operating expenses, as a percentage of restaurant sales, increased to 53.8% in the first twenty-six weeks of fiscal 2009 from 49.0% in the first twenty-six weeks of fiscal 2008 due to deleveraging from lower comparable store sales.

**Marketing and Advertising.** Marketing and advertising expenses decreased \$1.0 million, or 13.5%, to \$6.4 million in the first twenty-six weeks of fiscal 2009 from \$7.4 million in the first twenty-six weeks of fiscal 2008. As a percentage of total revenues, marketing and advertising decreased to 3.4% in the first twenty-six weeks of fiscal 2009 from 3.6% in the first twenty-six weeks of fiscal 2008.

**General and Administrative.** General and administrative costs decreased \$5.7 million, or 33.7%, to \$11.2 million in the first twenty-six weeks of fiscal 2009 from \$16.9 million in the first twenty-six weeks of fiscal 2008. General and administrative costs as a percentage of total revenues decreased to 6.1% in the first twenty-six weeks of fiscal 2009 from 8.2% in the first twenty-six weeks of fiscal 2008. This decrease in general and administrative expenses as a percentage of sales was primarily due to the corporate restructuring in the fourth quarter of fiscal 2008. In the second quarter of fiscal 2008, we recorded \$1.4 million of expense associated with the departure of the Company's Chief Executive Officer.

**Depreciation and Amortization.** Depreciation and amortization expenses increased \$0.4 million, or 5.1%, to \$8.2 million in the first twenty-six weeks of fiscal 2009 from \$7.8 million in the first twenty-six weeks of fiscal 2008. The increase was due primarily to the addition of new company-owned restaurants and remodel investments at the Company's existing company-owned restaurants, offset by the fixed assets that were impaired in the fourth quarter of fiscal 2008.

**Pre-opening Costs.** Pre-opening costs were \$0.0 million in the first twenty-six weeks of fiscal 2009 due to the timing of company-owned restaurant openings. There were no new company-owned restaurant openings in the first twenty-six weeks of fiscal 2009. The Company opened two new company-owned restaurants in the first twenty-six weeks of fiscal 2008.

**Loss on impairment.** Loss on impairment was \$0.3 million in the first twenty-six weeks of fiscal 2009 due to impairment charges related to the closure of the Ruth's Chris Steak House location in San Juan, Puerto Rico, on February 28, 2009, due to an expired lease term in February 2009. We elected not to renew the lease and are currently seeking a franchise partner to acquire the remaining assets, which have an estimated fair value of \$0.1 million.

**Loss on the disposal of property and equipment, net.** Loss on the disposal of property and equipment was \$0.9 million in the first twenty-six weeks of fiscal 2009 due to the sale of our former home office land and building in Metairie, Louisiana.

**Interest Expense.** Interest expense decreased \$0.3 million, or 6.8%, to \$4.1 million in the first twenty-six weeks of fiscal 2009 from \$4.4 million in the first twenty-six weeks of fiscal 2008. During the first twenty-six weeks of fiscal 2009, we recorded a gain of \$0.7 million for a

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mark-to-market non-cash adjustment relating to interest rate swap agreements. During the first twenty-six weeks of fiscal 2008, we recorded a charge of \$0.5 million for a mark-to-market adjustment relating to interest rate swap agreements.

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**Income Tax Expense.** Income tax expense decreased \$1.6 million, or 55.2%, to \$1.3 million in the first twenty-six weeks of fiscal 2009 from a \$2.9 million expense in the first twenty-six weeks of fiscal 2008. The decrease is due to a decline in the estimated annual effective rate for fiscal 2009 resulting from an increase in the impact of federal tax credits combined with a decrease in income before income tax.

**Income from Continuing Operations.** Income from continuing operations decreased \$1.0 million, or 13.5%, to \$6.4 million in the first twenty-six weeks of fiscal 2009 from \$7.4 million in the first twenty-six weeks of fiscal 2008.

**Discontinued Operations, net of Income Tax Benefit.** Losses from discontinued operations, net of income tax benefit, increased \$0.2 million to \$0.3 million in the first twenty-six weeks of fiscal 2009 compared to \$0.1 million in the first twenty-six weeks of fiscal 2008. These losses relate to our former operations in New York, New York, and Naples, Florida.

During the third quarter of fiscal 2007, the Company was notified that the replacement tenant in the Manhattan-UN, New York, location was placed in default by the landlord and as a result, the Company resumed lease payments with respect to this property during the third quarter of fiscal 2008. Payments will equal \$0.6 million in the aggregate per fiscal year through September 2016. The Company will attempt to sublease the property in order to recover some or all of the amounts paid with respect to the lease. At June 28, 2009, the Company maintained a contingent lease liability of \$0.8 million related to this property. The Company accounted for its exit costs in accordance with the provisions of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146), which required that such costs be expensed in the periods whereby such costs are incurred. All of the losses incurred are included in discontinued operations in the accompanying condensed consolidated income statements.

During May 2009, the Company recorded a contingent lease liability of \$0.4 million related to its decision to close the Ruth's Chris Steak House located in Naples, Florida. Lease payments for this location will equal \$0.1 million in the aggregate per fiscal quarter through January 2022. The Company will attempt to sublease the property in order to recover some or all of the amounts paid with respect to the lease. The Company accounted for its exit costs in accordance with SFAS 146. All of the losses incurred with respect to this location are included in discontinued operations in the accompanying condensed consolidated income statements.

**Liquidity and Capital Resources**

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

|   | 26 Weeks Ending  |                  |
|---|------------------|------------------|
|   | June 29,<br>2008 | June 28,<br>2009 |
|   | (unaudited)      |                  |
| Net cash provided by (used in):           |                  |                  |
| Operating activities                      | \$ 23,159        | \$ 11,833        |
| Investing activities                      | (114,920)        | (2,019)          |
| Financing activities                      | 82,149           | (12,555)         |
| Net decrease in cash and cash equivalents | \$ (9,612)       | \$ (2,741)       |

Our principal source of cash during the first twenty-six weeks of fiscal 2009 was cash provided by operations. Principal uses of cash during the first twenty-six weeks of fiscal 2009 included capital expenditures related to existing restaurants and debt service. We expect that our principal use of cash in the future will be to service debt.

Our operations have not required significant working capital and, like many restaurant companies, we have been able to operate with negative working capital. Restaurant sales are primarily for cash or by credit card and restaurant operations do not require significant inventories or receivables.

Net cash provided by operating activities was \$11.8 million in the first twenty-six weeks of fiscal 2009 compared to \$23.2 million provided in the first twenty-six weeks of fiscal 2008. The decrease in net cash provided by operating activities was due primarily to a decrease in deferred revenue, net income, and changes in working capital.

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Net cash used in investing activities was \$2.0 million in the first twenty-six weeks of fiscal 2009, compared to \$114.9 million used in the first 26 weeks of fiscal 2008. This decrease was primarily due to the \$93.0 million acquisition of Mitchell's Fish Market and Cameron's Steakhouse in the second quarter of fiscal 2008.

Net cash used in financing activities was \$12.6 million in the first twenty-six weeks of fiscal 2009, compared to net cash provided by financing activities of \$82.1 million in the first twenty-six weeks of fiscal 2008. This change in cash was primarily due to the reduction of debt in the first and second quarters of fiscal 2009 compared to additional borrowings of \$93.0 million for the Mitchell's Fish Market and Cameron's Steakhouse acquisition during the second quarter of fiscal 2008. On February 26, 2009, we amended and restated our existing credit facility in order to maintain compliance with certain financial covenants. For specific detail, see Footnote 4 to our unaudited financial statements included in Part I, Item 1 of this report.

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Capital expenditures, excluding acquisitions, totaled \$2.8 million in the first twenty-six weeks of fiscal 2009, compared to \$21.9 million in the first twenty-six weeks of fiscal 2008. Capital expenditures in the first twenty-six weeks of fiscal 2009 resulted from \$1.0 million in maintenance capital, \$0.8 million in 2008 restaurant construction and \$1.0 million in remodels. We anticipate capital expenditures in fiscal 2009 will total approximately \$8.0 million to \$10.0 million. We do not expect to open any company-owned restaurants in fiscal 2009.

### **Off-Balance Sheet Arrangements**

As of June 28, 2009, 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 28, 2008 includes a summary of the critical accounting policies that we believe are the most important to aid in the understanding of our financial results. There have been no material changes to these critical accounting policies that impacted our reported amounts of assets, liabilities, revenues or expenses during the first twenty-six weeks of fiscal 2009. We have identified the following as our most critical accounting estimate:

#### *Stock-Based Compensation*

We account for stock-based compensation in accordance with the Statement of Financial Accounting Standards ( SFAS ) 123R. Under the provisions of SFAS 123R, share-based compensation cost is estimated at the grant date based on the award's fair-value as calculated by an option pricing model and is recognized as an expense ratably over the requisite period. The option pricing models require judgmental assumptions including volatility, forfeiture rates, and expected option life. If any of the assumptions used in the model change significantly, share-based compensation expense may differ in the future from that recorded in the current period.

### **Recent Accounting Pronouncements For Future Application**

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, ( SFAS 141(R) ), a replacement of SFAS No. 141, *Business Combinations*. The provisions of SFAS No. 141(R) establish principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest acquired and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of a business combination, and applies to business combinations for which the acquisition date is on or after December 15, 2008, and may not be early adopted. We are currently evaluating the impact that SFAS No. 141(R) will have on the consolidated financial statements and expect the adoption of this standard will not have a material impact on our consolidated balance sheet, statements of income or cash flows.

Other accounting standards that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

## **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 June 28, 2009, the Company had \$150.0 million of variable rate debt of which \$50.0 million has been converted to fixed rates through the use of interest rate swaps. Holding other variables constant (such as foreign exchange rates and 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 the second quarter of fiscal 2009 of approximately \$0.3 million.

The Company has an interest rate swap to manage its exposure on its debt facility. By using the interest rate swap to hedge exposures to changes in interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates



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credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, it does not possess credit risk.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

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### *Foreign Currency Risk*

In accordance with the Company's franchise agreements relating to the Company's international locations, it receives royalties from those franchisees in U.S. dollars, and therefore it believes that fluctuations in foreign exchange rates do not present a material risk to its operations.

### *Commodity Price Risk*

The Company is exposed to market price fluctuations in beef and other food product prices. Given the historical volatility of beef and other food product prices, this exposure can impact the Company's food and beverage costs. As the Company typically sets its menu prices in advance of its beef and other food product purchases, the Company cannot quickly take into account 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. In fiscal 2009, the Company has negotiated set pricing for approximately 50% of its prime beef requirements, which represents 25% of its beef purchases. The Company currently does not use financial instruments to hedge its risk to market price fluctuations in other food product prices.

### *Effects of Inflation*

Components of the Company's operations are subject to inflation and include food, beverage, lease and labor costs. The Company's leases require it to pay taxes, maintenance, repairs, insurance and utilities, all of which are subject to inflationary increases. The Company believes inflation has not had a material impact on its results of operations in recent years.

## **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 June 28, 2009. 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 June 28, 2009 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 ending June 28, 2009, 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.

## **PART II. OTHER INFORMATION**

## **ITEM 1. LEGAL PROCEEDINGS**

There are no material changes to the legal proceedings included in the Company's Form 10-K for the year ended December 28, 2008. From time to time, the Company is involved in various disputes and litigation matters that arise in the ordinary course of business. While litigation is subject to uncertainties and the outcome of litigated matters is not predictable with assurance, the Company is not aware of any legal proceedings pending or threatened against it that it expects to have a material adverse effect on its financial condition or results of operations.

## **ITEM 1A. RISK FACTORS**

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There are no material changes to the Risk Factors included in the Company's Form 10-K for the fiscal year ended December 28, 2008. The impact of the 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**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

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On May 21, 2009, the Company held an annual meeting of its stockholders. The annual meeting was held in order to vote on the following matters:

Proposal 1: The board of directors nominated Michael P. O'Donnell, Robin P. Selati, Carla R. Cooper, Bannus B. Hudson and Alan Vituli to stand for election at the annual meeting. Each of the director nominees were elected by a plurality of votes cast by shares entitled to vote at the meeting. Therefore, in accordance with the voting results listed below, all five director nominees were re-elected to serve a one-year term and until their successors have been elected and qualified. The votes on this proposal were cast as follows:

| <b>Nominee:</b>      | <b>Votes For:</b> | <b>Votes Withheld:</b> |
|----------------------|-------------------|------------------------|
| Michael P. O'Donnell | 18,919,829        | 2,517,634              |
| Robin P. Selati      | 18,724,646        | 2,712,817              |
| Carla R. Cooper      | 19,303,432        | 2,134,031              |
| Bannus B. Hudson     | 19,392,477        | 2,044,986              |
| Alan Vituli          | 19,490,694        | 1,946,769              |

There were no broker non-votes since brokers who hold shares for the accounts of their clients had discretionary authority to vote such shares with respect to this proposal.

Proposal 2: The board of directors selected KPMG LLP to serve as the independent registered public accounting firm for the Company in fiscal 2009. The board of directors directed that the appointment of the independent accounting firm be submitted for ratification by the stockholders at the annual meeting. Therefore, in accordance with the voting results listed below, KPMG LLP will serve as the independent registered public accounting firm for the Company in fiscal 2009. The votes on this proposal were cast as follows:

|          |            |
|----------|------------|
| For:     | 20,988,361 |
| Against: | 281,145    |
| Abstain: | 167,957    |

There were no broker non-votes since brokers who hold shares for the accounts of their clients had discretionary authority to vote such shares with respect to this proposal.

**ITEM 5. OTHER INFORMATION**

None.

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**ITEM 6. EXHIBITS**

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RUTH S HOSPITALITY GROUP, INC.

By: /s/ MICHAEL P. O DONNELL  
Michael P. O Donnell  
**President and Chief Executive Officer**  
(Principal Executive Officer)

By: /s/ ROBERT M. VINCENT  
Robert M. Vincent  
**Executive Vice President**  
  
**and Chief Financial Officer**  
(Principal Financial and Accounting Officer)

Date: August 5, 2009